

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

**A. PROJECT IDENTIFICATION**

1. Applicant/CON Action Number

**SemperCare Hospital of Panama City, Inc./CON #9596**  
2745 North Dallas Parkway  
Plano, Texas 75093

Authorized Representative: John E. King  
(972) 836-1300

**HealthSouth LTAC of Bay County, Inc./CON #9597**  
One HealthSouth Parkway  
Birmingham, Alabama 35243

Authorized Representative: Loree Skelton/Thomas F. Panza  
(205) 967-7116

2. Service Planning Area/District

Proposed Service Planning Area I/Districts 1 and 2

**B. PUBLIC HEARING**

A public hearing was not requested with regard to the establishment of a long-term care hospital (LTCH) in Bay County. However, letters in support of each applicant's proposal to establish a long-term care hospital in Service Planning Area I were received and a discussion of these follows.

**SemperCare Hospital of Panama City, Inc. (CON #9596)** submitted 26 letters of support for the project, the majority of which were submitted with a previous filing of this project by the applicant. The Honorable Gerry Clemons, Mayor of Panama City, wrote in support of the application and cited the lack of long-term acute care services in the continuum of care in Panama City, the hardship created by travel

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distance to the closest long-term care hospital, the reduced cost of caring for long-stay patients at an appropriate level of care instead of in the ICU, and avoiding unnecessary emergency transfers. The Bay Medical Center Resource Management and Case Management teams also support the proposal by letter. In addition to the referenced items in the mayor's letter, the signatories recognized the need for the long-term care hospital to better accommodate the number of high acuity, long-stay patients currently in ICUs and reduce the gridlock that occurs in the specialty units. The project would also facilitate ongoing continuity with the attending physician as well as avoid disruption and hardship for families and patients. Steve Johnson, President and CEO of Bay Medical Center, wrote a letter of support stating that continuity of care is important to maintain and that the project is not only practical, but also responsible. Dr. Timothy Moriarty of Emerald Isle Pulmonary and Sleep Medicine wrote in support of the application and states that the project is needed due to patients' increasing lengths-of-stay because of numerous complications, more nursing care, rehabilitation therapy, and respiratory therapy is needed for those patients as compared to that provided in nursing homes, and it would help focus appropriate levels of care to the chronic care patient. Dr. Moriarty also states that costs for long-term patients would be reduced and nurse utilization will be enhanced. Victor Ortega, M.D., also wrote a letter of support. William Bone, M.D., who is board-certified in internal medicine and infectious disease and is an infectious disease consultant at all three Bay County hospitals, wrote that the optimal care facility for high acuity, long-stay patients would be the hospital-within-a-hospital model proposed by SemperCare. Stephen Toner, M.D., Chief of Staff for Bay Medical Center, Amin Abdelghany, M.D., Jesus Ramirez, M.D., of Pulmonary Associates of Bay County, J.L. Trantham, M.D., Vicky Harrell, M.D., Chad Mitchell, M.D., Mark Shaieb, M.D., Michael Noble, M.D., Richard Walker, Jr., M.D., Douglas Stringer, M.D., and Merle Stringer, M.D., each wrote in support of the proposal by SemperCare. Also, Cory Gaiser, D.O., by letter dated April 10, 2002, wrote in support of the SemperCare application over that of HealthSouth's, which he supported before he was aware of SemperCare's proposal locating at Bay Medical Center. Judith Schiros, Chief Executive Officer of Northwest Florida Community Hospital in Washington County (Chipley, Florida), also wrote in support of the SemperCare application. In addition to the above support, letters of support were also provided by representatives of area hospitals including: Art Chance, VP, Professional/Ancillary Services, Bay Medical Center; Todd G. Gallati, President/CEO Gulf Coast Medical Center; Robert Winkler, CEO, Doctors Memorial Hospital; M. Pete Gandy, CEO, Santa Rosa Medical Center; Michael Lake, CEO, George Weems Memorial Hospital (Apalachicola, Florida); Jim McKnight, CEO, Doctors' Memorial Hospital; and Ben Burnham, CEO, Calhoun Liberty Hospital (Blountstown, Florida). Bay

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Medical Center acknowledges at least 240 patients who could have benefited last year from a LTCH; and Gulf Coast Medical Center acknowledged 22. The other hospitals indicate a combined total of six patients that could have benefited.

**HealthSouth LTAC of Bay County, Inc. (CON #9597)** submitted 31 letters of support for the project and approximately a third of those were submitted with a previous filing of the project by the applicant. Steven E. Goodwiller, M.D., P.A. states that at times, the level of care required by some of his patients would benefit from a LTCH. Nathaniel Hampson, CPO, Prosthetics & Orthotics Hanger, Inc.; Ann Syfrett, RN, MN, Gulf Coast Community College; E.N. Coulliette, Executive Director, Bay County Council on Aging; Mark Williams, MD states that the longer recovery patients in the area need another alternative; Les Freeman, Branch Manager, Gulf Medical Equipment; Robert J. Joseph, M.D., Pain Clinic of Northwest Florida; Robert M. Finlaw, M.D.; Sudhakar C. Reddy, M.D.; Kiyad Albibi, M.D.; Palep N. Rao, M.D.; Jack Shumate, M.D.; Jalal K. Sidani, DPM; Michael McCormick, M.D.; Brent Decker, Ph.D./licensed psychologist; Todd Gallati, President/CEO Gulf Coast Medical Center; Michael Ropa, District 5 County Commissioner; Mutaz Tabbaa, M.D., Hulon Crayton, M.D., Kamel Elzawahry, M.D.; Karin S. Maddox, M.D.; Donald Cvitkovich, M.D.; Hashem Mubarak, M.D.; Jesus Ramirez, M.D.; John C. Fredrick, CPO, IPA Prosthetics & Orthotics; Michael McCormick, M.D.; Brent Decker, Ph.D./Licensed psychologist; Mutaz Tabbaa, M.D.; Hulon Crayton, M.D., Donald Cvitkovich, M.D.; and Hashem Mubarak, M.D. The majority of the letters recognize the care provided at HealthSouth Emerald Coast Rehabilitation Hospital and support the project, as a means of accommodating the longer-term hospital needs of area residents.

### C. **PROJECT SUMMARY**

**SemperCare Hospital of Panama City, Inc. (CON #9596)** proposes the establishment of a new 30-bed long-term care hospital to be located on the third floor of Bay Medical Center, a 353-bed acute care hospital in Bay County, AHCA District 2. The facility will consist of approximately 18,479 square feet of space currently occupied by a pulmonary unit, a skilled nursing unit, and a cardio-pulmonary and sleep lab. The 30-bed unit will consist of seven semi-private rooms (14 beds), 15 private rooms and one isolation room. The applicant states that simultaneous to the opening of the proposed hospital, Bay Medical Center will delicense 22 psychiatric beds, which are not being used, and eight acute care beds.

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The applicant also states that Bay Medical Center will file an exemption request to convert its 18 skilled nursing unit (SNU) beds to general acute care beds and then delicense eight of those beds. The applicant provided a letter from Bay Medical Center indicating that it agrees to delicense its 22 psychiatric beds if this project is approved. The conversion of Bay Medical's 18 SNU beds to acute and subsequent delicensure of eight acute beds are not discussed in that letter.

