

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

**A. PROJECT IDENTIFICATION**

1. Applicant/CON Action Number

**Continental Medical of Palm Beach, Inc./CON #9540**  
HealthSouth Corporation  
One HealthSouth Parkway  
Birmingham, Alabama 35243

Authorized Representative: Loree Skelton, Esq. & Thomas Panza, Esq.  
(205) 967-7116

2. Service District/Subdistrict

District 6 (Hillsborough, Manatee, Polk, Hardee, & Highlands Counties).

**B. PUBLIC HEARING**

Although no public hearing was requested, the applicant submitted approximately 92 letters of support for the proposed project. Most of the letters are duplicative of letters received in a previous batch for the same project. Two new letters from HealthSouth patients speak to the quality of care HealthSouth facilities provide, the speed of recovery compared to non-dedicated rehabilitation facilities and the need for a specialty rehabilitation hospital in the Tampa area. The letters of support for the proposed project are from area hospitals, physicians, various organizations and individuals. Some of these letters of support originated from St. Joseph's-Baptist Health Care and included letters from doctors, social workers, administrators and other staff. Other letters originated from Tampa Children's Hospital at St. Josephs. Another letter was sent by the President/CEO of BayCare Health System, which includes St. Anthony's Health Care, Morton Plant Mease Health Care and St. Joseph's-Baptist Health Care. Many of the letters stressed the convenience of community rehabilitation services close to home. A

few of the letters addressed the level of specialty care provided in a CMR facility as opposed to acute care supplemented with physical therapy or in a skilled nursing facility. None of these letters demonstrate that patients are being denied this level of care within the district. The CEO of BayCare Health System states that there are no acute rehabilitation programs in the area that accept pediatric patients who are younger than 13 years of age. Outsource data compiled by the Agency for calendar year 2000, identifies 14 patients in the age 0-15 category, under DRG 462 (CMR). Thirteen of these patients were treated at Tampa General and one of these patients was referred outside the district to Florida Hospital in District 7.

**C. PROJECT SUMMARY**

**Continental Medical of Palm Beach, Inc. (CON #9540)** a wholly-owned subsidiary of HealthSouth Corporation, a publicly-traded corporation, is proposing to establish a 40-bed freestanding comprehensive medical rehabilitation hospital in District 6. The applicant intends to be located on or near the campus of St. Joseph's Hospital of Tampa and indicates it will be involved in a "proposed relationship" with St. Joseph's.

The applicant agrees to condition the project upon providing a minimum of three percent of its patient days to Medicaid/charity care patients, 15 percent of its beds (six beds) to brain and spinal cord injury patients, and 15 percent of its beds (six beds) to a pediatric program.

The total project cost is estimated at \$14,267,318. Construction costs are projected at \$8,803,633 and the project will involve 42,000 gross square feet (GSF) of new construction.

**D. REVIEW PROCEDURE**

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

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

Rule 59C-1.010(2) (b), Florida Administrative Code, prohibits any amendments once an application has been deemed complete. The burden of proof to entitlement of a certificate rests with the applicant. As such, the applicant is responsible for the representations in the application. This is attested to as part of the application in the Certification of the applicant.

As part of the fact-finding, the consultant, Ed Carter, analyzed the application with consultation from the financial analyst, John Williamson, who reviewed the financial data and architect Joel Hill, who evaluated the architectural and the schematic drawings.

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

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

**1. Fixed Need Pool**

**a. Does the project proposed respond to need as published by a fixed need pool? Chapter 59C-1.008 and Rule 59C-1.039.**

In Volume 28, Number 4, dated January 25, 2002 on page 375 of the Florida Administrative Weekly, a fixed need pool of zero beds was published for comprehensive medical rehabilitation beds in District 6 for the July 2007 planning horizon.

District 6 has 131 licensed comprehensive medical rehabilitation beds and zero approved beds. The comprehensive medical rehabilitation beds in District 6 experienced an occupancy rate of 77.54 percent during the period July 2000 through June 2001. The applicant is applying outside of the fixed need pool.

