

STATE AGENCY ACTION REPORT
ON APPLICATION FOR CERTIFICATE OF NEED

A. PROJECT IDENTIFICATION

1. Applicant/CON Action Number

Orlando Regional Healthcare System/CON #9496

c/o Paul McCall
Health Strategies, Inc.
175 Salem Court
Tallahassee, Florida 32301

Authorized Representative: Paul McCall
(850) 222-7110

Adventist Health System/Sunbelt, Inc. /CON #9497
d/b/a Florida Hospital

601 East Rollins Street
Orlando, Florida 32803

Authorized Representative: Richard E. Morrison
(407) 897-1607

2. Service District/Subdistrict

District 7, Subdistrict 4, Seminole County

B. PUBLIC HEARING

A public hearing was not held or requested with regard to the proposed projects. However, e-mails and letters of support have been submitted for both projects. Mr. Tom O'Hanlon, Chairman of the Oviedo City Council and Chief Timothy J. Lallathin of the Winter Springs Fire Department indicate that they support the addition of a new hospital to the serve area residents, but do not specifically endorse either applicant. Mr. O'Hanlon indicates that Oviedo is and has been the fastest growing city in Florida according to the U.S. Census. He also states that the closest Orlando area hospital during non-peak traffic hours is about 25 minutes

CON Action Numbers: 9496 & 9497

and almost an hour during peak traffic hours. According to information published on the Governor's "myflorida.com" Internet website by the Florida Census Data Center, the following population areas in Florida were among the population centers experiencing a high growth rate during the ten year period, 1990 to 2000:

**Population Increases between 1990 and 2000
Selected Areas in Florida**

Place Name	2000 Census	1990 Census	Population Increase	Change 1990-2000 Percent
Lehigh Acres CDP*	33,430	13,611	19,819	145.6
Doral CDP*	20,438	3,126	17,312	553.8
Palm City CDP*	20,097	3,925	16,172	412.0
Oviedo City	23,316	11,114	15,202	136.8
Spring Hill CDP*	69,078	31,117	37,961	122.0

Source: Florida Census Data Center's website

<http://www.labormarketinfo.com/census2000/PL94-171/placecomparison.xls>

***CPD= Census Designated Place**

The areas selected above were chosen for comparison to Oviedo. The percentage of change in population between 1990 and 2000 and/or the actual population increase between those years was similar for the five population areas cited above. Although Oviedo is among the fastest growing population area, it is not growing as fast as several other areas.

Seminole County was also among the counties in Florida experiencing growth at a higher rate than the state as a whole during the period 1990 through 2000. Again, however, not the fastest and not as fast as adjacent Orange County.

CON Action Numbers: 9496 & 9497

Listing of Florida Counties Experiencing a Percentage Growth Rate above the State as a Whole for the Period 1990-2000			
	Population		
County	CY 1990	CY 2000	% Change 1990-2000
Sumter	31,577	53,345	68.9%
Collier	152,099	251,377	65.3%
Wakulla	14,202	22,863	61.0%
Gilchrist	9,667	14,437	49.3%
St. Johns	83,829	123,135	46.9%
Walton	27,760	40,601	46.3%
Santa Rosa	81,608	117,743	44.3%
Hendry	25,773	36,210	40.5%
Glades	7,591	10,576	39.3%
De Soto	23,865	32,209	35.0%
Marion	194,833	258,916	32.9%
Clay	105,986	140,814	32.9%
Levy	25,923	34,450	32.9%
Columbia	42,613	56,513	32.6%
Orange	677,491	896,344	32.3%
Lee	335,113	404,888	31.6%
Nassau	43,941	57,663	31.2%
Union	10,252	13,442	31.1%
Palm Beach	863,518	1,131,184	31.0%
Dixie	10,585	13,827	30.6%
Suwannee	26,780	34,844	30.1%
Hernando	101,115	130,802	29.4%
Broward	1,255,488	1,623,018	29.3%
St. Lucie	150,171	192,695	28.3%
Highlands	47,526	68,432	27.7%
Seminole	287,529	365,196	27.0%
Martin	100,900	126,731	25.6%
Indian River	90,208	112,947	25.2%
Manatee	211,707	264,002	24.7%
Leon	192,493	239,452	24.4%
Washington	16,919	20,973	24.0%
Florida	12,937,926	15,982,378	23.5%

Source: Florida Census Center's website <http://www.labormarketinfo.com/census2000/>

Orlando Regional Healthcare System (CON #9496) presented or received approximately 50 general e-mails and letters supporting its project from local citizens, homeowner's associations, local elected officials, physicians and nurses, institutional healthcare representatives, community healthcare associations, fire departments, local schools, and businesses. These e-mails and letters generally cite ORHS's quality of care, travel time delays due to traffic congestion and the population growth in the Oviedo area.

Adventist Health System/Sunbelt, Inc. (CON #9497) presented or received approximately 40 general e-mails/letters of support from local citizens, local elected officials, physicians and nurses, community healthcare associations, fire departments, and local businesses. These e-mails and letters generally cite Florida Hospital's quality of care, traffic congestion creating delays in receiving care and the population growth in the Oviedo area. The applicant also included the City of Oviedo

CON Action Numbers: 9496 & 9497

Resolution No. 681-01 which supports the development of a new hospital in Oviedo. However, this resolution does not specially support Florida Hospital's application. Of the two officials who signed this resolution, Mr. O'Hanlon (cited above) does not endorse either applicant and Former Mayor Mary Lou Andrews (October 1999-October 2001) submitted a letter in support of Orlando Regional Medical Center.

C. PROJECT SUMMARY

Orlando Regional Healthcare System (CON #9496) proposes to construct a 60-bed acute care hospital to be located within a two-mile radius of the intersection of State Road 426 and Mitchell-Hammock Road, east of State Highway 417 (AKA "The Greenway"). The following chart shows the facility's proposed bed complement.

Orlando Regional Medical Center Oviedo Area Hospital Proposed Bed Complement	
Program	Proposed Beds
ICU	8
LDRP	10
PCU	15
Medical/Surgical	27
Total	60

Source: Information from CON #9496.

Orlando Regional Healthcare System, Inc. has been in existence since March of 1977 and presently consists of six hospitals in District 7. The System's total bed count is 1,508. The applicant indicates that this project will not increase the system's total bed count as it has agreed to condition approval of the project upon delicensing 30 acute care beds each from both its South Seminole Hospital and Lucerne Medical Center campuses. South Seminole Hospital is located within the planning area while Lucerne Medical Center is located in another planning area. The fact that there will not be a net increase in the total number of beds within Orlando Regional Healthcare System (ORHS) is not as relevant to this review as is the net increase in beds in the planning area of District 7, Subdistrict 4, Seminole County. The applicant is proposing to establish 30 additional beds in the planning area while decreasing the number of beds in another planning area, District 7, Subdistrict 2, Orange County. The applicant indicates that it plans to continue serving Orange County residents in this new facility. As shown in the population by county chart discussed earlier, Orange County's population increased at a greater rate between 1990 and 2000 than did Seminole County's.

CON Action Numbers: 9496 & 9497

Orlando Regional Medical Center (ORHS) is a Medicaid Disproportionate Share provider, a Regional Pediatric Intensive Care Center Medicaid Disproportionate Share Provider and a designated General Medical Education Medicaid Disproportionate Share Provider. The applicant proposes to condition CON approval upon the following:

- The facility's proposed location as stated above;
- A minimum of seven percent of the new hospital's total annual patient days to Medicaid recipients;
- A minimum of one percent of total patient days to charity care;
- The delicensure of 30 acute care beds from South Seminole Hospital; and
- The delicensure of 30 beds at Lucerne Medical Center.

ORHS's financial projections indicate that Medicaid and Medicaid HMO will comprise 8.1 percent of year two total patient days and charity care is projected at 4.0 percent of total year two patient days.

The proposed project consists of 155,374 GSF of construction and construction costs of \$28,759,884. The project involves a total cost of \$69,961,717.

Adventist Health System/Sunbelt Inc. d/b/a Florida Hospital (CON #9497) operates seven acute care hospitals and one behavioral health facility in District 7. Two facilities, Florida Hospital Altamonte and Winter Park Pavilion (the behavioral health facility) are located in Subdistrict 4 (Seminole County). The applicant proposes to construct a 60-bed acute care hospital at 8000 Red Bug Lake Road in Oviedo, Florida. This property presently contains a Florida Hospital owned medical office building and provides outpatient services at this site. Adventist indicates that the new hospital will be a 60-bed private room facility offering general medical/surgical and critical care inpatient services. An emergency department as well as a unit for observation patients and diagnostic/support services will also be a part of the new hospital. The applicant does not propose a specific bed complement for the new facility but does state that initially it does not plan to provide obstetrical services. Patient rooms would be built, according to the applicant, to serve this population should sufficient demand and physician support for it exist.

Adventist Health System/Sunbelt Inc.'s total District 7 bed count is 1,772. The applicant indicates that its project will not increase its system's total bed count as it proposes to delicense 50 acute care beds at Winter Park Memorial Hospital and 10 beds at Florida Hospital Apopka. Both of these facilities are located in other planning areas. As noted

CON Action Numbers: 9496 & 9497

earlier in discussion of ORHS's project, the fact that this proposal will not increase Adventist's total bed count is not as relevant to this review as is the fact that there will be a net bed increase in acute beds in the planning area. Unlike ORHS's 30-bed net increase proposal, Adventist's proposal would add 60 beds in the planning area, while decreasing beds in another planning area, District 7, Subdistrict 2, Orange County. The applicant indicates that it also plans to continue serving Orange County residents in this proposed facility. As discussed above, Orange County's population increased at a greater rate between 1990 and 2000 than did Seminole County's.

Adventist Health System/Sunbelt Inc.'s Florida Hospital – Orlando is a general Medicaid disproportionate share provider. Adventist proposes to condition CON approval to the facility location only. While the applicant does not condition to the provision of Medicaid and charity care, the financial projections indicate that Medicaid will comprise 6.2 percent of year two total patient days and charity care is projected at 3.7 percent of total charges.

The proposed project consists of 161,074 GSF of construction and construction costs of \$35,600,000. The project involves a total cost of \$55,404,500.

In generally comparing both projects as summarized above, the following is noted:

- Both projects result in a net bed increase to the subdistrict. However, Adventist's 60-bed hospital, if approved, will delicense 60 acute care beds in Orange County and add 60 beds in Seminole County while ORHS's 60-bed hospital, if approved, will delicense 30 beds in Orange County and add only 30 beds in Seminole County. Although either project, if approved, will establish a 60-bed hospital in a high growth area within Seminole County, both projects will remove beds from another county currently experiencing greater population growth.
- Adventist is proposing to establish a larger hospital than ORHS at an existing site, at lower overall costs. However, as will be discussed below in greater detail in the architectural review, while ORHS's plan is considered by the Agency architect to be well thought out, Adventist's appears restrictive and likely to be more costly than proposed as well as confusing and disorienting to patients and visitors.
- ORHS is proposing to condition award of the CON upon providing a relatively high percentage of its patient days in the 60-bed facility to Medicaid and charity patients. Pro formas more than support this

proposed condition. Adventist has made no formal commitment to the indigent population in the Oviedo area despite evidence in pro formas that indicate it intends to provide care to this population (however, at a lesser percentage than ORHS).