In return for the space, beds, and facility-related services, SemperCare will pay Bay Medical Center an annual lease payment of \$360,000 per year. The proposed term of the lease will be five years, with options to extend for two additional five-year periods.

The applicant agrees to condition award of the certificate of need on the following: a minimum of two percent of total annual patient days will be provided to Medicaid patients and a minimum of one percent of total annual patient days will be provided to indigent/charity care patients.

The proposed project cost is \$811,338 and will involve 18,479 GSF of construction and \$225,000 in construction costs.

**HealthSouth LTAC of Bay County, Inc. (CON #9597)** proposes the establishment of a new 40-bed long-term care hospital to be located in Bay County, AHCA District 2, near to the existing HealthSouth Emerald Coast Rehabilitation Hospital. The applicant is a wholly owned subsidiary of HealthSouth Corporation, a publicly traded share corporation.

The applicant agrees to condition award of the certificate of need for six percent combined charity and Medicaid patient days.

The proposed project cost is \$12,703,625 and will involve 39,000 GSF of new construction and \$6,386,000 in construction costs.

**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.

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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.

Chapter 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, Riley Gibson, analyzed the application in its entirety with consultation from the Financial Analyst, Roger Bell, 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 project 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; Local Health Plans.

**1. Fixed Need Pool**

**a. Does the project proposed respond to need as published by a fixed need pool? Ch. 59C-1.008, Florida Administrative Code.**

Need is not published by the Agency for long-term acute care hospital (LTCH) beds. It is the applicant's responsibility to demonstrate need.

A long-term care hospital is defined as a hospital licensed under Chapter 395, Florida Statutes, which meets the requirements of Part 412, subpart B, paragraph 412.23(e), Code of Federal Regulations; and, where applicable, also meets the requirements for a hospital within a hospital specified under paragraph 412.22(e) of that subpart. A long-term care hospital is exempt from the Medicare acute care prospective payment system. A long-term care hospital has an average length of inpatient stay greater than 25 days for all hospital beds. Long-term care hospitals are designed to provide extended care to patients who are clinically

complex and have multiple acute or chronic conditions. Long-term care hospitals typically provide programs in one or more of the following areas: respiratory care, particularly for ventilator-dependent patients; treatment of patients with multiple illnesses or multiple systems failure; treatment of wounds caused by disease or accident; and treatment for patients requiring interdisciplinary rehabilitation services who are unable to tolerate the more intensive treatments provided in a comprehensive medical rehabilitation hospital.

**b. Criteria for Determination of Need.**

- 1. New Provider. In determining the need for a new long-term care hospital, the agency shall consider the proposed facility within the context of licensed or approved long-term care hospital beds in the service planning area, and the licensed acute care beds, comprehensive medical rehabilitation beds, hospital-based skilled nursing unit beds, and nursing home beds in the service planning area. The applicant proposing a new long-term care hospital shall provide documentation that the other licensed inpatient beds in the service planning area do not meet the need for the proposed service.**

*Note: The Centers for Medicare and Medicaid Services (CMS) have established a prospective payment system for short-stay acute care providers to include limited "outlier" payments for long-stay acute care patients in short-stay acute care hospitals. Effective October 1, 2002, CMS implemented a new prospective payment system for long-term care hospital providers.*

Federal Regulations, 42 CFR Parts 412, 413 and 476 regarding prospective payment for long-term care hospitals published in Volume 67, Number 169 of the Federal Register describe the universe of LTCHs on page 55960 as:

*"LTCHs typically furnish extended medical and rehabilitation care for patients who are clinically complex and have multiple acute or chronic conditions. Generally, Medicare patients in LTCHs have been transferred from acute care hospitals and received a range of "postacute care" services at LTCHs, including comprehensive rehabilitation, cancer treatment, head trauma treatment and pain management."*

CMS further draws parallels and distinctions among postacute care providers, most notably rehabilitation providers (page 55965):

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- Most patients in LTCHs had several diagnosis codes on their Medicare claims, indicating that they had multiple co-morbidities and are probably less stable upon admission than patients admitted to other postacute care settings. Relative to intensive rehabilitation facilities (IRFs), LTCHs had a higher proportion of patient costs attributable to ancillary services (for example, pharmacy, laboratory, and radiology charges).
- LTCHs provide care to a disproportionately large number of Medicare beneficiaries who are eligible because of disability. While individuals with disabilities make up about 10 percent of the Medicare population, they make up 17 percent of the LTCH patients.
- LTCH admissions typically come from outlier acute care hospitals, nonoutlier acute care hospitals, and other (indicating direct admissions without acute stay)
- In terms of age, those without prior acute care stays were younger and about twice as many were under the age of 65, with a mean age about five or three years lower than those with prior acute care stays (whether outlier or nonoutlier). When compared to intensive rehabilitation facilities (IRFs) the proportion of LTCH patients who are under 65 years of age (18 percent) was twice that of IRF patients (nine percent).
- About 1/3 of the LTCH Medicare stays were beneficiaries who are also eligible for Medicaid, compared to fewer Medicaid-eligible beneficiary stays at IRFs. CMS states that it is widely documented that dually eligible beneficiaries are generally much sicker than non-Medicaid eligible Medicare beneficiaries.

There are presently no long-term care hospitals (LTCHs) located in Districts 1 or 2.

Both applicants contend that their respective proposals will provide LTCH services to patients with complex and medically unstable conditions that cannot be adequately addressed by licensed acute care beds, comprehensive medical rehabilitation beds, hospital-based skilled nursing unit beds, and nursing home beds in the service planning area.

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### Currently Licensed Acute Care, CMR, HBSNU, and Community Nursing Home Beds in District One and Two

<b>District 1 and 2 Acute Care Beds</b>			
Area	Total Beds	Total Days	Average Occupancy
District One	1,723	334,945	53.26%
District Two	1,645	300,171	49.63%
<b>District 1 and 2 Comprehensive Medical Rehabilitation Beds</b>			
District One	78	13,465	47.30%
District Two	135	43,543	88.37%
<b>District 1 and 2 Hospital Based Skilled Nursing Beds</b>			
District One	94	24,635	53.43%
District Two	143	34,476	61.75%
<b>District 1 and 2 Community Nursing Homes</b>			
District One	3,088	951,311	90.91%
District Two	3,840	1,205,011	87.30%

Source: AHCA Florida Hospital and Nursing Home Utilization Guides

AHCA population estimates for District 2 show the following:

#### Population Estimates for District 2 Counties and Percent Change by County For Total Population, 65 and over, and 75 and Over Population

County	Total Jan. 2002	Total Jan. 2007	Percent Change	65+ Percent Change	75+ Percent Change
Bay	151,890	161,393	6.26%	11.29%	16.73%
Calhoun	13,123	13,855	5.58%	13.28%	13.20%
Franklin	11,301	12,278	8.65%	28.20%	19.95%
Gadsden	45,543	47,043	3.29%	8.55%	12.99%
Gulf*	15,616	13,390	-14.25%	-19.76%	-12.22 %
Holmes	18,838	19,859	5.42%	15.03%	8.15%
Jackson	47,857	48,882	2.14%	0.92%	3.27%
Jefferson	13,306	14,542	9.29%	14.54%	13.81%
Leon	247,357	262,633	6.18%	8.15%	2.70%
Liberty	7,231	7,744	7.09%	7.96%	11.26%
Madison	18,957	19,654	3.68%	3.51%	4.13%
Taylor	19,814	21,339	7.70%	12.25%	18.38%
Wakulla	24,459	28,632	17.06%	33.62%	43.90%
Washington	21,775	23,104	6.10%	13.84%	16.23%
Total District	657,067	694,348	5.67%	9.60%	10.25%

Source: AHCA Pop. Projections, December 2001; \*The 2000 census originally reported inmates in Franklin County rather than Gulf County. Census numbers will be revised to reflect 1,228 additional Gulf County residents and the same number will be subtracted from the Franklin County figures.