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

District 6 has 131 licensed comprehensive medical rehabilitation beds that experienced an occupancy rate of 77.54 percent during the period July 2000 through June 2001:

<b>Comprehensive Medical Rehabilitation Bed Utilization District 6 - July 2000 - June 2001</b>			
Facility	Number of CMR beds	County	Occupancy % (7/00 - 6/01)
Tampa General Hospital	59	Hillsborough	71.43%
Winter Haven Hospital	24	Polk	66.82%
University Community Hospital	20	Hillsborough	90.00%
Blake Medical Center	28	Manatee	90.72%
Total Beds	131		
Average Utilization			77.54%

Source: Florida Hospital Bed and Service Utilization by District January 25, 2002

The target or desired occupancy rate for comprehensive medical rehabilitation beds is 80 percent.

The applicant claims that other not normal circumstances exist in the district.

c. **Other Special Circumstances**

The applicant proposed several needs assessments to justify its request for a 40-bed freestanding CMR facility. These assessments are summarized in the following table.

<b>Summary of Needs Assessment Calculations - Net CMR Bed Need Proposed by Continental Medical of Palm Beach, Inc.</b>			
<b>Need Methodology</b>	<b>Total Need</b>	<b>Licensed Beds</b>	<b>Additional Beds Needed</b>
Use Rate Analysis - 34.7 Days -2002	184	131	53
Use Rate Analysis - Planning Horizon	196	131	65
District 6 Comparative Analysis	262	131	131
Hillsborough Comparative Analysis	141	79	62
District 6 DRG Model	341	131	210
Hillsborough DRG Model	179	79	100
St. Joseph's Hospital	n/a	n/a	47

Source: CON Application #9540, page 32.

However, developing a need methodology that is different from the Agency's need methodology promulgated in rule does not constitute special circumstances.

In spite of the various methodologies presented by the applicant to demonstrate need for additional beds, none of the methods used supercede the AHCA's promulgated rule and the elements of the rule that stipulate: 59C-1.039(5)(d) Florida Administrative Code, "Regardless of whether bed need is shown under the need formula in paragraph (5)(c), no additional comprehensive medical rehabilitation inpatient beds shall normally be approved for a district unless the average annual occupancy rate of the licensed comprehensive medical rehabilitation inpatient beds in the district was at least 80 percent for the 12-month period ending six months prior to the beginning date of the quarter of the publication of the fixed bed need pool." As shown above the average annual occupancy rate for the appropriate reporting period was 77.54 percent. The other element of the rule that dominates this proposal is the elements that reads: 59C11.039(3)(c) Florida Administrative Code, "A specialty hospital providing comprehensive medical rehabilitation inpatient services shall have a minimum of 60 comprehensive medical rehabilitation inpatient beds."

The applicant did not demonstrate that patients were being denied appropriate CMR services within District 6 nor did it show that inappropriate CMR care was being administered to patients. Of the 1,653 discharges under DRG 462 for District 6 residents, only 6.6 percent (109 discharges) went out of the district for CMR services during calendar year 2000.

**2. Local Health Plan Preferences**

**Is need for the project proposed supported by the applicable district plan? ss. 408.035(1)(a), Florida Statutes and Ch. 59C-1.039, Florida Administrative Code.**

The District 6 October 2000 CON Allocation Factors Report provides the following preferences for both competing and non-competitive applications pertaining to comprehensive medical rehabilitation beds:

- a. Certificate of Need applications that provide the AHCA with documentation that they provide, or will provide, the largest percent of Medicaid and charity care patient days in relation to other hospitals in the district.**

The following table represents a comparison of Medicaid and charity care at the four acute care hospitals in the District 6 that have CMR units. The percentage of Medicaid and charity care shown in the table represents total hospital services and not just CMR services.

<b>Acute Care Hospitals' Medicaid and Charity Care Comparison in FY 2000</b>		
Hospital	Medicaid	Charity
Blake Medical Center	1.1%	0.6%
Tampa General Hospital	16.8%	10.4%
University Community Hospital	7.4%	2.1%
Winter Haven Hospital	4.5%	1.5%
Average for all 19 acute care hospitals In District 6	8.8%	3.4%
CON #9540 - Continental Medical, proposed	Combined 3 % Medicaid/charity	

Source: AHCA Hospital Financial Data records and CON applications #9540.