D. REVIEW PROCEDURE

The evaluation process is structured by the certificate of need review criteria found in Section 408.035, Florida Statutes. 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 assessing the responses 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 best meet the review criteria.

Section 59C-1.010(2) (b), Florida Administrative Code, allows no application amendment information subsequent to the application being 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, James B. McLemore analyzed the application in its entirety with consultation from the Financial Analyst, Chris Augsberger who evaluated the financial data, and the Architect, Joel Hill who evaluated the architectural and the schematic drawings as part of the application.

E. CONFORMITY OF PROJECT WITH REVIEW CRITERIA

The following indicate the level of conformity of the proposed projects with the criteria and application content requirements found in Florida Statutes, sections 408.035, and 408.037; applicable rules of the State of Florida, Chapter 59C-1 and 59C-2, Florida Administrative Code (F.A.C.); 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, the Agency for Health Care Administration (AHCA) published a fixed need pool (FNP) in Volume 27, Number 30, Florida Administrative Weekly (F.A.W.) for zero additional acute care beds in District 7, Subdistrict 4, for the July 2001 batching cycle. The applicants are applying for acute care beds in the absence of published need. Both contend that special circumstances support need for their projects.

As of December 2000, District 7, Subdistrict 4, Seminole County had a total of 575 licensed acute care beds, which experienced an occupancy rate of 50.62 percent during calendar year 2000. District 7, Subdistrict 4, had 575 licensed beds and no CON approved acute care beds, as of July 27, 2001.

Orlando Regional Healthcare System, Inc. (CON #9496) contends that there are four reasons this project is needed:

- The proposed service area's population growth which is stated to be 170,774 and projected to grow to 193,408 by April 1, 2006 per Claritas population projections,
- acute care inpatient resources are unevenly distributed,
- an ORHS facility would improve access to needed services and afford residents greater choice in the selection of services. However, there are currently three acute care hospitals in Seminole County, each owned by different health systems. Adventist owns Florida Hospital – Altamonte, HCA/The Health Care Company is the parent company for Central Florida Regional Hospital, and ORHS owns South Seminole Hospital. The applicant is referring to offering residents of the service area a greater choice than is currently being offered both in and outside of the planning area based on its contention that Adventist

CON Action Numbers: 9496 & 9497

with 61.5 percent of the discharges from the PSA, has a dominance based on the number and proximity of Adventist facilities. This is discussed further below and in the financial review (E.4.f. below).

Average acute care occupancy in Seminole County hospitals during calendar year (CY) 2000 was 50.62 percent,

- and the project will promote an improved competitive balance among hospital providers within the service area.

Issue one is the rapid population growth of the nine zip codes comprising the proposed new hospital's primary service area (PSA). These zip codes are 32732, 32765, 32766, and 32708. The applicant indicates the population in the area contained in these zip codes will increase from 91,345 in April 2001 to 105,452 in 2006, an increase of approximately 15.5 percent. Four additional zip codes adjoining the PSA; 32773, 32817, 32820 and 32826 will comprise the facility's secondary service area (SSA). There are five zip codes in the secondary service area however, zip code 32816 is a non-residential zip code embedded within zip code 32826. The applicant's proposed primary service area consists of four zip codes located in Seminole County. Secondary service area zip code 32773 is also located in Seminole; however, the other three secondary zip codes are located in Orange County, (Subdistrict 2).

The applicant provides a breakdown of the current PSA and SSA population by age cohorts and notes that the current population is 170,774. A notable characteristic of this population is the high proportion of young adults (age 15-44) at 47 percent. The applicant states that this population is projected to increase to 193,408 by April 1, 2006 per Claritas, Inc. projections with 45 percent projected to be in the 15-44 age bracket and only nine percent projected to be age 65 and above.

The applicant also contends that the actual population projections may be understated in that two significant residential developments are currently underway within the city limits of Oviedo. Both were approved in 1999 and one called for 1,251 dwelling units to be constructed by the year 2008 and the other consists of 900 dwelling units. Based on average household size of 2.9, these two projects alone will add up to 6,238 new Oviedo residents. It is noted that the most recent Agency population estimates, published in September of 2000, are lower than those provided by the applicant, which are based on Claritas, Inc. data. It is also noted that the 2000 U.S. Census for Seminole County shows a larger population at 365,196 persons than AHCA's estimate of 363,754.

As noted in the Project Summary, while the Oviedo area is growing, the applicant is proposing to transfer beds from an area experiencing faster

CON Action Numbers: 9496 & 9497

growth. Additionally, recent occupancy levels experienced in existing Seminole County facilities suggest that there is adequate existing capacity to accommodate future growth.

In support of its second contention that acute care inpatient resources are unevenly divided, the applicant provides the following chart documenting service area resident (both PSA and SSA) patient destinations for the July 1999- June 2000 reporting period.

**Orlando Regional- Oviedo's Residents of Proposed Service Area
Patient Destination
July 1999 - June 2000**

County of Hospital	Primary Service Area	Secondary Service Area	Total
Orange	18,605	17,183	35,788
Seminole	8,611	5,731	14,342
Other	861	1,001	1,862
Total	28,077	23,915	51,992

Source: CON #9496, page 10 from AHCA Hospital Discharge Data for July 1999-June 2000.

Note: Excludes psychiatric, substance abuse, rehabilitation, open heart and angioplasty patients.

The applicant concludes that 66 percent of the PSA resident patient days and 72 percent of the SSA days are provided at Orange County hospitals compared to 31 and 24 percent for Seminole County based facilities. The applicant contends that since the Seminole County hospitals are located in western Seminole County, the rapid population growth of eastern Seminole will not be served in the subdistrict's hospitals unless a new hospital is located in eastern Seminole County. Although this may be true, it appears there is adequate capacity in existing facilities to handle future growth in the subdistrict.

In reference to assess and choice (issue three), the applicant discusses the market share in the new hospital's proposed primary and secondary service area. The applicant provides the following chart to illustrate market share in the proposed service area.

**CON #9496's Proposed Primary & Secondary Service Areas
Market Share
July 1999 - June 2000**

Hospital System	PSA Patient Days	SSA Patient Days	Total
ORHS	7,732	6,235	13,967
Adventist	18,549	13,440	31,989
Other	1,796	4,240	6,036
Total	28,077	23,915	51,992

Source: CON #9496, page 11 from AHCA discharge data set.

Note: Excludes psychiatric, substance abuse, rehabilitation, open heart and angioplasty patients.

CON Action Numbers: 9496 & 9497

As shown in the table above, hospitals affiliated with the Adventist Health System hold a 66.1 percent share of ORHS's proposed PSA, 56.2 percent of the proposed SSA and 62.5 percent of the total patient days. AHCA's discharge list for this area, obtained independently by the reviewer, is consistent with the applicant's contentions. The applicant indicates that the high Adventist market share is directly related to Adventist owning three of the five community hospitals most accessible to PSA residents. One of the five hospitals available to PSA residents is an ORHS affiliate and one is affiliated with HCA/The Healthcare Company. However, Central Florida Regional Hospital, the HCA affiliate, currently has approximately two percent of the applicant's proposed primary service area market. The applicant argues that approval of its facility would move the market toward greater competitive balance and concludes that consumers will be afforded a realistic choice between the two major health systems that currently dominate the applicant's proposed primary service area market, while health care purchasers will gain greater flexibility in their ability to limit increases in health care costs. The applicant does not demonstrate actual costs savings for health care purchasers; however, competition between hospitals generally improves managed care organizations ability to bargain for lower rates.

The financial reviewer provided the following analysis of the proposed service area's market share as of the end of CY 2000.

PRIMARY SERVICE AREA

Hospital Name	Market Share
Florida Hospital	23.6%
Winter Park Memorial Hospital (1)	16.9%
Florida Hospital-East Orlando	13.1%
Florida Hospital-Altamonte	9.6%
Adventist Health System/Sunbelt Inc. Total	63.2%
South Seminole Hospital (ORHS) (2)	11.3%
Arnold Palmer Hospital (ORHS)	9.9%
Orlando Regional Medical Center	8.1%
Orlando Regional Healthcare System Total	29.3%
Central Florida Regional Hospital	2.1%
Other Facilities	5.4%
Total	100.0%

AHCA Patient Data CY 2000.

Note: (1) Adventist/Sunbelt indicates it will delicense 50 beds at this facility.

(2) OHRHS will transfer 30 beds from this facility for this project.

As the chart above demonstrates, market share data indicate that discharges from Florida Hospital, Winter Park Memorial, Florida

CON Action Numbers: 9496 & 9497

Hospital-East Orlando, and Florida Hospital- Altamonte, all Adventist facilities, accounted for 63.2 percent of the total discharges in the primary service area. Orlando Regional Healthcare System hospitals; Orlando Regional Medical Center, Arnold Palmer Hospital and South Seminole Hospital, account for only 29.3 percent. Approval of ORHS’s proposal would increase its presence in the proposed service area.

The applicant provided the following analysis to project the potential admissions for Orlando Regional – Oviedo Hospital. The applicant states it based these projections on the service area’s projected population, as discussed above, historic use rates, which it has held constant at the July 1999 – June 2000 rate, Orlando Regional Oviedo Hospital’s anticipated market share, and immigration from outside of its proposed service area. The applicant further indicates that in determining use rates, it excluded DRG groups representing psychiatric, substance abuse, rehabilitation and newborn care.

Orlando Regional – Oviedo Hospital Service Area Resident Acute Care Patient Days Per 1,000 population July 1999-June 2000 Excluding Obstetrical Deliveries			
Age	Patient Days	Population	Rate
0-14	2,835	36,098	78.54
15-44	8,621	79,602	108.30
45-54	6,373	22,076	288.69
55-64	6,853	11,668	587.35
65-74	9,604	8,933	1,075.14
75+	12,924	6,740	1,917.65
Total	47,210	165,116	285.92

Source: CON #9496 from 2001 Claritas population data by zip code as of 1/1/2000. Patient Days by zip code from AHCA data.

The applicant indicates that by including 4,782 obstetrical days, the service area utilized 51,992 days of inpatient acute care services during the 12 months ending June 30, 2000. Utilizing the 4,782 obstetrical days, a mid-year population of 79,602 residents age 15 to 44 from the above table, the obstetrical use rate equals 60.07 days per 1,000 residents age 15 to 44. However, this rate is based on the entire 15-44 population as Claritas does not provide the female population age 15-44 at the zip code level. Unfortunately, Agency population estimates do not break down population by zip code.¹

¹ It is noted that according to the Agency’s September 2000 population estimates, the female population age 15-44 in Seminole County was anticipated to be 81,971 in July of 2000.