As indicated above, the population in District 2 is expected to increase by 5.67 percent during the next five years, with the 65 and over age cohort approximating 9.6 percent. For Bay County, the increase is anticipated to be 11.29 percent for the 65 and over population during the next five years. As expected, the 75 and over population is expected to increase at a higher rate for the district and Bay County (10.25 and 16.73 percent, respectively). This latter age group is likely

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to use the services of a long-term care hospital and stay longer than other age groups.

AHCA Population estimates for District 1 shows the following:

**Population Estimates for District 1 Counties and Percent Change by County  
For Total Population, 65 and over, and 75 and Over Population**

<b>County</b>	<b>Total Jan. 2002</b>	<b>Total Jan. 2007</b>	<b>Percent Change</b>	<b>65+ Percent Change</b>	<b>75+ Percent Change</b>
Escambia	298,673	311,819	9.58%	9.35%	9.05%
Okaloosa	175,423	187,285	9.37%	9.15%	8.41%
Santa Rosa	124,000	139,217	8.91%	7.86%	7.47%
Walton	43,724	48,097	9.09%	7.67%	7.25%
Total District	641,820	686,418	9.35%	8.84%	8.45%

Source: AHCA Pop. Projections, December 2001;

As shown above, total District 1 population is expected to increase 9.35 percent between 2002 and 2007, while the 65 and over and 75 and over population is expected to increase at a lower percentage of 8.84 percent and 8.45 percent, respectively.

**SemperCare Hospital of Panama City, Inc. (CON #9596)** contends that the continued growth of the age 65 and older population, coupled with this population's greater demand for health care services, suggests that there is a the need for LTCH services in both Districts 1 and 2, as well as Bay County, and that need will continue to increase in the future.

The applicant intends to use the hospital-within-a-hospital model and states that the host hospital, Bay Medical Center is projected to provide over 60 percent of its projected referrals. The applicant intends to target high acuity patients with high case weights, many of which will be transferred directly from Bay Medical Center's intensive care unit. The applicant projects that it will serve a patient population with an ALOS of approximately 27 days rather than the 30 to 58-day lengths of stay of the existing LTCHs in the state. Although the applicant contends that this decreased ALOS is due in part to its intention to have a more diverse case mix than many other LTCHs, it might also suggest that the applicant will be treating lesser acuity patients than are currently being seen in existing LTCHs. In addition to ventilator patients, SemperCare intends to focus on patients with medically complex conditions, stage III and IV wounds, neurological and musculoskeletal disorders, as well as cardiopulmonary conditions, which typically average shorter lengths of stay than ventilator patients.

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The applicant points out that the availability and accessibility of services is virtually non-existence for District 1 and 2 residents since the closest provider of these services is located in Jacksonville, Florida. In view of the distance to these services, the applicant claims that it is not surprising to learn that only 11 patients from both District 1 and District 2 were referred to an existing LTCHs during 2001. The applicant contends that this low number of LTCH discharges from the service planning area is largely due to the reluctance of residents to travel to Jacksonville and the reluctance of physicians to refer residents out of the region. Therefore, many of these potential LTCH patients are remaining in an acute care setting. The applicant did not demonstrate a specific access problem with regard to potential LTCH patients, but did provide letters from representatives of several area hospitals stating that their respective facility treated patients whose conditions were such that the patient experienced a hospital length of stay well beyond normal. The letters further state that the conditions and care requirements of the patients were of such a high level that transferring them to a post-acute facility was not a reasonable option. Patients were therefore held in acute care beds. These potential referral hospitals are shown as follows with the number of patients and aggregate number of patient days shown that represent a stay in acute care beds beyond the average for their particular diagnosis:

**Potential LTCH Referrals From Area Acute Care Hospitals**

<b>Facility</b>	<b>Patients</b>	<b>Patient Days</b>
Bay Medical Center	240	6,804
Gulf Coast Medical Center	22	649
Doctors Memorial Hospital	1	2
Santa Rosa Medical Center	2	40
Weems Memorial Hospital	1	6
Calhoun Liberty Hospital	1	5
Doctors' Memorial Hospital	1	4
Total	268	7,510

**Source: Hospital Support Letters/CON Application, Exhibit 8**

As shown above, the applicant reasonably documented a caseload of 268 patients that might benefit from LTCH services. Using the 7,510 patient days the applicant shows above, occupancy in the 30-bed LTCH would be 68.6 percent. In Exhibit 11 the applicant expanded on the referral possibilities by listing numerous other hospitals in the district and an accompanying number of possible LTCH transfers for a net total of 366 patients representing 10,172 patient days.

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The applicant states that it evaluated the current ability of Bay Medical Center, the host hospital to discharge long-term care appropriate patients to other venues. The discharge planning staff at Bay Medical compiled a list for the six-month period from April through September 2002 of attempts to discharge patients who would have been LTCH-eligible according to the applicant's admission criteria. The list includes 113 patients, spread among five service categories. This discharge study cites a total of 571 attempts to discharge the patients to another setting. The applicant did not indicate where these 113 patients were finally placed. According to the applicant, on an annualized basis, this data suggests that Bay Medical Center has approximately 226 inpatients per year that are LTCH appropriate but must remain in the hospital because of difficulty with referrals to another setting. This projection is reasonably supported by the potential LTCH patient base of 240 patients as identified for the previous year and cited in the letter from Bay Medical Center. As before, the subsequent placement of these patients was not disclosed although it is stated in hospital letters that the patient's condition was such that transfer to an existing post-acute facility was not a reasonable option. With only 11 patients leaving the area for LTCH services, it is assumed that these patients remained in an acute care bed. It was not disclosed how many of these patients were eligible for hospital based skilled nursing care which offers a full continuum of care and is currently available in Bay Medical Center's 18-bed skilled nursing unit. As previously noted, the applicant intends to convert its existing SNU to acute care beds subsequent to the approval of this project. The closing of the SNU at Bay Medical will leave District 2, Subdistrict 1 comprised of Bay, Calhoun, Franklin, Gulf, Holmes, Jackson, and Washington Counties without any SNU beds. The remaining SNU beds in District 2 will all be located in Subdistrict 2 and specifically in Gadsden County (12 beds) and Leon County (113 beds).

As further confirmation of potential need, the applicant states that it polled physicians in the area to determine an estimate of patients they would refer to a LTCH. From the 15 physicians polled, a total of 85 possible referrals per year was determined.

In summary, assuming the 268 patients the applicant states were kept in acute care beds and would have benefited from LTCH services were true candidates for LTCH services, there is evidence of need for this service in the planning area.