The applicant presented the following table that reports the percent of patient days provided to Medicaid recipients for calendar year 2001 at each of its 10 Florida facilities. The percentages range from 0.5 percent at HealthSouth Sea Pines to 9.0 percent at HealthSouth West Gables Rehab:

<b>Proportion of Patient Days Provided to Medicaid Recipients-HealthSouth Florida Hospitals Calendar Year 2001</b>	
<b>Hospital</b>	<b>Percent of Total Patient Days</b>
HealthSouth Emerald Coast	4.0%
HealthSouth Tallahassee	5.2%
HealthSouth Largo	2.3%
HealthSouth Sea Pines	0.5%
HealthSouth Treasure Coast	1.0%
HealthSouth Sarasota	5.5%
HealthSouth Sunrise - Broward County	1.3%
HealthSouth Rehab Hospital - Miami-Dade County	6.4%
HealthSouth West Gables Rehab	9.0%
HealthSouth Doctor's Hospital	3.0%

Source: CON Application #9540. Data provided by the applicant, p. 45.

- b. Certificate of Need applications that review the services provided by the existing inventory of certified inpatient rehabilitative services, comprehensive outpatient rehabilitation facilities and long-term skilled nursing facilities (SNFs) and describe why the identified need is not being met.**

The applicant did not demonstrate there was unmet need in the district. Of the 1,653 CMR (DRG 462) discharges of District 6 residents during calendar year 2000, only 109 (6.6 percent) of these were from out of area hospitals. Only 14 discharges were in the 0-15 age group category, and all but one of these was discharged from Tampa General Hospital.

- c. Certificate of Need applications that document in the CON proposal the existence of written agreements with a broad range of area hospitals, nursing homes, home health agencies, rehabilitation specialists, and/or other appropriate service providers that promote the continuity of care.**

The applicant submitted letters of support it received from individuals and organizations that indicate they have relationships and arrangements with the parent company HealthSouth.

- d. **Certificate of Need applications that include a commitment to serve hard-to-place patients, including persons with unique medical conditions and/or persons with inadequate or non-existent third-party coverage.**

The applicant agrees to condition the proposed project to a combined minimum of three percent of its patient days to Medicaid/charity patients. Also the applicant commits to establishing a six-bed pediatric program and a six-bed brain and spinal cord injury program. The applicant considers these pediatric and brain/spinal cord patients the hard-to-place patients.

3. **Agency Rule Criteria**

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

(3) **General Provisions:**

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

HealthSouth Continental proposes to establish a 40-bed CMR hospital designated as a Class III specialty hospital governed under Chapter 395, Florida Statutes, to be located in Hillsborough County.

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

The applicant proposes to condition the approval of this application to the establishment of a six-bed brain and spinal cord injury program and a six-bed pediatric program.

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

The applicant is proposing to establish a 40-bed CMR hospital based on its needs assessment for the area, 20 beds fewer than the minimum size for freestanding CMR hospitals.

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

Also see response to E.1.a., above and E.4.a., below.

- (e) **Medicare and Medicaid Participation.** An applicant proposing to increase the number of licensed CMR inpatient beds at its facility shall participate in the Medicare and Medicaid programs.

The applicant intends to participate in the Medicare and Medicaid programs and proposes to condition approval of this application for a combined three percent of total patient days of care to Medicaid/charity patients.

**(4) Required Staffing and Services.**

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

CMR services in the proposed facility will be provided under a medical director of rehabilitation who is a board-certified psychiatrist and has had at least two years of experience in the medical management of inpatients requiring rehabilitation services. The applicant is evaluating various candidates and will identify the most appropriate physician to fill the position of medical director.

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

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

With the exception of orthotic and prosthetic services, all other services will be offered by employees of the applicant. The applicant stated orthotics/prosthetic services are more cost-effective and efficient when contracted out of the hospital. HealthSouth, the parent company, will contract with a wide variety of vendors.

**(5) Criteria for Determination of Need:**

**(a) Bed Need. A favorable need determination for proposed new or expanded comprehensive medical rehabilitation inpatient services shall not normally be made unless a bed need exists according to the numeric need methodology in paragraph (5)(c) of this rule.**

The Agency for Health Care Administration published projected net bed need figures for comprehensive medical rehabilitation beds for July 2007 planning horizon by district pursuant to the provisions of Rule 59C-1.039 and Rule 2.013-.023, Florida Administrative Code, in the January 2002 edition of the Florida Hospital Bed and Service Utilization by District, AHCA, Volume II. The fixed need pool projection for District 6 indicates a need for zero additional comprehensive medical rehabilitation beds.