CON Action Numbers: 9496 & 9497

The applicant also compares the service area use rate to Seminole County and Orange County use rates and indicates that the age 0 to 64 use rate among residents of its proposed services area is five percent lower than Seminole County as a whole and 41 percent lower than Orange County. The age 65 and over use rate for the service area is 10 percent lower than the age 65+ use rate in Seminole County as a whole and 18 percent lower than the 65+ use rate in Orange County. The applicant contends that greater access to hospital services may lead to an increase in service area use rates from managed care organizations. The applicant contends that opportunities for cost containment will be increased as managed care providers will be better able to negotiate competitive rates for hospital services to area residents. This is discussed further in the financial review under E.4.f. below.

The applicant indicates that Orlando Regional – Oviedo Hospital will be tailored to address both current and future inpatient and outpatient needs of the Oviedo area. The following chart provides the top ten DRGs among PSA residents during the 12 months ending June 30, 2000.

Orlando Regional – Oviedo Hospital Top Ten DRGs Among PSA Residents July 1999-June 2000			
DRG	Description	Number Discharges	Percent Discharges
373	Vaginal Delivery w/o complications	676	10.5%
127	Heart Failure and Shock	208	3.2%
371	Cesarean Section w/o complications	193	3.0%
143	Chest Pain	189	2.9%
116	Cardiac Pacemaker Implant or PTCA with Stent	188	2.9%
359	Uterine and Adnexa Procedures	172	2.7%
372	Vaginal Delivery with complications	139	2.2%
89	Simple Pneumonia and Pleurisy	135	2.1%
209	Major Joint & Limb reattachment	112	1.7%
14	Specific Cerebrovascular Disorders except Transient Ischemic Attack	103	1.6%

Source: CON #9496, page 17 from AHCA Hospital Discharge data.

CON Action Numbers: 9496 & 9497

The applicant indicates that childbirth DRGs 370-374, accounted for approximately 17 percent² of all primary service area resident discharges during the 12 months ending June 30, 2000. The financial analysis indicates that approximately 21.1 percent of all primary service area resident discharges during CY 2000 were childbirth related. Refer to E.4. below. The applicant indicates that SSA residents produced 941 childbirth discharges bringing the total service area to 2,041 (1,100 + 941). This figure is shown in the applicant's charts discussed below. The chart above only shows 1,008 (676+193+139=1,008) because it only includes the Top 10 DRG's. The applicant has clearly shown that the service area has a significant amount of childbirth related hospital activity.

ORHS concludes that a community hospital committed to service the needs of local residents must place strong emphasis on obstetrics. The applicant also acknowledges that the proposed facility will not be capable of providing DRG 116 care as this service can only be provided in hospitals with open-heart surgery programs. Other tertiary services such as major trauma care, burn treatment and various transplant services will also not be provided. The applicant indicates that in all these excluded services accounted for approximately eight percent of the PSA resident discharges and 11 percent of patient days during the July 1999 – June 2000 period.

The applicant indicates that market share estimates were developed through an analysis of numerous factors including current market shares, proposed service mix, and drive distances to the proposed facility and existing hospitals. The following table summarizes the resulting market share estimates for services other than obstetrics through the first five years of the Oviedo facility's operation.

² DRG's 370 and 374 were not among the top 10 DRG's and are not listed in the chart above.

CON Action Numbers: 9496 & 9497

**Orlando Regional – Oviedo
Market Share by Zip Code by Calendar Year
CY 2004 through CY 2008
Excluding Obstetrics**

Zip Code Area	2004	2005	2006	2007	2008
32708	7.5%	9.4%	11.3%	13.1%	15.0%
32732	30.0%	32.5%	35.0%	37.5%	40.0%
32765	25.0%	27.5%	30.0%	32.5%	35.0%
32766	30.0%	32.5%	35.0%	37.5%	40.0%
PSA	18.0%	20.3%	22.6%	24.8%	27.1%
32773	5.0%	5.0%	5.0%	5.0%	5.0%
32817	5.0%	6.3%	7.5%	8.8%	10.0%
32820	5.0%	5.0%	5.0%	5.0%	5.0%
32826	10.0%	11.3%	12.5%	13.8%	15.0%
SSA	6.4%	7.2%	8.1%	9.0%	9.8%
Total	13.0%	14.7%	16.4%	18.1%	19.8%

Source: CON #9496, page 19.

The hospital’s proposed location will position it to draw primarily from two zip codes comprising the Oviedo area (32765 and 32766) and the Geneva area (zip code 32732) immediately to the east of Oviedo. The hospital will also be well positioned to serve the eastern portion of zip code 32708 (Winter Springs) immediately west of Oviedo. The other zip code areas comprising the service area are both more distant and closer to other existing hospitals, therefore a lower percentage draw from these zip codes is expected.

Winter Park Hospital in Orange County is presently the closest hospital to the Oviedo area zip codes (32765 at 9.8 miles and 32766 at 14.8 miles). The applicant’s facility would reduce the average driving distance to 3.2 and 6.9 miles respectively. Zip code area 32732 (Geneva) residents drive an average of 14.2 miles to reach the nearest hospital, Central Florida Regional Medical Center located in Sanford. The applicant’s facility will be approximately three miles closer on average. The applicant indicates that Orlando Regional – Oviedo Hospital is expected to have a smaller percentage draw from zip code 32708 than from the other PSA area zip codes because the three nearest facilities are all within an average driving distance of 8.5 miles. However, the number of patient days produced by this area are expected to be high due to the size of the projected population. Assuming need for an additional hospital, the applicant contends that Orlando Regional - Oviedo Hospital will give residents a choice between two of the three major healthcare systems in the area as two of the closest facilities serving this area are Adventist hospitals. The applicant’s new facility will also be closer to SSA zip code 32826 than Florida Hospital East Orlando, which is currently the closest hospital for residents of this area. The applicant’s proposed

CON Action Numbers: 9496 & 9497

facility will be slightly closer on average (7.4 versus 8.2 miles). The applicant provided a chart showing where the patients from the applicant's identified service area were seen during the most recent available reporting period ending June 30, 2000 (see charts on page 10 above). However, the applicant has not shown need for the new hospital.

Also in discussion of its proposed market share the applicant indicates that with the facility's emphasis on women's services, coupled with the de-emphasis on obstetrics at Florida Hospital East Orlando, OB market shares should be higher than those of other medical/surgical services. Florida Hospital East Orlando discontinued its OB service in May 2001. ORHS indicates that a particularly strong obstetric services draw is expected. The following chart shows the obstetrical discharges by hospital for the July 1999 – June 2000 reporting period.

**ORHS – Oviedo Service Area
Obstetrical Discharges: Number and Share
July 1999 – June 2000**

Facility	PSA		SSA		Total	
	Number	Percent	Number	Percent	Number	Percent
Arnold Palmer Hospital	295	27%	219	23%	514	25%
Florida Hospital	228	21%	151	16%	379	19%
Winter Park Memorial	198	18%	158	17%	356	17%
South Seminole Hospital	140	13%	120	13%	260	13%
Florida Hosp. Altamonte	173	16%	68	7%	241	12%
Florida Hosp. E. Orlando	27	2%	139	15%	166	8%
Central Florida Hospital	20	2%	66	7%	86	4%
Other	19	2%	20	2%	39	2%
Total	1,100		941		2,041	

Source: CON #9496 from AHCA Hospital Discharge Data Set.

The chart above shows that Arnold Palmer Hospital (an ORHS affiliate) is the largest provider of childbirth services both in the PSA and SSA with 27 and 23 market shares in each area. Another OHRs affiliate, South Seminole Hospital is fourth with 13 percent in both the PSA and SSA. However, four Adventist facilities provided 56 percent of the total OB discharges compared to 38 percent for ORHS. The applicant states that with the closing of Florida Hospital East Orlando's obstetrics program in May 2001, ORHS – Oviedo will be the closest OB provider for zip code areas 32820 and 32826 of the SSA and about the same distance as Winter Park Hospital for residents of SSA zip code 32817. In addition, the applicant indicates that it will work with its affiliated OB/GYN specialists in the Oviedo area to redirect the majority of PSA and SSA resident obstetric cases now going to Arnold Palmer and South Seminole Hospitals.

CON Action Numbers: 9496 & 9497

**ORHS - Oviedo
Obstetrics Market Share by Zip Code by Calendar Year
CY 2004 through CY 2008**

Zip Code Area	2004	2005	2006	2007	2008
32708	21%	24%	28%	31%	35%
32732	33%	39%	45%	52%	58%
32765	37%	43%	49%	55%	60%
32766	32%	38%	44%	50%	56%
PSA	30%	34%	39%	44%	49%
32773	13%	15%	17%	19%	21%
32817	25%	30%	35%	39%	44%
32820	15%	18%	20%	23%	26%
32826	25%	30%	34%	39%	43%
SSA	22%	26%	30%	34%	37%
Total	26%	30%	34%	39%	43%

Source: CON #9496.

It is interesting to note that the Florida Department of Vital Statistics records indicate that Seminole County had 4,583 live births in calendar year 2000. Per AHCA Hospital Discharge Data, the three existing Seminole County hospitals reported approximately 3,650 live births at their facilities during CY 2000. Of the PSA area's cities, Oviedo had the largest amount of births in CY 2000 with 490 and Winter Springs had 358, per Florida Department of Vital Statistics records. The Geneva area was not reported in the Vital Statistics records. These statistics, along with the applicant's projections above tend to lend support to the applicant's contention that an OB/GYN service could have a strong service draw at the proposed hospital.

In reference to the out of area draw, the applicant indicates that because of the hospital's size, service mix and location, its forecast assumes only five percent of its total patient days will be attributable to persons living outside the PSA and SSA. This appears to be reasonable based on AHCA DRG Discharge Summary data of the three facilities presently operating the subdistrict.

The applicant's utilization forecast for the first five years of facility operation is contained in the chart below.

CON Action Numbers: 9496 & 9497

**ORHS - Oviedo
Inpatient Utilization Forecast
Patient Days by Calendar Year
CY 2004 through CY 2008**

	2004	2005	2006	2007	2008
PSA Days	6,496	7,612	8,792	10,033	11,336
SSA Days	2,108	2,473	2,855	3,255	3,672
Other	453	531	613	699	790
Total Days	9,056	10,616	12,260	13,987	15,798
Avg. Daily Census	24.8	29.1	33.6	38.3	43.3
Occupancy	41.4%	48.5%	56.0%	63.9%	72.1%

Source: CON #9496.

In this forecast, the applicant shows that PSA residents make up approximately 72 percent of its projected total patient days, SSA residents make up approximately 23 percent and five percent of the projected totals are expected to be from outside of its defined service area. However, while the applicant indicates Orlando Regional Healthcare System's proposed market share increase is modest and will stabilize in year five, it is projected to increase from 27 percent as of June 30, 2000 to 43 percent by the end of 2008 or by 16 percent. This is a fairly large increase, which may or may not be reached. However, according to the financial analyst, the hospital's break-even occupancy is estimated to be around 56 percent for the overall facility and this is expected to be reached by year three. The applicant's projections may be somewhat optimistic.