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**HealthSouth LTAC of Bay County, Inc. (CON #9597)** takes a similar approach as SemperCare (CON #9596) in stating that residents in District 2 and specifically Bay County do not have LTCH services available or accessible within a reasonable travel time. The applicant states that it is impractical to believe that residents of Panama City, Bay County or District 2 would travel long distances to access LTCH services due to emotional, economic and family considerations. As with SemperCare, HealthSouth contends that non-availability and accessibility of LTCH services is the primary reason that so few District 2 residents access LTCHs outside the region. The applicant contends that the establishment of a LTCH in Panama City will serve to meet the needs of and enhance the continuum of services to all residents of District 2 as well as enhance access for patients in District 1 in view of the proximity of the proposed facility.

As part of the applicant's needs assessment, a population analysis was conducted, looking at total population projections and 65 and over projections from January 2002 to January 2008 (six years). The applicant arrived at a slightly higher percentage increase in population because of the time frame difference than that shown in the previously presented population table for District 2 for January 2002-January 2007 (five years). In any event, both population tables project reasonably steady growth in both total population and elderly population.

The applicant presented several need methodologies in support of its project, but failed to address the proposed rule criteria stated above. The applicant did not demonstrate that patients that may meet the definition of a LTCH patient were currently not being placed or that an access problem exists in the district. The applicant failed to provide any first hand documentation from area providers with regard to delays in receiving care or potential LTCH transfers to its proposed project.

- 2. Limitation on Approvals. The agency will not approve more than one new long-term care hospital for a service planning area during a review cycle. No additional long-term care hospital will be approved for a service planning area that has an approved new provider not yet licensed.**

**SemperCare Hospital of Panama City, Inc. (CON #9596) and HealthSouth LTAC of Bay County, Inc. (CON #9597)** are applicants for new LTCHs. There is currently no approved LTCH in Service Planning Area One comprised of Health Planning Districts 1 and 2.

3. **Additional Beds at Existing Long-Term Care Hospitals. Need for additional beds at an existing long-term care hospital is demonstrated if the occupancy rate of the hospital was at least 80 percent for the 12-month period ending one month prior to the letter of intent deadline.**

This provision of the proposed rule is not applicable since there are currently no existing LTCHs in Service Planning Area One and specifically in Health Planning District 2.

## 2. **Local Health Plan Preferences**

**Is need for the project evidenced by the applicable district health plans? Applicants shall provide evidence in their applications that a proposed long-term care hospital is consistent with the needs of the community and other criteria contained in Local Health Council Plans. ss. 408.035(1) and 408.037(1), Florida Statutes, and Ch. 59C-1.030(2)(c), Florida Administrative Code.**

The October 2002 District 2 CON Allocation Factors Report lists the following preferences relevant to all CON applicants:

- (a) **Priority should be given to a CON applicant who commits to promote a healthy workforce and develop work site wellness programs, such as smoking cessation, stress management, and/or physical activity programs.**

**SemperCare Hospital of Panama City, Inc. (CON #9596)** states its intention to provide a safe and accessible work environment.

**HealthSouth LTAC of Bay County, Inc. (CON #9597)** states that its parent company, HealthSouth Corporation, has a committed history to employee relations and employee supportive programs. The applicant states that the proposed LTCH will provide its employees with the same benefits.

- (b) **Priority should be given to a CON applicant who will commit to implement preventive health care practices by providing counseling (or educational material) regarding modifiable risk factors, such as inactivity, tobacco use, poor nutrition, overweight, high blood pressure, elevated cholesterol, screening procedures, and timely utilization of health care services.**

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**SemperCare Hospital of Panama City, Inc. (CON #9596)** states that as a part of the patient treatment and rehabilitation, the proposed hospital will provide the materials listed to its patients as appropriate.

**HealthSouth LTAC of Bay County, Inc. (CON #9597)** states that the parent company's employee relations programs and supportive services will be extended to the proposed LTCH in Bay County. The applicant references the HealthSouth Emerald Coast Rehabilitation Hospital as a desirable area employer based on the corporate programs and services available for its employees.

The October 2002 District 2 CON Allocation Factors Report lists the following preferences relevant to CON applications for acute care and other hospital-based services:

- (a) Preference shall be given to the CON applicant best demonstrating cost efficiency, and least increase to patient charges.**

**SemperCare Hospital of Panama City, Inc. (CON #9596)** contends that the proposed LTCH services will decrease the cost of providing services to patients that would otherwise remain the more costly ICU setting. The applicant states its intention to work to improve the availability of cost-effective, quality health care.

**HealthSouth LTAC of Bay County, Inc. (CON #9597)** states that the proposed facility will be constructed adjacent to the existing HealthSouth Emerald Coast facility which will enable the two facilities to share resources. This includes but is not limited to the dietary, laundry and maintenance departments.

*(Note: Reference Agency review of financial feasibility in Item 4-f)*

- (b) Preference shall be given to CON applications based on joint ventures and shared services that mutually increase existing resource efficiency over unilateral CON applications.**

**SemperCare Hospital of Panama City, Inc. (CON #9596)** states that it will take advantage of contracting with Bay Medical Center for many necessary ancillary services (not to exceed 15 percent of operating costs excluding lease payment). The services include, but are not limited to: dietary, radiology and imaging, laboratory, surgery, laboratory, laundry, and biomedical and equipment maintenance. The applicant's lease agreement stipulates that

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radiology, laboratory and emergency services will be obtained from the host hospital. (Reference Architectural Review, Item 4-h). The lease provisions with the host hospital is not clear as to the location of some services and ancillary spaces, such as pre-op and recovery. Further, basic radiology services may not be leased from the host hospital. Basic radiology must be provided directly by the applicant.

**HealthSouth LTAC of Bay County, Inc. (CON #9597)** states that as a freestanding facility it will benefit from access to its affiliate's hospital and services. Moreover, the applicant states that as part of a network of affiliated health care providers, it will experience resource efficiencies and shared service opportunities.

- (c) **Preference shall be given to CON applications for facilities specifying that patients will receive care regardless of the ability to pay over those not so specifying.**

**SemperCare Hospital of Panama City, Inc. (CON #9596)** states its commitment to providing services to Medicaid and charity/indigent patients. The applicant agrees to condition award of the certificate for the provision of a minimum of two percent of total annual patients days provided to Medicaid patients and a minimum of one percent of total annual patient days provided to indigent/charity care patients. According to Schedule 7A, the applicant does indicate that two percent of total patient days will be provided to Medicaid patients but charity care is not specified.

**HealthSouth LTAC of Bay County, Inc. (CON #9597)** states that it will admit patients who meet their admission criteria regardless of ability to pay and is requesting that the CON be conditioned for a combined six percent of patient days to Medicaid and charity care patients. The applicant does indicate on Financial Schedule 7A that it will provide 2.50 percent of total patient days to Medicaid patients in year two but does not delineate between Medicaid and charity care.

- (d) **Preference shall be given to CON applications specifying the provision of services to the greatest reasonable percentage of Medicaid and indigent patients. These commitments should be included on the granted CON as a condition of that CON.**

**SemperCare Hospital of Panama City, Inc. (CON #9596)** agrees to condition award of the certificate of need on providing a minimum of two percent of total annual patients days to Medicaid

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patients and a minimum of one percent of total annual patient days to indigent/charity care patients.

**HealthSouth LTAC of Bay County, Inc. (CON #9597)** is requesting that the CON be conditioned for a combined six percent of patient days to Medicaid and charity care patients.