See response to E.1. above.

- (b) **Fixed Bed Need Pool. The future need for comprehensive medical rehabilitation inpatient services shall be determined twice a year and published by the agency as a fixed bed need pool for the applicable planning horizon.**

The applicant acknowledges the fixed need pool for the current batching cycle shows a district-wide net CMR bed need of zero beds. However the applicant's request for the establishment of a 40-bed CMR facility falls outside the fixed need pool with respect to special circumstances. See response to E.1., above.

- (c) **Need Formula for Comprehensive Medical Rehabilitation Inpatient Beds.**

The applicant proposed its own bed need methodology, which is a variation of that promulgated in Rule in response to E.1. above. The utilization for the appropriate reporting period was 77.54 percent. This is less than the 80 percent threshold percentage for approval for new CMR beds. Also the applicant is proposing 40 beds, which is less than the minimum number of CMR beds allowable by rule.

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

The average annual occupancy rate of all the licensed CMR beds in District 6 for the reporting period July 2000 - June 2001 was 77.54 percent.

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

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

As previously discussed, the applicant is not a disproportionate share provider and as a specialty hospital is not eligible for disproportionate share status.

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

The applicant commits to a condition of three percent Medicaid/charity care patients in the proposed 40-bed freestanding CMR hospital.

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

The applicant is not proposing the development of a designated trauma center, however the it proposes to include a six-bed brain and spinal cord injury unit which will meet the continuing and step down needs of trauma victims.

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

Inpatient CMR services in the district are available within a two hours drive time for at least 90 percent of the district's total population.

**(7) Quality of Care:**

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

The applicant states that the proposed 40-bed CMR hospital will become JCAHO and CARF accredited, and will also seek CARF accreditation and vocational rehabilitation designation in specialty programs.

**(8) Service Description. An applicant for CMR inpatient services shall provide a detailed program description in its certificate of need application including:**

**(a) Age groups to be served.**

According to the applicant, an analysis of the age groups served by HealthSouth generally indicates in excess of 60 to 80 percent of patients are 65 years of age and older, depending on the demography. Less than one to five percent of patients at HealthSouth are generally under the age of 17. However, given the anticipated relationship with St. Josephs Children's Hospital the applicant anticipates sufficient utilization to dedicate six of the proposed 40 beds to children/adolescents.

**(b) Specialty inpatient rehabilitation services to be provided.**

The applicant states that it will be devoted exclusively to providing CMR services and will offer the broadest range of specialty rehabilitation services in the district. It intends to condition approval of the application on a six-bed brain and spinal cord injury specialty program and on a six-bed pediatrics specialty program. Proposed programs and services are expected to include: brain injury program; spinal cord injury rehabilitation program; pulmonary rehabilitation program; lymphedema management program; cardiac rehabilitation program; cardiac telemetry services; neurological rehabilitation program; aquatic therapy program; arthritis program; wound care program; laminectomy program; orthopedic rehabilitation program; stroke rehabilitation program; day hospital program; spasticity management program; hand rehabilitation program; balance and vestibular program; fibromyalgia rehabilitation program; chronic pain management program; and the pediatric rehabilitation program.

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

The applicant contends the facility will be fully staffed with trained, qualified professionals. All staff will have job descriptions and/or similar criteria based evaluation forms to ensure each is properly qualified, trained and supervised. Many staff members are expected to come from other Florida HealthSouth facilities. The

applicant states that staffing for year one is based upon a detailed staffing schedule adjusted for anticipated occupancy. According to Schedule 5 the applicant projects first year utilization at 74.6 percent occupancy for the 40-bed facility. Additional staff required is added incrementally for years two and three of operation, adjusting for occupancy if necessary. The applicant projects average occupancy in the second year at 89.7 percent. First year projections from Schedule 6A identifies 110.95 FTEs. Second year projections call for 126.75 FTEs. Please see Schedule 6A for proposed facility staffing.