In evaluating potential adverse impact on existing providers, the applicant contends that there will be no adverse impact on any one hospital and its project will have a positive benefit in balancing market competition within the primary service area. The following chart shows the applicant's projection of the growth in the service area patient days due to population growth.

Projected Total Area Patient Days CY 2004 through CY 2008

	2000	2004	2005	2006	2007	2008
PSA Days	28,077	34,407	35,729	37,051	38,373	39,695
SSA Days	23,915	26,858	27,597	28,336	29,074	29,813
Total	51,992	61,265	63,326	65,387	67,447	69,508
Increase PSA/SSA		9,273	11,334	13,395	15,455	17,516

Source: CON #9496, page 25.

Note : Increase PSA/SSA is from base year, the 12 months ending June 30, 2000.

CON Action Numbers: 9496 & 9497

ORHS contends that the population growth in the PSA is sufficient to entirely offset the expected PSA resident patient volumes at the proposed facility and that existing providers will experience no decrease in patient day volumes they currently draw from the PSA. The applicant's second contention is that population growth in the SSA will generate additional patient days substantially exceeding the expected volumes projected to the new facility which will afford existing providers opportunities for continued patient volume growth.

However, the applicant's projected market share increase will take potential patient days from the facilities presently serving this population and therefore there will be a negative impact on them to some extent. The applicant indicates that Adventist's hospital market share of the PSA will decrease from 66 percent as of June 2000 to 47 percent by 2008. Adventist's SSA share will decrease from 56 percent as of June 2000 to 49 percent by 2008. The total service area for Adventist will decrease from 62 percent to 48 percent by 2008, according to the applicant. ORHS's PSA share is projected to increase from 28 to 48 percent, SSA from 26 to 35 percent and total service area from 27 percent to 43 percent.

ORHS is a large tertiary facility and teaching hospital, which provides a relatively large percentage of its patient days to the medically indigent. Refer to discussion on the applicant's history of providing care to the medically indigent under E. 4. i. below. As noted earlier, the applicant is a Medicaid Disproportionate Share Provider and has proposed to condition the project's approval on its commitment to the medically indigent by proposing to provide a relatively high percentage of its patient days to Medicaid and charity care patients. This commitment through an agreement to condition award of the CON on this high percentage of patient days will improve access to the medically indigent in the area.

Approval of this project would also likely increase competition and therefore benefit managed care companies. Although the applicant has not demonstrated that Seminole County residents needing care are unable to access it, or specifically that the medically indigent are unable to access care, Agency data indicates that more than one half of the Oviedo area residents needing hospitalization are outmigrating to facilities in Orange County. Clearly however, many are outmigrating because of the tertiary services available in the Orange County facilities (Refer to financial analysis below for DRG chart).

CON Action Numbers: 9496 & 9497

These tertiary services, such as open-heart surgery and neonatal intensive care are not currently available in Seminole County and are not proposed in either competing project under review. As indicated above, although the applicant is proposing to establish a new hospital in a high growth area, there is no evidence that existing facility are unable to accommodate this projected growth.

Adventist Health System/Sunbelt, Inc. (CON #9497) indicates that need for its project is based on three factors:

- The proposed large population base and significant population growth projected for the area (U.S Census data shows the Oviedo area with a population of 119,187 in 2001, which the applicant projects will increase to 141,411 people in 2006, see additional discussion below),
- the need to improve access and reduce travel times for both critical emergency care and inpatient services, and
- the unbalanced distribution of beds among the subdistricts within District 7.

The applicant also adds that its project will expand upon its existing presence in the area. Of the three acute care hospitals within the subdistrict, the applicant's hospital, Florida Hospital Altamonte, has approximately 9.6 percent of the service area market, while South Seminole Hospital (ORHS) has approximately 11.3 percent and Central Florida Regional Hospital has approximately 2 percent. In total, the applicant currently has approximately 63.2 percent of the service area market. The applicant states that most residents depend upon one of its hospitals for their care and this project will relocate beds to the Oviedo area, which will better serve this growing population. However, as previously noted, the applicant is proposing to add beds to the subdistrict through the delicensure of beds in an adjacent subdistrict within a county experiencing higher growth.

Issue one, according to the applicant, is the rapid population growth in the five zip codes comprising the proposed hospital's primary service area. These zip codes are 32708, 32732, 32765, 32766, and 32726³. The applicant indicates the population in the area contained in these zip codes almost doubled between 1990 and 2000 - from 61,808 to 119,187 people. Claritas, Inc. data estimates continued growth of approximately 15.3 percent between 2001 and 2006 in the Oviedo service area. The applicant presents the following comparative population growth table.

³ The primary service for Adventist's proposed new 60-bed hospital differs slightly from that proposed by ORHS by one zip code. ORHS's proposed primary service area consists of four zip codes (32708, 32732, 32765, 32766), all of which are also given as the primary service area for Adventist's proposed facility. Adventist also includes a fifth zip code (32726).

Comparative Population Growth Rates

Area	July 1, 2001	July 1, 2006	Percent Growth
Orange County	891,742	989,952	11.0%
Seminole County	371,242	408,965	10.2%
Oviedo Service Area	110,224	127,103	15.3%

Source: CON #9697 page 10. County data is from Executive Office of the Governor as published by AHCA, September 2000. Oviedo data is from Claritas, Inc.

The applicant notes that the Claritas' estimate of 110,224 Oviedo service area residents is actually less than the final U.S. Census figures for 2000, which shows 119,187 people. The 2000 census data on the Internet

(http://www.floridacensus.com/census/summaries/PLACE_SUMMARY.txt) shows the total population in the city of Oviedo as 26,316. The applicant is looking at the area surrounding Oviedo. The applicant applies Claritas' projected annual growth rate of 2.9 percent to the Census Bureau's 2000 figure for the Oviedo area, which yields a projected population of 141,411 people in the service area in 2006. The applicant correctly argues that with a population of over 100,000 the Oviedo area can support its own acute care hospital.

The applicant next discusses the need to improve access and reduce travel times for both critical emergency care and inpatient services. The applicant cites AHCA discharge data for the 12 months ending June 30, 2000, which show that a total of 8,342 residents in the five zip codes surrounding Oviedo were discharged from hospitals in Florida. The reviewer confirmed the accuracy of this statement. Adventist estimates that Oviedo area residents generated in excess of 35,000 emergency department visits during the same time period. These volumes indicate to the applicant that there is clearly sufficient volume in the area to support a community hospital. The applicant also notes the community support for a new hospital (Refer to B. above).

The applicant provides current travel times from the population centers in each of the proposed service area zip codes to the nearest hospitals. The applicant indicates that the presence of Florida Hospital Oviedo would reduce travel times by half for residents of the service area. The following chart documents the applicant's contention.

CON Action Numbers: 9496 & 9497

Travel Time Saved		
Zip Code	Cases	Average Reduction in Travel Time (minutes)
32708	3,089	9.6
32732	419	9.0
32765	2,926	13.1
32766	449	14.1
32826	1,459	3.8
Total	8,342	10.1

Source: CON #9497 page 20. Travel times are based on Claritas and mapblast.com data.

The applicant points out that projected normal driving conditions are becoming increasingly rare as traffic congestion and delays increase.

The applicant also provides emergency department volumes at the existing Orange and Seminole County hospitals. The following chart documents these volumes.

Emergency Department Volumes in Orange and Seminole Counties

County	1997	2000	Percent Change
Orange	325,951	367,875	12.9%
Seminole	82,899	95,540	15.2%

Source: CON #9497, page 21 from The Local Health Council of East Central Florida, Inc. Hospital Utilization Data Reports.

The applicant indicates that visits to emergency rooms in both Orange and Seminole Counties are 4.5 percent higher in the first quarter of 2001 than in first quarter 2000. It appears that the emergency room visits are keeping pace with the area's population growth. The applicant also cites Mr. O'Hanlon's letter concerning the 25-minute to one-hour traffic times (see Section B Public Hearing).

The next issue the applicant discusses is what it contends is an unbalanced distribution of beds in District 7. The applicant explains this unbalance using bed-to-population ratios. However, bed-to-population ratios are not good indicators of need as they do not consider utilization in beds.

The applicant states that it currently serves a large percentage of the Oviedo market and is committed to continue serving that market. The applicant correctly notes that in the 12 months ending June 30, 2000, a total of 8,342 residents of the five ZIP Code service area were inpatients in hospitals in Florida. Of these, 5,215 or 62.5 percent were in Florida

CON Action Numbers: 9496 & 9497

Hospital facilities. It has been clearly demonstrated that Adventist's facilities currently serve the majority of the Oviedo area residents.

The applicant also discusses delicensing 50 beds at Winter Park Memorial and 10 at Florida Hospital Apopka, which it considers transferring to create its new Seminole County hospital. However, the Agency does not consider beds as being transferred when an applicant proposes to add beds to one planning area and delicense beds in another planning area.

Florida Hospital's provision of care to Medicaid and indigent patients is also cited as the applicant indicates its project will improve access for these individuals. However, the applicant does not propose to condition the project to a percentage of total patient days to either Medicaid or charity care patients and projects it will serve a lower percentage than ORHS which does propose to condition its project.

The applicant also compares its charges with ORHS to Oviedo residents and indicates its average charge was \$15,730 compared to \$18,018 for ORHS. Refer to the financial review in E. 4.f. below. One of the reasons the applicant is able to charge less than ORHS is because of its large share of this market resulting in its ability to achieve economies of scale.

CON Action Numbers: 9496 & 9497

Adventist provides projected utilization at Florida Hospital Oviedo as follows:

Step 1 *define the service area:* As previously stated, the applicant chose zip codes 32708, 32732, 32765, 32766, and 32726.

Step 2 *determine current and projected population in the service area:* The applicant utilized Claritas population projections that indicated that the Oviedo area's projected population growth is 15.3 percent between 2001 and 2006; from 110,224 to 127,103 residents.

Step 3 *determine which services are appropriate for a community hospital like Florida Hospital Oviedo based on services provided at similar Florida community hospitals:* As previously discussed, the applicant cites AHCA discharge data for the 12 months ending June 30, 2000 which show a total of 8,342 residents of the five zip code surrounding Oviedo discharged from hospitals in Florida. From these discharges a subset of potential cases was identified which totaled 4,595. This subset excludes selected tertiary and specialty services such as mental health, obstetrics, rehabilitation, and cardiac surgery/cath/and angioplasty. Thus, approximately 55 percent (4,595/8,342) of the total discharges were considered potential patients for Florida Hospital Oviedo.

Step 4 *project service area discharges based on historical volumes and projected population growth:* The applicant utilizes Claritas' projection of 15.3 percent population growth and assumes year two discharges would be 15 percent higher than the 12 month period ending June 30, 1999. This yields an estimated 5,284 inpatients (4,595 x 1.15) during the 12 months ending June 30, 2007.