According to the 1999 Hospital Financial Data Report, LTCHs in the state averaged 3.4 percent Medicaid patient days and a ratio of charity care deductions to net patient service revenue of 8.7 percent.

- (e) **Preference shall be given to CON applications for bed expansion to be added onto existing facilities over CON applications for the establishment and construction of a freestanding facility.**

**SemperCare Hospital of Panama City, Inc. (CON #9596)** is proposing to lease existing space from Bay Medical Center for the proposed LTCH. Although the conversion of space requires only minimal renovation and no new construction, the project does involve the establishment of a new facility and is not considered a bed expansion.

**HealthSouth LTAC of Bay County, Inc. (CON #9597)** proposes the construction of a new freestanding LTCH and does not involve a bed expansion.

- (f) **Preference shall be given to CON applicants that demonstrate a history of or a willingness to commit to provide health care services to patients with HIV/AIDS.**

**SemperCare Hospital of Panama City, Inc. (CON #9596)** as a new entity, does not have a history of providing health care services to patients with HIV/AIDS but does state its intention to provide these services to patients meeting its clinical admission criteria.

**HealthSouth LTAC of Bay County, Inc. (CON #9597)** states its intention to admit and treat HIV/AIDS patients who require LTCH services.

- (g) **Preference shall be given to CON applications to convert bed types with low utilization to bed types of higher utilization within the facility. Examples are skilled nursing care beds, psychiatric beds, substance abuse beds, intensive residential service beds, and burn care unit beds.**

**SemperCare Hospital of Panama City, Inc. (CON #9596)** states that simultaneous to the opening of the proposed facility, Bay Medical will delicense 22 psychiatric beds and eight acute care beds and file an exemption to convert its 18-bed skilled nursing unit to general acute care beds. The psychiatric unit at Bay Medical is currently not being used. According to AHCA HBSNU utilization for the July 2001 through June 2002 reporting period, zero percent utilization was reported for the 18 beds at Bay Medical Center.

**HealthSouth LTAC of Bay County, Inc. (CON #9597)** is proposing a new LTCH, thus the project does not involve a bed conversion, nor are there available beds operated by the applicant to convert.

**Preferences (h) through (n) do not apply to the proposed LTCH projects. Neither applicant is proposing a bed transfer or the conversion of an acute care hospital to a critical access hospital.**

- (o) **Preference shall be given to a CON applicant who will commit to provide quality services based on internal evaluation criteria including ongoing training with an emphasis on ethics of health care professionals on their staff.**

**SemperCare Hospital of Panama City, Inc. (CON #9596)** states its intention of meeting this preference by implementing effective programs for training of professional staff and committing to provide quality care. This will be accomplished through continuous evaluations of performance, both internal and external, conducting patient and family surveys for feedback, and providing training programs with these emphases.

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**HealthSouth LTAC of Bay County, Inc. (CON #9597)** states that it will work to ensure that it is providing quality services based on its QualMax Performance Improvement system. This program includes a staff education component. The applicant also states that its parent, SemperCare, Inc. has a corporate compliance plan that enforces ethical activities of its staff relating to patient care as well as business practices.

*Note: The October 2000 District 2 CON Allocation Factors Report also lists preferences relevant to all CON applicants. However, these were not addressed by either applicant.*

- 3. Agency Rule Criteria** *(The Agency does not currently have adopted preferences relating to LTCHs; however, the draft rules for LTCHs do contain specific preferences which are discussed as follows)*

**Please indicate how each applicable preference for the type of service proposed is met.**

- a. Preferences Among Applicants for Long-Term Care Hospital Beds. In weighing and balancing statutory and rule review criteria, the agency will give preference to:**

- 1. An applicant who provides or proposes to provide Medicaid days as a percentage of their total patient days equal to or greater than the statewide average percentage of Medicaid patient days provided by all long-term care hospitals, as determined in the Agency's most recent "Hospital Financial Data" report.**

According to AHCA Fiscal year 1999 data, LTCHs in Florida provided an average of 3.4 percent Medicaid patient days of total patient days.

**SemperCare Hospital of Panama City, Inc. (CON #9596)** proposes to provide 2.0 percent of total patient days to Medicaid patients in the first two years of operation of the hospital within a hospital LTCH service. The applicant's projected provision of Medicaid patient days is less than the state average. The applicant does not meet this preference.

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**HealthSouth LTAC of Bay County, Inc. (CON #9597)** did not specifically address this preference. However, according to Schedule 7A, the applicant is projecting that Medicaid and Medicaid HMO days will represent 2.5 percent of total patient days in each of the first two years of operation. The applicant agrees to condition award of the certificate of need and provide a minimum of six percent of total annual patient days to combined Medicaid/charity patient days. This amount of Medicaid is less than the statewide average. The applicant does not meet this preference.

2. **An applicant who has or proposes to have a ratio of charity care deductions to net patient service revenue equal to or greater than the statewide average ratio for all long-term care hospitals, as determined in the Agency's most recent "Hospital Financial Data" report.**

The 1999 Hospital Financial Data Report shows that the statewide average ratio for all long-term care hospitals of charity care deductions to net patient service revenue for all long-term hospitals is 8.7 percent.

**SemperCare Hospital of Panama City, Inc. (CON #9596)** states that it intends to provide 1.0 percent of patient days to charity care patients, which equates to 3.4 percent of net revenue in the second year of operation. This amount is less than the statewide average. The applicant does not meet this preference.

**HealthSouth LTAC of Bay County, Inc. (CON #9597)** did not specifically address this preference. However, based on the requested condition, it appears that the applicant is projecting that charity care will represent 3.5 percent of total patient days in each of the first two years of operation of the proposed facility. The applicant does not meet this preference.

3. **An applicant who proposes to serve Medicaid-eligible persons.**

**SemperCare Hospital of Panama City, Inc. (CON #9596)** projects that Medicaid will comprise 2.0 percent of total projected patient days. The applicant meets this preference.

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**HealthSouth LTAC of Bay County, Inc. (CON #9597)** did not specifically address this preference. However, according to Schedule 7A, the applicant is projecting that Medicaid and days will represent 2.5 percent of total patient days in each of the first two years of operation. The applicant agrees to condition award of the certificate of need and provide a minimum of six percent of total annual patient days to combined Medicaid/charity patient days. The applicant meets this preference.

**4. An applicant who proposes to serve individuals without regard to their ability to pay.**

**SemperCare Hospital of Panama City, Inc. (CON #9596)** states that it will serve patients regardless of their ability to pay. The applicant has agreed to condition award of the CON upon providing 1.0 percent of its total patient days to indigent/charity care. The applicant meets this preference.

**HealthSouth LTAC of Bay County, Inc. (CON #9597)** states that it will serve patients regardless of their ability to pay. It appears that the applicant projects that it will provide 3.5 percent of total patient days to indigent/charity care. The applicant meets this preference.

**5. An applicant who proposes to convert existing hospital beds.**

**SemperCare Hospital of Panama City, Inc. (CON #9596)** proposes to lease 30 beds from Bay Medical Center. Although the applicant does not have existing hospital beds to convert, Bay Medical Center does intend to delicense 22 adult psychiatric beds and file an exemption to convert 18 skilled nursing unit beds to general acute care beds and then delicense eight of those beds. This proposed conversion of beds at Bay Medical Center is a separate issue and not contingent on the approval of the proposed LTCH project.