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

The applicant is acutely aware of the need to put forth special efforts to attract staff required for the various rehabilitation programs and has initiated a number of innovative approaches which are listed on pages 71 - 73 of the application (Volume 1).

According to the applicant HealthSouth Corporation, the parent, has national affiliation agreements with more than 750 universities and colleges that include health professional education programs involving medical schools, schools of nursing, local vocational/technical schools and graduate programs for psychologists, physical therapy, occupational therapy, speech therapy and therapeutic recreation, all available to the applicant's facility. The applicant provided a list of some of the educational affiliations on page 72 of the application (Volume 1).

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

The applicant expects to receive referrals from: St. Joseph's Hospital; South Florida Baptist Hospital; Brandon Regional Hospital; Town and Country Hospital and the Moffitt Cancer Center. In addition, the applicant anticipates referrals from: physicians; nursing homes; assisted living facilities; home health agencies and word of mouth. The applicant has 11 sites of service within Hillsborough County, with eight of these being in Tampa and two in Brandon. With the planned association with Bay Care Health System, the applicant expects to receive referrals from throughout the area.

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

Based on projected patient days the applicant anticipates a patient mix with 60 percent Medicare, five percent Medicaid, 30 percent Insurance/PPO and five percent workers compensation.

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

The applicant intends to condition the project on the provision of services to three percent combined Medicaid/charity care patients. The applicant states that it does not discriminate against any person and treats all patients regardless of their ability to pay should they meet clinical admission requirements. A definition of clinical admission requirements was not provided.

- (9) **Utilization Reports. Facilities providing licensed CMR inpatient services shall provide utilization reports to the agency or its designee.**

The applicant commits to participate in the data collection activities of AHCA and the local health council and will participate in the data collection activities in accordance with Chapter 408 of the Florida Statutes. The applicant commits to provide sufficient data to demonstrate compliance to the program condition associated with the proposed 40 beds.

#### **4. Statutory Review Criteria**

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

The applicant discussed availability and accessibility in terms of residents in District 6 being underserved.

According to the applicant, residents are foregoing necessary CMR services, or accepting an inappropriate level of care, such as at a nursing home. The applicant did not demonstrate this contention and failed to show that area residents have a problem accessing CMR services. Of the 1,653 CMR (DRG 462) discharges of District 6 residents during calendar year 2000, only 109 (6.6 percent) were discharged from hospitals outside of the district.

The applicant did not demonstrate that the quality of care in the district would be improved with the implementation of this project. Refer to E. 4. b. below for further discussion.

Efficiency, as described by the applicant, relates to the high quality service offered by the applicant in a cost-efficient/effective manner. When the scope, breadth and depth of services are taken into account, the applicant stated, HealthSouth Corporation, the parent company, is one of the most highly qualified providers of rehabilitation services and is one of the largest providers of CMR services in the nation. However, this does not demonstrate an improvement in efficiency to the District 6 health care system.

District 6 currently has four CMR facilities with a total of 131 beds. The average occupancy was 77.54 percent during the period July 2000 through June 2001. Need for this project is not evidenced by the utilization of like and existing services in the service area.

- b. Does the applicant have a history of providing quality of care? Has the applicant demonstrated the ability to provide quality care? Please discuss your licensure history within and outside of Florida, and discuss any accreditation(s) held. ss. 408.035(3), 408.035(12), Florida Statutes.**

The applicant has no history to demonstrate it is a quality care provider, but it relies on its parent company, HealthSouth, to demonstrate its ability to provide quality care. The applicant discussed a rehabilitation patient care process that consists of a planned and orderly sequence of services designed to meet the needs of each person including the following steps:

Admission-Pre-admission  
Assessment of Patient  
Treatment Planning  
Treatment  
Reassessment  
Discharge-Education of Patients and Family  
Follow-up

As stated previously, the applicant will utilize performance improvement programs including the performance improvement plans instituted at other HealthSouth hospitals. The Quality Management Department will implement the performance improvement plan to measure, assess and improve patient care on an ongoing basis. This plan will focus on patient care that is characterized as being customer-focused, effective, efficient, appropriate, timely, accessible and well documented.

The proposed facility in Hillsborough County will be JCAHO and CARF accredited and will apply to become a specialty provider of brain and spinal cord injury services through the Florida Division of Vocational Rehabilitation.