Step 5 *project Florida Hospital Oviedo discharges based on market share assumptions:* The applicant indicates that of the 4,595 patients extracted from the AHCA patient days base residing in the Oviedo market in the applicant's proposed DRGs, 3,025 or 65.8 percent were seen at Florida Hospital facilities. The applicant projects a 55 percent market share because some resident will most likely choose to continue to go to other Florida Hospital campuses based on such variables as ongoing physician relations, prior experiences and familiarity with the campus.

Step 6 *adjust projected utilization for assumed in-migration:* Florida Hospital assumes that in-migration will account for 10 percent of year one discharges and 15 percent in year two. The applicant does not indicate why it anticipates a five percent increase from year one to year two.

CON Action Numbers: 9496 & 9497

Step 7 apply assumed average length of stay to project total patient days: The applicant indicates that the ALOS for Oviedo area residents in the general acute care DRGs it proposes to serve is 4.7 days. This figure is held constant for both year one and two projections.

The applicant provides the following table showing the projected utilization for Florida Hospital Oviedo.

Projected Utilization at Florida Hospital Oviedo

	Year One (Ending 6/30/2006)	Year Two (Ending 6/30/2007)
Step 4: project service area discharges	5,169	5,284
Step 5: apply market share (55%) to determine Florida Hospital Oviedo discharges	2,843	3,065
Step 6: Adjust for in-migration percent -10% year 1, 15% year two	3,159	3,606
Step 7: Multiply discharges by ALOS of 4.7% year one and year two	14,847	16,948
Average Daily Census	40.7	46.4
Occupancy of 60 beds	67.8%	77.4%

Source: CON #9497, page 36.

The applicant's projected utilization appears to be conservative based on its assumptions and market share approximate to its existing share in the service area.

In Summary: Florida Hospital proposes to add 60 beds to Subdistrict 4, whereas Orlando Regional would add only 30 beds. Both applicants have demonstrated that the Oviedo area could support a 60-bed hospital but neither demonstrated need for additional beds. Although both ORHS and Adventist have claimed that their respective projects will improve access to Oviedo area residents, they have failed to demonstrate that residents are not currently able or will not be able in the future to access needed care. Emergency room overcrowding is an area of concern, however the shortage of emergency room staff, rather than availability of beds, is the primary concern. Staffing is discussed further in the financial section below. Access to and availability of beds in the area is also discussed further in E. 4. a. below.

2. Local Health Plan Preferences

Is need for the project proposed supported by the applicable district plan? ss. 408.035(1); 408.037(1), Florida Statutes.

In October 2000, the Local Health Council of East Central Florida, Inc. adopted the following Certificate of Need Allocation Factor with three subparts for applicants seeking to add acute care beds in District 7:

- a. Preference shall be given to applications for the delicensure of/conversion from existing acute care beds, and/or the delicensure of/conversion from acute care beds through the relocation of an entire facility, if the applicant can provide substantial documentation of:**
- (1) The impact of the proposed project on the parent facility including projected occupancy declines, market share, curtailing of service effect on operating costs, use of vacated space at the main campus and charge changes; and that the proposed service improves access by at least 25 minutes to at least 10 percent of the population of a minimum of at least 35,000 people. This should be substantiated by analysis of patient origin to existing providers, physician referral practices, and locations of physicians' offices.**
 - (2) Preference will be shown to applicants who delicense a proportionally higher number of acute care beds in relation to the facility's total number of acute care beds.**
 - (3) Commitment to provision of care to both no-pay and low-pay medically indigent patients and Medicaid patients at a minimum of no more than two percent below the most recent AHCA publication for the district of the charity/uncompensated care percentage of net revenues.**

This preference pertains to conversion of acute services to a different service, or the relocation of an entire facility and is not applicable to these projects. Although it is noted that Orlando Regional would transfer 30 acute care beds within the subdistrict as part of the 60-bed hospital. Both applicants are Medicaid Disproportionate Share Providers but only ORHS proposes to condition its project to the provision of a substantial amount of Medicaid and charity

CON Action Numbers: 9496 & 9497

care as discussed in the applicant's project summary and in Item 4. i.

The Local Health Council of East Central Florida, Inc. also adopted the following generic preferences relevant to the transfer of beds. Although Adventist responds to these criteria, it is not proposing to transfer beds within the planning area and therefore its responses to these criteria are not discussed.

- b. Preference shall be given to an applicant who demonstrates that the transfer of beds is necessary to maintain or improve the care currently provided to the district's indigent population.**

Both applicants are Medicaid Disproportionate Share Providers but only ORHS proposes to condition its project to the provision of a substantial amount of Medicaid and charity care as discussed in the applicant's project summary and in Item 4. i. Although both ORHS and Adventist indicate that their respective projects will improve access to Oviedo area residents, they have failed to demonstrate that any residents, indigent or otherwise, are not currently able or will not be able in the future to access needed care.

- c. Preference shall be given to an applicant who demonstrates that the transfer of beds is necessary to ensure that the services meet licensure standards.**

Both applicants projects are designed to increase the applicants market share in the Oviedo service area. Both projects will meet licensure standards. However, as discussed previously ORHS is the only provider who is transferring beds within the planning area.

- d. Preference shall be given to an applicant who demonstrates that the transfer of beds who proposes a reduction of excess beds in the existing facility.**

As stated previously, ORHS is the only co-batched applicant proposing to transfer beds within the planning area.

- e. **Preference shall be given to an applicant for the transfer of beds who demonstrates that the transfer will not adversely impact the Medicare and private pay markets of area hospitals providing a disproportionate share of charity care and Medicaid patient days.**

Both applicants are Medicaid Disproportionate Share Providers. There is no evidence that the projects would adversely impact a disproportionate share provider.

- f. **Preference shall be given to an applicant for the transfer of beds who will be able to improve the physical plant of an existing facility as a result of the transfer (e.g., improve square feet per bed to meet standards adhered to by newer facilities, expand necessary ancillary services, improve outpatient service departments).**

As the only co-batched applicant proposing to transfer beds within the subdistrict, Orlando Regional Healthcare System indicates that it will convert 17 semi-private rooms to private rooms and convert 13 other patient rooms to a combination of outpatient procedure rooms, office space, and storage on the patient floors. The private rooms are stated to greatly enhance South Seminole Hospital's ability to avoid patient incompatibilities.

- g. **Preference shall be given to an applicant proposing a bed transfer who demonstrates that the overall occupancy rate at both facilities will increase as a result of the transfer.**

Orlando Regional Healthcare System (CON #9496) indicates that South Seminole Hospital accounted for seven percent of the Oviedo area's total patient days during the 12 months ending June 2000, and is only projected to lose 802 days to the new facility by 2008.

- h. **Preference shall be given to an applicant for the transfer of beds if the applicant can demonstrate that the transfer is more cost-efficient than the renovation and expansion of the existing facility.**

Orlando Regional Healthcare System (CON #9496) indicates that renovation and expansion of South Seminole Hospital is not an appropriate approach because this facility's beds are not appropriately located to serve the Oviedo area's growing population.

- i. **Preference shall be given to an applicant who proposes to locate transferred beds in an area that will improve access to Medicaid and indigent patients.**

ORHS proposes to condition its project to the provision of a substantial amount of Medicaid and charity care. Although this project will reduce the travel distance for the medically indigent in the proposed service area, as noted previously, there is no evidence that the medically indigent in the area are unable to access needed care.

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.

Priority Considerations.

- (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.**

Both applicants are Medicaid Disproportionate Share Providers and commit to provide services to medically indigent patients (see project summary and Item 4. i.). However, ORHS proposes to condition CON approval to its commitment while Adventist does not. OMRC also projects a larger percentage of Medicaid (8.1 to 6.2 total year two patient days) and charity care (4.0 total patient days vs. 3.7 percent of total charges) at its new facility than Adventist.

- (b) **When there are competing applications within a sub-district, 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.**

ORHS proposes to transfer 30 underutilized beds from South Seminole Hospital also located in Subdistrict 4, which had 126 acute care beds that averaged 40.76 percent utilization in calendar year 2000. ORHS also proposes to delicense 30 beds at Lucerne Medical Center, which is located outside of the planning area in Subdistrict 2. Adventist proposes to delicense 50 beds at Winter

CON Action Numbers: 9496 & 9497

Park Memorial Hospital and 10 beds from Florida Hospital Apopka. Both Adventist facilities are located in Subdistrict 2.

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.**

Both applicants are Medicaid disproportionate providers and propose to provide high amounts of care to the medically needy population. ORHS proposes to condition the entire 60-bed facility to seven percent of its total annual patient days being provided to Medicaid patients and one percent of the facility's total patient days being provided to indigent patients. Schedule 7A shows the applicant projects year two Medicaid and Medicaid HMO patient days to comprise 8.1 percent of the facility's total patient days and notes to this schedule indicate charity care is projected at four percent of the facility's total patient days. Adventist Health System/Sunbelt, Inc. does not propose to condition its project to any Medicaid or charity care. However, Schedule 7A shows the applicant projects year two Medicaid and Medicaid HMO patient days to comprise 6.2 percent of the facility's total patient days and notes to this schedule indicate charity care is projected at 3.7 percent of total charges. Because ORHS is the only applicant to agree to condition award of the CON upon providing care to the medically indigent, if approved, its project is the only proposal that ensures improved access to acute care services to the medically needy in this area. ORHS has three programs with Medicaid and/or charity care conditions and has a history of compliance with these conditions.

Both applicants indicate that their project responds to the population increases in their proposed primary service area as discussed in Item 1. Orlando Regional Medical Center emphasizes its proposed emphasis on women's services, especially obstetrical care while Adventist cites the area's traffic congestion leading to longer travel time to assess existing hospital services and capacity constraints at existing emergency departments.

ORHS is proposing to transfer 30 beds within the subdistrict and discussed how this proposal would be a more efficient use of planning area resources with the delicensing beds at a facility with a 40.76 percent occupancy rate. ORHS indicates that South Seminole Hospital accounted for seven percent of the Oviedo area's total patient days

CON Action Numbers: 9496 & 9497

during the 12 months ending June 2000, and is only projected to lose 802 days to the new facility by 2008.

Utilization of existing providers

The following table reflects the utilization of acute care facilities in the service area for the period of January 1, 2000 through December 31, 2000:

District 7, Subdistrict 4 (Seminole County) Calendar Year 2000		
Facility	Acute Care Beds	Percent Occupancy
Central Florida Regional Hospital	208	41.89%
Florida Hospital – Altamonte	241	63.31%
South Seminole Hospital	126	40.76%
Subdistrict Total	575	50.62%

Source: Florida Hospital Bed and Service Utilization July 2001.

Note: Bed count is as of July 27, 2001.

District 7, Subdistrict 4, Seminole County has a total of 575 licensed acute care beds and there are no CON approved acute care beds yet to be licensed as of July 27, 2001. The subdistrict's 575 beds experienced an occupancy rate of 50.62 percent during calendar year 2000. Although there are no geographic boundaries to prevent patient access to these beds, it is reasonable that patients are more likely to utilize acute care services that are geographically close to their residence and/or workplace. Need for the project is not evidenced by the availability, quality of care, efficiency, accessibility and extent of utilization of existing health care facilities and health services in the applicants' proposed service areas.