**HealthSouth LTAC of Bay County, Inc. (CON #9597)** is not proposing to convert existing hospital beds.

**b. Required Services. Long-term care hospital services, as provided by the hospital or by contract, shall include at a minimum:**

- 1. Pre-admission screening.**
- 2. Care for patients with multiple complex diagnoses.**
- 4. Care for patients with multi-system failure.**
- 5. Services for difficult-to-wean ventilator-dependent patients.**
- 6. Services for patients who cannot be weaned from ventilator dependence.**
- 7. Respiratory/pulmonary care.**
- 8. Airway restoration.**
- 9. Intensive wound care.**
- 10. Nutrition services, including metabolic analysis, invasive enteral tube placement, and total parenteral nutrition.**
- 11. Infusion therapy.**
- 11. Daily physician assessments.**
- 12. An average of at least eight direct patient care nursing hours per patient per day.**
- 13. Physical therapy, occupational therapy, speech therapy, and respiratory therapy.**
- 14. On-site laboratory, radiology, and pharmacy.**

**SemperCare Hospital of Panama City, Inc. (CON #9596)** states that it will provide the above listed required services. In response to Item #12, the applicant indicates that it will provide an average of nine direct patient care nursing hours per patient per day. Although the applicant intends to provide its own pharmacy per Item #14, laboratory services and radiology services will be provided through contract with Bay Medical Center. It is important to note that according to Florida Building Code, Section 419.3.4.5: "any other facility or building used for medical care...must be physically separated from the hospital...denoting its separateness from the hospital. Physically separate means, at a minimum, separation by fire walls and distinct mechanical and electrical systems." (Reference Architectural Review, Item 4-H). The requirements for physical separation of the mechanical, electrical and heating/air conditioning systems do not appear to have been met by the applicant. In addition, the lease agreement between the applicant and Bay Medical Center is not clear as to the exact location of certain services and functional space including emergency services, surgical and anesthesia areas/rooms and required ancillary spaces such as pre-op and recovery which must be dedicated

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to the exclusive use by the LTCH 24 hours per day. As noted above, basic radiology service, which is planned to be leased from the host hospital, must be provided directly by the applicant.

**HealthSouth LTAC of Bay County, Inc. (CON #9597)** did not specifically respond to the above listed services provision.

- c. Quality of Care. Long-term care hospital services shall comply with the agency standards for long-term care hospital licensure described in Chapter 59A-3, Florida Administrative Code. Applicants who include a statement in their certificate of need application that they will meet applicable agency licensure standards are deemed to be in compliance with this provision.**

**SemperCare Hospital of Panama City, Inc. (CON #9596)** states that it will meet all applicable agency licensure standards.

**HealthSouth LTAC of Bay County, Inc. (CON #9597)** did not specifically respond to this provision. Therefore, it is not deemed to be in compliance with this provision.

- d. Minimum Hospital Size. Freestanding long-term care hospitals established after the effective date of this rule shall have a minimum of 60 licensed beds.**

**SemperCare Hospital of Panama City, Inc. (CON #9596)** is proposing a 30-bed LTCH-within-a-hospital.

**HealthSouth LTAC of Bay County, Inc. (CON #9597)** is proposing a 40-bed freestanding LTCH.

- e. Services Description. An applicant for long-term care hospital beds shall provide a detailed program description in its certificate of need application including:**

- 1. Characteristics of age groups to be served by age and diagnosis.**

**SemperCare Hospital of Panama City, Inc. (CON #9596)** states that approximately 69 percent of all patients are projected to be 65 and over while the facility intends to serve 23 percent age 45-64.

**HealthSouth LTAC of Bay County, Inc. (CON #9597)** did not respond to this provision of the proposed rule.

**2. Specialty programs to be provided.**

**SemperCare Hospital of Panama City, Inc. (CON #9596)** states its intention to provide pulmonary care, a medically complex program, wound care management, and a rehabilitation program.

**HealthSouth LTAC of Bay County, Inc. (CON #9597)** did not respond to this provision of the proposed rule. However, elsewhere in the application the applicant states that it intends to provide the following programs including but not limited to: Infection diseases/antibiotic therapy program, wound care management, complex medical care program, stroke program and pulmonary program.

**3. Proposed staffing, including qualifications of the medical director, a description of staffing appropriate for any specialty program, and a description of the training and experience requirements for all staff who will provide direct patient care.**

**SemperCare Hospital of Panama City, Inc. (CON #9596)** provided as Exhibit 7, a description of the qualifications, training and experience required for employment. Also included are job descriptions for the four program medical directors and the facility-wide medical director. The applicant expects that the proposed LTCH will also create an interest for some staff of Bay Medical Center. The applicant also states that it will work with Bay Medical Center's human resources department in the recruitment and orientation of the required staff. The applicant intends to provide the administrative personnel, support personnel, and physicians. However, contract personnel will be provided by Bay Medical Center according to the terms of the purchased services agreement.

**HealthSouth LTAC of Bay County, Inc. (CON #9597)** does not specifically identify medical and support staff but indicates in Schedule 6A that 84 new FTE staff will be recruited for the available positions. The applicant does state that medical and support staff will be specially trained to manage medically complex patients.

4. **Expected sources of patient referrals. Applicants shall include evidence of transfer agreements with local hospitals indicating an intent to discharge appropriate patients to the proposed long-term care hospital.**

**SemperCare Hospital of Panama City, Inc. (CON #9596)** expects patients from across the Florida Panhandle region, with the highest number of referrals coming from Bay and contiguous counties. The applicant further projects that the majority of the patients referred to the hospital will originate from Bay Medical Center due to the physical location of the LTCH within the existing facility. The applicant provided reasonable documentation from several area hospitals providing potential number of patients and patient days that appear to be LTCH eligible. As the host hospital, Bay Medical indicates that last year it treated 240 patients whose conditions were such that the patient experienced a hospital length of stay well beyond normal and whose conditions were of such a high level that transferring them to an existing post-acute facility was not a reasonable option. However, it appears unlikely that any substantial number of LTCH eligible patients from outside of the immediate Bay County area will utilize the proposed LTCH. As noted above, letters of support from major providers of hospital care in District 1 were not received. Additionally, no letter of support was received from Tallahassee providers.

**HealthSouth LTAC of Bay County, Inc. (CON #9597)** did not specifically respond to this provision of the proposed rule. However, from information contained elsewhere in the application, it appears that the proposed facility will receive referrals from area hospitals and from the affiliated HealthSouth Emerald Coast Rehabilitation Hospital located in Bay County. It is noted that none of the applicant's letters of support are from outside of the Bay County area.

5. **Expected average length of stay for discharges by age group.**

**SemperCare Hospital of Panama City, Inc. (CON #9596)** expects the overall length of stay for each age group to be 27 days.

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**HealthSouth LTAC of Bay County, Inc. (CON #9597)** did not specifically respond to this provision of the proposed rule. However, it appears that the applicant is proposing an average length of stay of 42.5 days based on the methodological approaches presented.

**6. Expected discharge destination by age group.**

**SemperCare Hospital of Panama City, Inc. (CON #9596)** expects the proposed facility to mirror its experience at other facilities, which is: home with home health (44 percent); skilled nursing facility (31 percent); rehabilitation (12 percent); and other (13 percent).

**HealthSouth LTAC of Bay County, Inc. (CON #9597)** did not specifically respond to this provision of the proposed rule.