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

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

- d. Is this 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.**

The applicant stated it is not a statutory teaching hospital nor is the proposed project's primary purpose research or physician education.

The applicant indicated it will establish agreements/affiliations with educational/training programs to use the proposed hospital for applicable clinical training and internships.

The applicant will play an active role in the development of future rehabilitation and nursing professionals. Nurses, PTs, OTs, RTs and a variety of other para-professionals and professionals interested in rehabilitative care will benefit from the establishment of a new CMR hospital in Hillsborough County. In turn, the applicant will benefit from these programs in that they have a source of potential employee training in the quality care service delivery atmosphere.

- e. What resources, including health manpower, management personnel, and funds for capital and operating expenditures, are available for project accomplishment and operation? ss. 408.035(6), Florida Statutes.**

The audited financial statements of Continental Medical of Palm Beach, Inc., 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.

The applicant is a development stage enterprise and a wholly owned subsidiary of HealthSouth Corporation. The audited financial statements indicated the company had no expenditures, operating revenues, or cash flows as of December 31, 2000. The balance sheet showed \$100 in total assets.

The company is a wholly owned subsidiary of HealthSouth Corporation whose most recent 10K report for the period ended December 31, 2001 disclosed \$276.5 million in cash-on-hand, \$1.7 billion in current assets and \$7.4 billion in total assets. The company had \$4.4 billion in revenues, \$202.4 million net income and \$670.4 million in cash flows.

**Capital requirements:**

Schedule 2 indicates capital projects of \$18.2 million. This project is expected to cost \$14.3 million. HealthSouth Corporation currently has two other CONs, the most expensive of which is for \$18,072,480. Since HealthSouth will only complete one of these projects, the most expensive project and \$125 thousand in other capital expenditures is shown as total costs of all capital projects.

The applicant is a wholly owned subsidiary of HealthSouth Corporation, which provided a commitment letter for funding the project. The letter stated HealthSouth Corporation has \$1 billion available under a line of credit. HealthSouth Corporation's 10-K report for the period ended December 31, 2001 disclosed \$276.5 million in cash and \$7.4 billion in assets.

**Conclusion:**

Based on HealthSouth Corporation's 10-K report, and their commitment to fund this project, funding for this project should be available as needed.

**f. What is the immediate and long-term financial feasibility of the proposal? ss. 408.035(8), Florida Statutes.**

A comparison of the applicant's estimates to the control group values provides for an objective evaluation of financial feasibility, (the likelihood that the services can be provided under the parameters and conditions contained in Schedules 7 and 8), and efficiency, (the degree of economies achievable through the skill and management of the applicant). In general, projections that approximate the median are the most desirable, and balance the opposing forces of feasibility and efficiency. In other words, as estimates approach the highest in the group, it is more likely that the project is feasible, because fewer economies must be realized to achieve the desired outcome. Conversely, as estimates approach the lowest in the group, it is less likely that the project is feasible, because a much higher level of economies must be realized to achieve the desired outcome. These relationships hold true for a constant intensity of service through the relevant range of outcomes. As these relationships go beyond the relevant range of outcomes, revenues and expenses may, either go beyond what the market will tolerate, or may decrease to levels where activities are no longer sustainable.

Comparative data were derived from hospitals in peer groups that reported data in 2000; the applicant will be compared to the hospitals in peer group 18. Per diem rates are projected to increase by an average of 3.3 percent per year. Inflation adjustments were based on the most current Florida Hospital Input Price Index.

Projected net revenue per adjusted patient day (NRAPD) of \$594 in year one and \$625 in year two is between the control group lowest and median values of \$445 and \$667 in year one and \$458 and \$687 in year two. The lowest value is generally viewed as the practical lower limit on economies of operation. With net revenues per adjusted patient day falling between the lowest and median the facility is expected to consume health care resources in proportion to the services provided. (See Comparative Table).

Projected cost per adjusted patient day of \$611 in year one and \$549 in year two is between the group lowest and median values of \$454 and \$692 in year one and \$468 and \$713 in year two. (See Comparative Table). Compared to the control group these costs are efficient.