- 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.**

Orlando Regional Healthcare System, Inc.'s (CON #9496): Orlando Regional Medical Center is JCAHO accredited and in good standing with the Medicaid and Medicare programs. The applicant provided a detailed discussion on its Performance Improvement Plan and quality improvement initiatives. The applicant has demonstrated that it has the ability to be a quality of care provider. However, of the system's hospitals, St. Cloud Hospital was cited for an emergency access violation during December of 2000.

Adventist Health System Sunbelt, Inc. (CON #9497) indicates Florida Hospital is JCAHO accredited. The applicant also provides a discussion of the facility's quality and utilization management program and performance improvement plan. The applicant participates in the Medicaid and Medicare programs and is in compliance with the conditions of participation for these programs. The applicant demonstrated the ability to provide quality of care.

- 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.**

Both applicants indicate that they do not propose special equipment or services, which are not reasonably and economically accessible in adjacent service areas. Both projects are not expected to provide a substantial portion of their services to individuals not residing in District 7.

- 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.**

Orlando Regional Healthcare System, Inc.'s (CON #9496): While the applicant indicates that ORHS Oviedo will not be located in a teaching or research hospital, Orlando Regional Medical Center is a state-designated teaching hospital. The applicant states that ORHS has affiliation agreements with more than 50 schools, colleges, universities and other institutions for healthcare student training and manpower development. The applicant also contends that this project will broaden research and educational opportunities for students in these programs, as well as for hospital staff and other area professionals. However, since 60 beds account for only 3.97 percent of the system's total beds, the actual impact on teaching and research as a result of this project would probably be fairly insignificant.

Adventist Health System/Sunbelt, Inc. d/b/a Florida Hospital (CON #9497) indicates that it provides education and participates in research programs. A description of the hospital's ongoing training programs and research programs is provided. However, since 60 beds account for only 3.38 percent of the system's total beds, the actual impact on teaching and research as a result of this project would probably be fairly insignificant.

CON Action Numbers: 9496 & 9497

Neither applicants' projects is designed to impact on the clinical needs of health professional training programs in the service area.

- 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.**

Orlando Regional Healthcare System, Inc. (CON #9496) provides a detailed description of its recruitment and retention policies. The applicant indicates that its RN turnover and vacancy rates are 18.3 percent and 7.9 percent respectively, compared to the statewide rates promulgated by the Florida Hospital Association of 20.5 percent and 15.6 percent respectively. The applicant also described its efforts to partnership with Florida Hospital, Osceola Regional Medical Center, Health Central, Valencia Community College, Seminole Community College, Lake Sumter Community College and the University of Central Florida to stay ahead of any potential nursing shortage in East Central Florida.

ORHS further states that it has been able to meet peak demand staffing and indicates that it has a highly successful recruitment designed to assure the ORHS system will at all times attract adequate pools of qualified applicants for each personnel vacancy. The applicant also provided an overview of its management staff including bibliographies of key personnel. The project is project to have 324.6 FTE positions by the end of year two (2005).

The audited financial statements 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:

CON Action Numbers: 9496 & 9497

	<u>09/30/2000</u>	<u>09/30/1999</u>
Current Assets	\$ 297,230,000	\$ 256,276,000
Cash and Current Investment	\$ 103,924,000	\$ 44,741,000
Assets Restricted for Capital Projects	\$ 101,383,000	\$ 95,673,000
Total Assets	\$ 1,066,612,000	\$ 1,014,602,000
Current Liabilities	\$ 124,100,000	\$ 118,608,000
Total Liabilities	\$ 666,795,000	\$ 664,890,000
Total Equity	\$ 399,817,000	\$ 349,712,000
Net Operating Revenues	\$ 815,762,000	\$ 724,188,000
Interest Expense	\$ 29,621,000	\$ 25,776,000
Net Profit – Operations	\$ 24,804,000	\$ 4,941,000
Net Income	\$ 24,804,000	\$ 4,941,000
Cash Flow from Operations	\$ 95,275,000	\$ 5,074,000
Working Capital	\$ 173,130,000	\$ 137,668,000
Current Ratio (CA/CL)	2.4	2.2
Cash Flow to Current Liabilities (CFO/CL)	0.8	0.0
Long-Term Debt to Equity (TL-CL/TE)	1.4	1.6
Times Interest Earned (NPO+Int/Int)	1.8	1.2
Equity to Total Assets (TE/TA)	37.5%	34.5%
Operating Margin (NPO/NOR)	3.0%	0.7%
Total Margin (NI/NOR)	3.0%	0.7%
Return on Assets (NI/TA)	2.3%	0.5%
Operating Cash Flow to Assets (CFO/TA)	8.9%	0.5%

Short-term position:

The applicant's current ratio of 2.4 indicates current assets are over two times that of short-term liabilities, an adequate position. The working capital (current assets less current liabilities) of \$173 million is a very significant amount. The ratio of cash flow to current liabilities of 0.8 is satisfactory. The applicant has a strong short-term position.

Long-term position:

The long-term debt to equity of 1.4 is weaker than the average for Florida hospitals and indicates a higher than average level of long-term debt. The cash flow to assets of 8.9 percent is good. The most recent year had an operating profit of \$25 million, which resulted in a margin of 3.0 percent, a satisfactory level. The total equity of \$400 million with the equity to assets of 37.5 percent is very strong. The applicant has a good long-term position.

Capital requirements:

Schedule 2 indicates the applicant has total capital projects of \$198 million. This amount did not contain maturities of long-term debt; however, the audited financial statements indicated maturities long-term debt, through 2003 would be \$38.6 million. Total funding needs would therefore be \$236.6 million.

Available capital:

The audited balance sheet for September 30, 2000 shows cash, investments and assets restricted for capital projects totaling \$205 million. Annual cash flows totaled \$95 million. Lehman Brothers submitted a letter of interest for underwriting a \$57.1 million bond issue to fund the construction of the hospital. A firm commitment to the project was not pledged.

Conclusion:

Based on the applicant's financial position, cash on hand, designated assets, and cash flows, funding for this and all other capital projects is likely to be available as needed.

Adventist Health System/Sunbelt, Inc. (CON #9497) provides a detailed description of its recruitment and retention policies. The applicant does not address its RN turnover and vacancy rates. However, the applicant indicates that given its reputation, depth of resources, commitment of the Oviedo market and plans to "transfer" beds from existing facilities it does not anticipate any significant difficulties in recruiting staff for its Oviedo satellite. The applicant indicates that the new facility will have access to management resources already available within the Florida Hospital network. Florida Hospital does not provide bibliographies of key management staff or personnel. The project is project to have 294.9 FTE positions by the end of year two (2005).

The audited financial statements for the periods ending December 31, 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.

CON Action Numbers: 9496 & 9497

The following is a list of accounts and ratios used in the analysis:

	<u>12/31/2000</u>	<u>12/31/1999</u>
Current Assets	\$ 918,795,000	\$ 817,136,000
Cash and Current Investment	\$ 568,518,000	\$ 537,777,000
Assets Restricted for Capital Projects	\$ 90,766,000	\$ 81,053,000
Total Assets	\$ 2,842,967,000	\$ 2,541,590,000
Current Liabilities	\$ 370,727,000	\$ 332,165,000
Total Liabilities	\$ 1,880,829,000	\$ 1,705,190,000
Total Equity	\$ 962,138,000	\$ 836,400,000
Net Operating Revenues	\$ 1,971,827,000	\$ 1,745,077,000
Interest Expense	\$ 86,385,000	\$ 82,918,000
Net Profit – Operations	\$ 58,365,000	\$ 52,854,000
Net Income	\$ 58,365,000	\$ 52,854,000
Cash Flow from Operations	\$ 177,617,000	\$ 131,028,000
Working Capital	\$ 548,068,000	\$ 484,971,000
Current Ratio (CA/CL)	2.5	2.5
Cash Flow to Current Liabilities (CFO/CL)	0.5	0.4
Long-Term Debt to Equity (TL-CL/TE)	1.6	1.6
Times Interest Earned (NPO+Int/Int)	1.7	1.6
Equity to Total Assets (TE/TA)	33.8%	32.9%
Operating Margin (NPO/NOR)	3.0%	3.0%
Total Margin (NI/NOR)	3.0%	3.0%
Return on Assets (NI/TA)	2.1%	2.1%
Operating Cash Flow to Assets (CFO/TA)	6.2%	5.2%

Short-term position:

The applicant's current ratio of 2.5 indicates current assets are over two times that of short-term liabilities, a strong position. The working capital (current assets less current liabilities) of \$548 million is a very significant amount. The ratio of cash flow to current liabilities of 0.5 is satisfactory. The applicant has a strong short-term position.

Long-term position:

The long-term debt to equity ratio of 1.6 is weaker than the average for Florida hospitals and indicates a higher than average level of long-term debt. The cash flow to assets of 6.2 percent is good. The most recent year had an operating profit of \$58.4 million, which resulted in a margin of 3.0 percent, a satisfactory level. The total equity of \$962.1 million with the equity to assets of 33.8 percent is adequate. The applicant has a good long-term position.

Capital requirements:

Schedule 2 indicates the applicant has total capital projects of \$373.4 million. Lacking any detail for Schedule 2, it is assumed that this amount did not contain maturities of long-term debt. However, the audited financial statements indicated maturities long-term debt, through 2005 would be \$167.3 million. Total funding needs would therefore be \$540.7 million.

Available capital:

The audited balance sheet for December 31, 2000 shows cash, investments and assets restricted for capital projects totaling \$659.3 million. Annual cash flows totaled \$177.6 million.

Conclusion:

Based on the applicant's financial position, cash on hand, designated assets, and annual cash flows, funding for this and all other capital projects is likely to 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.

CON Action Numbers: 9496 & 9497

Comparative data were derived from hospitals in peer groups that reported data in 1999; the applicants will be compared to the hospitals in group 2. Per diem rates are projected to increase by an average of 3.5 percent per year. Inflation adjustments were based on the most current Florida Hospital Input Price Index.

Gross revenues, net revenues, and costs were obtained from Schedules 7 and 8 in the financial portion of the application. These were compared to the control group as a calculated amount per adjusted patient day. The adjustment is made to factor out the outpatient revenues in the per patient day computation.

Orlando Regional Healthcare System, Inc. (CON #9496): Net revenue per adjusted patient day (NRAPD) of \$1,280 in year one and \$1,318 in year two is projected to be between the control group lowest and median values of \$858 and \$1,388 in year one and \$881 and \$1,426 in year two. With net revenues falling near the median levels, the facility is expected to consume health care resources in proportion to the services provided. The estimates are reasonable. (See Comparative Table).