**7. Projected number of patient days by payer type, including Medicare, Medicaid, private insurance, self-pay and charity care patient days for the first 2 years of operation after completion of the proposed project.**

**Projected Patient Days and Percentage By Payer Type, Year Two**

<b>Applicant</b>	<b>Self Pay</b>	<b>Medicaid/ Medicare HMO</b>	<b>Medicare/ Medicare HMO</b>	<b>Insurance</b>	<b>Managed Care</b>	<b>Other</b>
SemperCare (9596)	1.0% 88 days	2.0% 175 days	76.6% 6,715 days	7.7% 675 days	12.7% 1,113 days	-0-
HealthSouth (5976)	4.50% 460 days	2.50% 255 days	78.0% 7,972	10.0% 1,022 days	2.0% 204 days	3.0% 307 days

**Source: Schedule 7A**

The above table provides a comparison of the proposed patient days and percentages by payer group for the second year of operation for each respective applicant.

**8. Admission policies of the facility with regard to charity care patients.**

Both applicants basically state their willingness to admit patients who meet their admission criteria regardless of ability to pay. Both applicants have agreed to condition award of the CON upon providing a percentage of charity care.

- g. Quarterly Reports. Licensed long-term care hospitals shall report to the agency or its designee, within 45 days after the end of each calendar quarter, the number of admissions and patient days by age and primary diagnosis that occurred within the quarter.**

Only SemperCare (CON #9596) responded to this provision, stating that it will provide all appropriate reports to AHCA in a timely manner in accordance with this rule.

**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) and 408.035(7), Florida Statutes.**

**SemperCare Hospital of Panama City, Inc. (CON #9596)** states that long-term care services are currently missing from the continuum of care within Districts 1 and 2. The proposed LTCH is intended to benefit long-stay patients by providing a higher number of nursing hours per patient day than a general nursing unit, combined with a number of therapy hours per day that significantly exceeds what is typically provided in an intensive care setting. The applicant indicates that one of the ways it can be distinguished from skilled nursing facility care is the high level of nursing care it provides for high acuity patients suffering from multiple conditions.

Although the applicant did not demonstrate specific access problems with regard to placing potential LTCH patients, it did provide letters from representatives of several area hospitals stating that their respective facility treated patients whose conditions were such that the patient experienced a hospital length of stay well beyond normal. The letters further state that the conditions and care requirements of the patients were of such a high level that transferring them to an existing post-acute facility was not a reasonable option.

The applicant reasonably documented through letters from area hospitals, a potential caseload of 268 patients that might benefit from LTCH services with 262 of these patients originating from the two hospitals in Bay County. The applicant also demonstrated potential need through recent attempts to discharge potential LTCH patients by the discharge planning staff at Bay Medical Center. However, it was not disclosed where these identified patients were placed or if all or a portion

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of these patients would have benefited from HBSNU services still licensed but not currently offered by Bay Medical Center.

The applicant appears to have shown need for the project as evidenced by the availability, quality of care, accessibility, and extent of utilization of existing health care facilities and health services in the applicant's service area.

**HealthSouth LTAC of Bay County, Inc. (CON#9597)** states that there are no like and existing facilities in District 2 and short-term acute care hospitals are inappropriate locations for long-term care patients. The applicant contends that with the closest long-term care hospitals approximately 300 miles away, facilities within the state are too distant from the proposed location and area residents. Moreover, the applicant says that the closest facility is fully occupied. Although Kindred Hospital, North Florida had an average occupancy of 88.92 percent in calendar year 2001, Specialty Hospital Jacksonville's annual occupancy for the same time period was 55.54 percent. The applicant did not demonstrate need for the project by demonstrating that health care providers are encountering problems in placing medically complex patients. Specific documentation from area providers with regard to delays in care would have been supportive and beneficial in showing an access problem to long-term care in the area.

The applicant did not demonstrate need for the project as evidenced by the availability, quality of care, accessibility, and extent of utilization of existing health care facilities and health services in the applicant's service area.

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

**SemperCare Hospital of Panama City, Inc. (CON #9596)** does not have an operational history of providing quality of care. The applicant states that its parent, SemperCare, Inc., has a variety of mechanisms that have been used to ensure and maintain quality care in its other facilities, which will be implemented by the applicant. These mechanisms include a comprehensive performance improvement system called QualMax™, constant maintenance of regulatory compliance and readiness, outcomes measurement systems, utilization and risk management programs, credentialing and privileging systems, a corporate compliance program, and a customer satisfaction system. The applicant included the Joint Commission on Accreditation of Healthcare Organizations (JCAHO) survey results for the four currently operational SemperCare facilities.

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The four existing facilities scored above the benchmark score of 92 on their most recent JCAHO surveys. The applicant points out that it will be separately licensed and included copies of its Certificate of Incorporation and authorization to operate in Florida as Exhibit 16 of the application. Copies of Bay Medical Center's licenses are included in Exhibit 17 of the application.

**HealthSouth LTAC of Bay County, Inc. (CON#9597)** does not have any operational long-term care hospitals in Florida. The applicant states that the parent corporation's experience, knowledge, and accreditation principals will clearly benefit the proposed facility. The applicant intends to seek accreditation and implement appropriate protocols to maintain a superior quality of care. The applicant further states that its performance improvement programs will be interdisciplinary in nature. It is the intent of the applicant to use the performance improvement plans instituted at other HealthSouth Florida locations. The quality management department will implement the performance improvement plan to measure, assess, and improve patient care on an ongoing basis.

- 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.**

Currently, there are no LTCH providers in District 2 or in adjacent District 1. Both applicants contend that LTCH beds available in Jacksonville (District 4) are not reasonably accessible due to distance considerations. However, neither applicant demonstrated that needed care was denied District 1 or District 2 residents.

- 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.**

Neither of the proposed projects are to be located in a statutorily defined teaching hospital nor will the primary purpose of either project involve research or physician education.

**SemperCare Hospital of Panama City, Inc. (CON #9596)** states that it is committed to supporting the clinical needs of health professionals and anticipates that some of the health professional training programs that currently use Bay Medical Center as a clinical training site will also use SemperCare Hospital once it is operational. The applicant also says that Bay Medical Center has several clinical training agreements, including those with high schools, universities, colleges, and specialized training programs throughout Florida as well as other states, which mostly

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involve physical and occupational therapy. Exhibit 19 of the application includes copies of 40 separate training agreements.

**HealthSouth LTAC of Bay County, Inc. (CON#9597)** states that HealthSouth Corporation is one of the largest clinical training and development resources in the nation and lists behind Tab 4 of the application the more than 750 colleges and universities who conduct on-site clinical training at HealthSouth facilities. The applicant also states that HealthSouth Corporation supports ongoing medical research and education through established partnerships with prestigious schools, that the proposed project will enhance research and positively impact the clinical training needs of health professionals in the region, and that the proposed project will enhance the clinical needs and employment opportunities available to health care professionals in District 2. According to the applicant, HealthSouth Corporation will establish agreements/affiliations with educational/training programs to use the proposed hospital for applicable clinical training and internships. Also, the applicant says it will be able to expand and develop new programs and services for patients and as such introduce new clinical areas for the education of future clinicians and support personnel, which will in turn enable educational opportunities, which do not exist locally.