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

The applicant forecasts no managed care at this hospital. HealthSouth's Florida rehabilitation hospitals reported managed care levels between 0.0 and 30.5 percent in 2000, with the median level being 10.7 percent. The estimated level for this facility, if realized, will have no positive impact on competition to promote quality assurance and cost-effectiveness.

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

The application proposes a 42,000 square foot facility with 36 semi-private and four private patient rooms. All rooms have their own toilet and they appear to be accessible, although the typical 5'-0" diameter circle is not shown. Each toilet/bath room has an accessible shower that can accommodate a wheelchair. From the enlarged patient room plans submitted, all the private rooms are quite spacious and the semi-private rooms meet spatial requirements.

Overall the project is straightforward and the layout shows that the required ancillary spaces are provided and are located where they are easily accessible to the patients and staff. The nurse station has a clear view of the entire patient wing and has its supporting spaces adjacent to it. An ADL area containing a bedroom, kitchen and bath are included. There is also an assisted bathing area as well as a therapy room. One nourishment space is across from the nurse station and there is another at the end of the patient wing. There is also an isolation room adjacent to the nurse station. Clean and soiled rooms and spaces are adequately sized and well located.

The list of applicable codes is inaccurate and will have to be revised when the project reaches design development. No reference is made to the disaster preparedness section of the Florida Building Code and Chapter 59A-3 of the Florida Administrative Code. The provisions regarding the site conditions and the construction requirements are crucial to the project. Since a site has evidently not been finally selected, it is imperative that the applicant be aware of these code issues before the beginning of the design process and ideally before the selection of the site. No site information was provided.

The time frame may be somewhat short, with only one year estimated for actual construction after the AHCA Plans & Construction Office approval of the construction documents.

There is no indication as to who prepared the schematic plans submitted. The new facility is well designed and probably was done by a design professional that has health care experience. The floor plan appears to be almost identical to the plans reviewed for two previous CON applications in 2001, one in Hillsborough County.

Cost information appears to be reasonable, if slightly conservative for a new facility of this size in this part of the state.

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

Refer to the comparison chart provided in the discussion of Local Health Council preferences above.

The applicant has no Medicaid history. The applicant is however, conditioning the approval of this application to a combined three percent of patient days to Medicaid and charity care patients combined.

## **F. SUMMARY**

The applicant proposes to establish a 40-bed freestanding comprehensive medical rehabilitation hospital in District 6. The applicant is a subsidiary of HealthSouth Corporation.

### **Need/Other Special Circumstances:**

The agency published no need for CMR beds in District 6. The comprehensive medical rehabilitation beds in District 6 experienced an occupancy rate of 77.54 percent during the period July 2000 through June 2001. The applicant does not apply under the fixed need pool, but applies under other special circumstances. Need analysis and methodologies presented by the applicant are simply different variations to the Agency's need methodology and do not show special circumstances. No access problems were demonstrated.

**Quality of Care:**

The applicant has no history to demonstrate it is a quality care provider, but it relies on its parent company, HealthSouth, to demonstrate its ability to provide quality care. The applicant would implement Performance Improvement Programs (PIP) among other programs.

**Medicaid/Indigent Care:**

The applicant is proposing a combined minimum of three percent of its patient days to Medicaid and/or charity care patients.

**Financial Feasibility:**

The applicant is a development stage enterprise and a wholly owned subsidiary of HealthSouth Corporation, which provided a commitment letter for funding the project and a copy of HealthSouth's 10-K report, filed with the SEC for the year ended December 31, 2001. Based on HealthSouth Corporation's 10-K report, and their commitment to fund this project, funding for this project should be available as needed.

**Architectural:**

Overall, the proposed project is well designed, and probably was done by a design professional that has health care experience even though there is no indication as to who prepared the schematic plans submitted. The list of applicable codes is inaccurate and will have to be revised when the project reaches design development. No reference is made to the disaster preparedness section of the Florida Building Code and Chapter 59A-3 of the Florida Administrative Code. The time frame may be somewhat short, with only one year estimated for actual construction after the AHCA Plans & Construction Office approval of the construction documents. Cost information appears to be reasonable, if slightly conservative for a new facility of this size in this part of the state.

**G. RECOMMENDATION**

Deny CON #9540.

**AUTHORIZATION FOR AGENCY ACTION**

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

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

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

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