Projected cost per adjusted patient day of \$1,562 in year one and \$1,403 in year two is between the group median and highest values of \$1,298 and \$1,659 in year one and \$1,333 and \$1,704 in year two. It is logical that these estimates go down as demand increases and fixed costs are absorbed over a greater number of patient days. The estimates are considered cost efficient when compared to the control group. However, ancillary expenses may be understated. In year two, the applicant estimates spending only \$256 per adjusted patient day while the group lowest value for these services is \$265 per adjusted patient day. Expenses may be slightly understated, but overall the estimates are reasonable. (See Comparative Table).

The year two operating loss for the hospital of \$1.8 million computes to an operating margin per adjusted patient day of \$-85 which falls between the peer group lowest and median values of \$-185 and \$30. The operating margin computes to -6.4 percent which is low in relation to the statewide median of 2.6 percent in 1999.

Break-even occupancy is estimated at around 56 percent for this facility and that occupancy level is expected to occur in year three. Estimated profit margins appear to be reasonable.

CON Action Numbers: 9496 & 9497

COMPARATIVE TABLE

**Orlando Regional Health System
60 BED ACUTE CARE HOSPITAL
1999 DATA**

	2005	YEAR 2	1999 DATA		
	YEAR 2	ACTIVITY	PEER GROUP 2		
	ACTIVITY	PER DAY	<u>INFLATION ADJ. VALUES</u>		
			Highest	Median	Lowest
ROUTINE SERVICES	8,138,915	385	827	509	334
INPATIENT AMBULATORY	1,244,246	59	126	43	23
INPATIENT ANCILLARY SERVICES	25,252,040	1,195	2,978	1,972	1,074
OUTPATIENT SERVICES	34,303,912	1,623	2,694	1,504	773
OTHER OPERATING REVENUE	0	0	49	8	1
TOTAL REVENUE	68,939,113	3,262	6,109	3,915	2,309
DEDUCTIONS FROM REVENUE	41,078,080	1,944			
NET REVENUES	27,861,033	1,318	2,181	1,426	881
EXPENSES					
ROUTINE	9,421,075	446	339	207	159
ANCILLARY	5,403,450	256	610	458	265
AMBULATORY	215,028	10	-	-	-
ADMINISTRATIVE	14,616,046	692	867	632	479
OTHER	0	0	-	-	-
TOTAL EXPENSES	29,655,599	1,403	1,704	1,333	1,097
OPERATING INCOME	-1,794,566	-85	462	30	-211
			INCOME NOT INFLATION ADJUSTED		
ADMISSIONS (est.)	-				
PATIENT DAYS	10,617				
ADJUSTED PATIENT DAYS	21,132				
TOTAL BED DAYS AVAILABLE	21,900				
FTE'S	324.6				
FTE'S PER ADJ. OCCUP. BED	5.6		5.7	4.0	3.3
ADJ. FACTOR	0.5024				
TOTAL NUMBER OF BEDS	60				
PERCENT OCCUPANCY	48.5%		80.6%	59.4%	27.2%
<u>PAYER TYPE</u>					
	PATIENT	% TOTAL			
	DAYS				
MEDICARE	2,516	23.7%	77.0%	59.5%	39.2%
COMMERCIAL	538	5.1%	-	-	-
MEDICAID	735	6.9%	18.8%	8.3%	2.0%
PRIVATE	522	4.9%	-	-	-
HMO/PPO	6,081	57.3%	45.0%	20.0%	8.0%
OTHER	225	2.1%			
TOTAL	10,617	100.0%			

CON Action Numbers: 9496 & 9497

Adventist Health System/Sunbelt, Inc. d/b/a Florida Hospital (CON #9497): Net revenue per adjusted patient day (NRAPD) of \$1,374 in year one and \$1,407 in year two is between the control group lowest and median values of \$909 and \$1,472 in year one and \$933 and \$1,511 in year two. With net revenues falling below the lowest and median levels, the facility is expected to consume health care resources in proportion to the services provided. The estimates are reasonable. (See Comparative Table).

Projected cost per adjusted patient day of \$1,186 in year one and \$1,155 in year two is between the group lowest and median of \$1,132 and \$1,376 in year one and slightly below the lowest value of \$1,162 in year two. It is logical that these estimates go down as demand increases and fixed costs are absorbed over a greater number of patient days. However, the estimates describe cost efficiencies not realized by the peer group hospitals. Administration and overhead expenses are understated. In year two, the applicant estimates spending only \$380 per adjusted patient day while the group lowest value for these services is \$503 per adjusted patient day. Expenses are understated and call to question the credibility of the projections. (See Comparative Table).

The year two operating income for the hospital of \$6.8 million computes to an operating margin per adjusted patient day of \$252 which falls between the peer group median and highest values of \$30 and \$462. The operating margin computes to 17.9 percent, which is very high in relation to the statewide 80th percentile value of 11.4 percent in 1999. The estimated profit margin is materially overstated, caused in part by expenses being understated.

While the applicant's ability to operate the new facility is not in question, the financial projections are somewhat problematic.

CON Action Numbers: 9496 & 9497

COMPARATIVE TABLE

Adventist Health System/Sunbelt, Inc.

60 BED ACUTE CARE HOSPITAL

1999 DATA

	2007	YEAR 2	1999 DATA		
	YEAR 2	ACTIVITY	PEER GROUP 2 <u>INFLATION ADJ.</u> <u>VALUES</u>		
	ACTIVITY	PER DAY	Highest	Median	Lowest
ROUTINE SERVICES	67,078,509	2,487	868	534	376
INPATIENT AMBULATORY	0	0	133	48	25
INPATIENT ANCILLARY SERVICES	0	0	3,125	2,162	1,406
OUTPATIENT SERVICES	39,305,223	1,457	2,827	1,534	1,044
OTHER OPERATING REVENUE	367,222	14	25	8	1
TOTAL REVENUE	106,750,954	3,958	6,412	4,252	3,607
DEDUCTIONS FROM REVENUE	68,804,493	2,551			
NET REVENUES	37,946,461	1,407	2,289	1,496	1,207
EXPENSES					
ROUTINE	7,504,185	278	356	217	167
ANCILLARY	11,079,806	411	640	492	354
AMBULATORY	2,326,698	86	-	-	-
ADMINISTRATIVE	10,237,697	380	910	663	503
OTHER	0	0	-	-	-
TOTAL EXPENSES	31,148,386	1,155	1,789	1,410	1,151
OPERATING INCOME	6,798,075	252	462	30	-185
			INCOME NOT INFLATION ADJUSTED		
PATIENT DAYS	16,948				
ADJUSTED PATIENT DAYS	26,972				
TOTAL BED DAYS AVAILABLE	21,900				
FTE'S	294.9				
FTE'S PER ADJ. OCCUP. BED	4.0		5.7	4.0	3.3
ADJ. FACTOR	0.6284				
TOTAL NUMBER OF BEDS	60				
PERCENT OCCUPANCY	77.4%		80.6%	59.4%	27.2%
<u>PAYER TYPE</u>	<u>PATIENT</u>	<u>% TOTAL</u>			
	DAYS				
MEDICARE	5,945	35.1%	77.0%	59.5%	39.2%
COMMERCIAL	765	4.5%	-	-	-
MEDICAID	901	5.3%	18.8%	8.3%	2.0%
PRIVATE	623	3.7%	-	-	-
HMO/PPO	8,425	49.7%	45.0%	21.3%	8.0%
OTHER	289	1.7%			
TOTAL	16,948	100.0%			

CON Action Numbers: 9496 & 9497

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

Orlando Regional Healthcare System, Inc. (CON #9496) projects managed care to represent 57.3 percent of total patient days in year two. This amount is above the control group highest level of 45 percent and exceeds what similarly situated hospitals were able to achieve in 1999. The applicant's level of managed care, if realized, will have a significant positive impact on competition, to promote quality assurance and cost-effectiveness.

Adventist Health System/Sunbelt, Inc. d/b/a Florida Hospital (CON #9497) projects managed care to represent 49.7 percent of total patient days in year two. This amount is above the control group highest level of 45 percent and exceeds what similarly situated hospitals were able to achieve in 1999. The applicant's level of managed care, if realized, will have a significant positive impact on competition, to promote quality assurance and cost-effectiveness.

Both Applicants:

A brief market area analysis for the primary service area was developed based on data reported to the Agency for CY 2000. Discharges from the top 12 utilized DRG's in the primary service area are as follows.

Primary Service Area Historical Discharges		Proportion
DRG	Description	Discharges to Total Discharges
391	NORMAL NEWBORN	9.1%
373	VAGINAL DELIVERY W/O COMPLICATING DIAGNOSES	7.9%
430	PSYCHOSES	2.7%
143	CHEST PAIN	2.7%
127	HEART FAILURE & SHOCK	2.5%
371	CESAREAN SECTION W/O CC	2.4%
116	OTH PERM CARD PACEMAK IMPL	2.4%
390	NEONATE W OTHER SIGNIFICANT PROBLEMS	2.4%
359	UTERINE & ADNEXA PROC FOR NON-MALIGNANCY W/O CC	2.0%
372	VAGINAL DELIVERY W COMPLICATING DIAGNOSES	1.7%
89	SIMPLE PNEUMONIA & PLEURISY AGE >17 W CC	1.6%
389	FULL TERM NEONATE W MAJOR PROBLEMS	1.3%
	Total	38.6%

AHCA Patient Data CY 2000

Services related to reproductive health and labor and delivery represent a material level of utilization in the primary service area, and as such, these services must be an integral part of the chosen delivery system.

CON Action Numbers: 9496 & 9497

PRIMARY SERVICE AREA	
	Market
Hospital Name	Share
FLORIDA HOSPITAL	23.6%
WINTER PARK MEMORIAL HOSPITAL	16.9%
FLORIDA HOSPITAL-EAST ORLANDO	13.1%
SOUTH SEMINOLE HOSPITAL (ORHS)	11.3%
ARNOLD PALMER HOSPITAL (ORHS)	9.9%
FLORIDA HOSPITAL-ALTAMONTE	9.6%
ORLANDO REGIONAL MEDICAL CENTER	8.1%
CENTRAL FLORIDA REGIONAL HOSPITAL	2.1%
Total	94.6%

AHCA Patient Data CY 2000

There is a wide variation presented between occupancy levels expected at similarly situated facilities in the same market area. The Adventist System projected occupancy levels of 68 percent in year one and 77 percent in year two. Orlando Regional Healthcare System, Inc. projected occupancy levels of 41 percent in year one and 48 percent in year two.

Market share data indicate that discharges from Florida Hospital, Winter Park Memorial, Florida Hospital-East Orlando, and Florida Hospital-Altamonte, all Adventist facilities, accounted for 63.2 percent of the total discharges in the primary service area. With the market share historically in favor of the Adventist System, it is likely that the projected occupancy levels at the new hospital could be realized.

It is also understandably more difficult for the ORHS to break into a market area that is in favor of the Adventist System, and occupancy levels of 41 to 48 percent are also reasonable.

A table comparing key indicators from the two projects is presented below.

CON #	Construction Cost	Operating Costs Per Day	Projected Occupancy	Operating Profit (Loss)
9496	\$69.9 million	\$1,403	48.5%	(\$1.8) million
9497	\$55.4 million	\$1,155	77.4%	\$ 6.8 million

The Adventist project enables Florida's health care delivery system to build on current economies of scale in the delivery of services, while the Orlando Healthcare System project enables greater market diversity, albeit at a higher cost.

- 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.**

Orlando Regional Healthcare System, Inc. (CON #9496) proposes to build a new 60-bed hospital, which will serve the eastern Seminole County area. Construction consists of 155,374 ground square feet and construction costs total \$28,759,884. The proposed bed complement is as follows:

- 8 ICU Beds:
- 10 LDRP Beds
- 15 telemetry monitored beds
- 27 medical/surgical acute care beds.

The 30-35 acre site will have a three-story Hospital facility with 155,374 gross square feet and separate 12,440 square foot central energy plant. The expectation is that the site development will accommodate expansion horizontally and vertically.

The proposal includes a list of current applicable codes. This will have to be updated with the adoption of the new Florida Building Code. The site is said to be above the 100 year flood plain, but its relationship to the Category 3 Surge Inundation information was not supplied. It is unlikely that this will pose a problem due to the location of the site.

Overall the building organization appears to be well thought-out. There are comprehensive lists of spaces for each type unit and each floor including square footage and movable equipment. Schedule 10 indicates that the architect/engineer contracts are expected to be signed in December of 2001. The schematic plans that were submitted were done by an architectural firm that has previous healthcare experience and it is evident that the applicant has worked out a program of spaces and needs in order to have such complete drawings at this stage of the project. Project costs and the project timeframe appear to be reasonable for a new facility.

CON Action Numbers: 9496 & 9497

Adventist Health System/Sunbelt, Inc. d/b/a Florida Hospital (CON #9497) also proposes to construct a new 60-bed hospital, which will serve the eastern Seminole County area. Construction consists of 161,074 ground square feet and construction costs total \$35,600,000. All patient rooms will be universal care spaces.

The site is 22+ acres and has an existing medical office building and an urgent care facility owned by the applicant. The proposed hospital will be two stories and have 161,074 gross square feet. There will also be a new central energy plant constructed on the site. There doesn't appear to be any space for Hospital expansion on the ground floor due to the irregular shape of the land available for construction. The building footprint seems to have been driven by the shape of the available vacant land.

It is possible that construction costs might be somewhat higher because of the building shape.

Since the site has already been developed and occupied most of the infrastructure is probably in place and has most likely been designed to accommodate the square footage of the proposed new construction. The proposal (page SCH.NARR.-3) is somewhat confusing regarding the need for construction of a new storm water facility. There is a reference to "future development" which may or may not include the current proposed construction.

The site is approximately two feet above the 100-year flood plain and the storm surge should not be a factor due to the location of the site. A partial list of applicable codes is included on the drawings. This will have to be updated with the adoption of the new Florida Building Code, but the applicant has included a reference to the new code.

Overall the building appears to be well thought-out. There are comprehensive lists of spaces and square footages for all function that will be part of the project and there are plans of each floor. Schedule 10 indicates that the architect/engineer contracts are expected to be signed this year. The schematic plans that were submitted were done by an architectural firm that has previous healthcare experience and it is evident that the applicant has worked out a detailed program of spaces and needs with the designer. Project costs and construction schedules appear to be reasonable for a new facility.

Overall, there are two potential drawbacks architecturally:

CON Action Numbers: 9496 & 9497

1. The restrictive nature of the site, which seems to eliminate any possible expansion of the building horizontally as noted above.
2. The shape of the building, influenced by the available land, will probably be more costly per square foot and may well be confusing and disorienting to patients and visitors.

i. Does the applicant have a history of and propose the provision of health services to Medicaid patients and the medically indigent? ss. 408.035(11), Florida Statutes.

The following chart compares the applicants and the subdistrict's other provider with the district averages for Medicaid and charity care patients based on FY 1999 financial data.

Medicaid and Charity Care Commitment of the Applicants/Subdistrict Compared to the District for FY 1999			
Facility	Conventional Medicaid Days	Gross Charity Dollars	Gross Charity Percent of Charges
Orlando Regional (CON #9496)	15.7%	\$42,908,083	2.8%
Florida Hospital (CON #9497)	10.5%	\$39,071,000	2.3%
Central Florida Regional Hospital	4.9%	\$ 3,063,166	1.4%
District Average	7.5%	\$16,750,834	2.5%

Source: FY 1999 Actual Data/AHCA.

Note: Both applicants filed their financial data on a combined based for FY 1999, ORHS combined four campuses including South Seminole Hospital and Florida Hospital combined five campuses including Florida Hospital Altamonte.

As reflected in the table, both applicants exceed the district's average Medicaid provision. Orlando Regional exceeds Adventist d/b/a Florida Hospital in all three categories above and the district's average charity care.

Orlando Regional Healthcare System, Inc. (CON #9496): According to AHCA Medicaid information, Orlando Regional Medical Center is a general Medicaid Disproportionate Share Provider, a Regional Pediatric Intensive Care Center Medicaid Disproportionate Share Provider and a designated General Medical Education Medicaid Disproportionate Share Provider. The applicant proposes to condition the new facility to 7.0 percent of total annual patient days being provided to Medicaid patients and one percent of the facility's total patient days being provided to charity care patients. The applicant's pro formas indicate that its 60 bed facility will provide 8.1 percent of its year two total annual patient days to Medicaid and Medicaid HMO recipients and 4.0 percent to charity care patients.

CON Action Numbers: 9496 & 9497

Pro formas show that the healthcare system, in its 1,632 beds, is expected to provide 13.9 percent of its total patient days to Medicaid recipients in 2004 and 2005 and \$86,818,694 and \$92,036,166 in charity care in both years respectively.

Data reported to the Agency indicate that in CY 1999, the applicant provided 15.7 percent of its total patient days to Medicaid recipients. This was the highest percentage of Medicaid patient days provided by a hospital in the District 7, with the district average being 7.5 percent. Charity care was reported during that same time period by the applicant was \$42,908,083. Again, this was the highest amount of charity dollars reported in the district, with the average being \$16,750,834.

Adventist Health System/Sunbelt, Inc. d/b/a Florida Hospital (CON #9496): Florida Hospital is a general Medicaid Disproportionate Share Provider. However, the applicant does not propose to condition the Oviedo facility to a percentage of total annual patient days being provided to Medicaid patients or charity care patients.

Pro formas show that the hospital's 60 beds are expected to provide 6.2 percent of total patient days to Medicaid and Medicaid HMO recipients in 2006 and 2007 and \$2,054,843 and \$2,400,910 in charity care in both years respectively. The applicant's proposed patient days to charity care are not shown.

Data reported to the Agency indicate that in CY 1999, the applicant provided 10.5 percent of its total patient days to Medicaid recipients. This was the second highest percentage of Medicaid patient days provided by a hospital in the District 7, with the district average being 7.5 percent. Charity care reported during that same time period by the applicant was \$39,071,000. This was the second highest amount of charity dollars reported in the district, with the average being \$16,750,834.

F. SUMMARY

Orlando Regional Healthcare System, Inc. (CON #9496) is a statutory teaching hospital and a Level I Trauma Center. ORHS operates six acute care hospitals in District 7. The applicant proposes to construct a 60-bed hospital to be located in Oviedo area.

The project consists of 155,374 GSF of new construction with construction costs of \$28,759,884. The project involves a total cost of \$69,961,717.

Adventist Health System/Sunbelt, Inc. d/b/a Florida Hospital (CON #9497) proposes to construct a 60-bed hospital to be located at 8000 Red Bug Lake Road in Oviedo, Florida. The applicant operates seven acute care facilities and one behavioral health facility in District 7.

The proposed project consists of 161,074 GSF of new construction at a construction cost of \$35,600,000. The project involves a total cost of \$55,404,500.

After weighing and balancing all applicable review criteria, the following relevant factors are listed with regard to the hospital projects in District 7, Subdistrict 4, Seminole County by Orlando Regional Healthcare System and Adventist Health System/Sunbelt, Inc. d/b/a Florida Hospital.

Need/Other Special Circumstances

- There is a zero fixed need pool for additional acute care beds in District 7, Subdistrict 4.
- Both applicants are applying for additional acute care beds in the absence of published need and failed to show need for their respective projects. Orlando Regional Healthcare System's project would add 30 beds to the subdistrict compared to Florida Hospital's 60. ORHS would transfer and delicense 30 from South Seminole Hospital (Subdistrict 4) and delicense 30 beds from a Subdistrict 2 facility. Florida Hospital would delicense a total of 60 from two Subdistrict 2 facilities. Although the Oviedo area is experiencing rapid growth, both applicants are proposing to transfer beds from a county experiencing faster growth. Additionally, recent occupancy levels experienced in existing Seminole County facilities suggest that there is adequate existing capacity to accommodate future growth.

Quality of Care

- Both applicants' hospitals are JCAHO accredited and demonstrate the ability to provide quality of care.

Cost/Financial Analysis

- Both applicants appear to have the resources and funds for capital and operating expenditures.
- Both projects are considered to be financially feasible.

Medicaid/Indigent Care

- Both applicants are Medicaid disproportionate share providers with a long history of service to the medically indigent.
- Orlando Regional Healthcare System proposes to condition the new facility to seven percent of total annual patient days being provided to Medicaid patients and one percent of the facility's total patient days to charity care patients. Pro formas show that the 60-bed hospital is expected to provide 8.1 percent of its total patient days to Medicaid and Medicaid HMO recipients and four percent of total patient days to charity care in years one and two (2004 and 2005) respectively.
- Florida Hospital does not propose to condition the new facility to a percentage of total annual patient days being provided to Medicaid patients and or to charity care patients. Pro formas show that the hospital's 60 beds are expected to provide 6.2 percent of total patient days to Medicaid and Medicaid HMO recipients in year one 2006 and year two 2007 and \$2,054,843 and \$2,400,910 in charity care in both years respectively.
- Because Adventist has not agreed to condition award of the CON upon a providing care to the medically indigent, ORHS's proposal is the only co-batched project where it is known that access will be improved to this population if approved. However, need for additional beds in the planning area has not been demonstrated by either applicant. There is no evidence that the medically indigent are unable to access care.

Architectural Analysis

CON Action Numbers: 9496 & 9497

- Orlando Regional Healthcare System's building organization appears to be well thought-out. The expectation is that the site development will accommodate expansion horizontally and vertically.
- Florida Hospital's overall building appears to be well thought-out. However, Florida Hospital's construction costs might be somewhat higher because of the shape of the building, which is influenced by the available land, will probably be more costly per square foot. The restrictive nature of the site seems to eliminate any possible expansion of the building horizontally.
- The construction schedules proposed by both applicants are reasonable.

G. RECOMMENDATION

Deny CON #9496 and CON #9497.

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