- 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.**

**SemperCare Hospital of Panama City, Inc. (CON #9596)** is a start-up company with \$100 in assets as of April 16, 2002. SemperCare, Inc., the parent, was formed in 1999 for the purpose of developing a network of facilities providing long-term acute care. The company had, as of June 30, 2001, \$3.8 million in cash on hand, \$6.6 million in current assets, and \$9.8 million in total assets. Capital has been raised through the issuance of stock. The company has a shareholders' deficit of \$8.3 million and a net loss of \$3.6 million. There was a net operating loss of \$3.6 million and negative cash flows from operations of \$3.9 million. However, the first LTCH owned by SemperCare opened in April 2000 with four facilities operational as of the date of the balance sheet. The facilities are too new to judge the financial strength of the parent based on their revenue. The short-term financial position of the company depends on its continued ability to raise sufficient capital to support its operating losses. The long-term future of the company will depend on its being able to operate the facilities at a profit level that will support the company's debt. It is too early to determine the long-term financial strength of the parent.

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**Capital requirements:**

SemperCare Hospital of Panama City, Inc., will lease the space required to operate the hospital from Bay Medical Center. The total capital costs for this project from Schedule 1 are \$811,338. Schedule 1 did not include the estimated loss during the initial six months of operation of \$-436,401, bringing the total funds needed for the applicant to \$1,247,739.

**Available capital:**

Funding for the proposed project is coming from the parent, SemperCare, Inc. A letter was provided from the parent in support of its commitment to fund the project.

**Staffing:**

According to Schedule 6, the applicant is projecting a total of 72.1 FTE staff for the year ended April 2005.

**Conclusion:**

The applicant, with the support of its parent, may be able to raise sufficient capital to fund the project under review; however, funding for this and all other capital projects is not fully assured.

**HealthSouth LTAC of Bay County, Inc. (CON #9597)** is a for-profit company formed for the purpose of developing a freestanding long-term acute care hospital in Bay County. The applicant is a development stage enterprise with no assets, no equity and no revenues as of March 31, 2002.

The company is a wholly owned subsidiary of HealthSouth Corporation whose most recent 10K report for the period ended December 31, 2001, disclosed \$276.6 million in cash-on-hand, \$1.7 billion in current assets and \$7.6 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 this is the only significant capital project of the applicant. The total funding needed is \$12.8 million.

HealthSouth Corporation provided a commitment letter for funding the project.

**Staffing:**

According to Schedule 6A, the applicant is projecting a FTE staff of 101 in the first year of operation, increasing to 107 in year two.

**Conclusion:**

Based on HealthSouth Corporation's 10K 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 both 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.

The Centers for Medicare and Medicaid Services (CMS) published a proposed prospective payment system (PPS) rule in March 2002 for long-term acute care hospitals (LTCH). Under the proposed PPS for LTCH a payment for a Medicare patient will be made at a predetermined, per discharge amount for each LTCH-DRG. The estimated revenues submitted by SemperCare (CON #9596) for the project were developed based on the existing reasonable cost-based reimbursement system. The estimated revenues submitted by HealthSouth (CON #9597) for the project were developed based on historical experience of HealthSouth. The law requires that the LTCH PPS be budget neutral, which means that total payments must equal the amount that would have been paid if the PPS had not been implemented. Therefore, a comparison of both applicant's estimates to the control group values, even though those estimates are based on the reasonable cost-based reimbursement system, should provide a reasonable basis for evaluating estimated revenues.

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Comparative data were derived from hospitals in peer groups that reported data in 2000. Both applicants will be compared to the hospitals in peer group 12. 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.

**SemperCare Hospital of Panama City, Inc. (CON #9596)** presented estimated revenues for the project that were developed based on the existing reasonable cost-based reimbursement system. In order to qualify for an exemption under CFR Part 412.23 for reimbursement under the existing prospective payment system, a long-term acute care facility, operating as a hospital within a hospital, must, according to CMS's State Operations Manual interpretive guidelines, not exceed more than 15 percent of its total inpatient operating costs in services obtained under contract with the host hospital *or* at least 75 percent of the hospital's inpatient population must be referred from a source other than the host facility. The applicant states that they anticipate more than 25 percent of their patients to be referred from Bay Medical Center; they will meet the requirements by having less than 15 percent of their inpatient operating costs in services purchased from Bay Medical Center.

The applicant submitted a six-month demonstration period to show the operations prior to the Medicare PPS system becoming effective. For the best estimation of long-range financial feasibility the full 12-month years one and two after the six-month demonstration period are being used in this analysis.

Projected net revenue per adjusted patient day (NRAPD) of \$1,096 in year one and \$1,123 in year two is between the control group median and highest values of \$928 and \$1,655 in year one and \$956 and \$1,705 in year two. With net revenues per adjusted patient day between the median and highest 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 \$1,021 in year one and \$1,025 in year two is between the control group median and highest values of \$806 and \$1,665 in year one and \$830 and \$1,715 in year two. (See Comparative Table). Compared to the control group these projected expenses are cost-efficient.

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The year two operating profit for the hospital of \$863,062 computes to an operating margin per adjusted patient day of \$99, which is between the control group median and highest values of \$4 and \$219. The operating margin of 8.8 percent indicates that net revenues are reasonable when compared to costs.

These projections appear to be financially feasible.

**COMPARATIVE TABLE**

CON # 9596 SemperCare Panama City 2000 DATA Peer Group 12	2006	YEAR 2	VALUES ADJUSTED		
	YEAR 2	ACTIVITY	FOR INFLATION		
	ACTIVITY	PER DAY	Highest	Median	Lowest
ROUTINE SERVICES	26,277,000	3,000	815	648	492
INPATIENT AMBULATORY	0	0	5	0	0
INPATIENT ANCILLARY					
SERVICES	0	0	3,602	2,599	1,551
OUTPATIENT SERVICES	0	0	161	3	0
OTHER OPERATING REVENUE	0	0	13	2	0
TOTAL REVENUE	26,277,000	3,000	4,275	3,233	2,258
DEDUCTIONS FROM REVENUE	16,438,511	1,877	*	*	*
NET REVENUES	9,838,489	1,123	1,705	956	743
EXPENSES					
ROUTINE	2,482,882	283	400	226	187
ANCILLARY	3,601,095	411	475	216	206
AMBULATORY	0				
OVERHEAD	1,891,544	216	861	391	323
OTHER	0	0			
TOTAL EXPENSES	8,975,427	1,025	1,715	830	768
OPERATING INCOME	863,062	99	219	4	-55
		8.8%			
PATIENT DAYS	8,760		VALUES NOT		
ADJUSTED PATIENT DAYS	8,760		ADJUSTED		
TOTAL BED DAYS AVAILABLE	10,950		FOR INFLATION		
ADJ. FACTOR	1.0000				
TOTAL NUMBER OF BEDS	30				
PERCENT OCCUPANCY	80.0%		98.2%	85.0%	52.4%
PAYER TYPE	PATIENT	DAYS	% TOTAL		
MEDICARE	6,710	76.6%	95.7%	74.1%	56.9%
COMMERCIAL	675	7.7%			
MEDICAID	175	2.0%	16.9%	0.4%	0.0%
PRIVATE	88	1.0%			
HMO/PPO	1,113	12.7%	19.6%	14.2%	0.0%
OTHER	0	0.0%			
TOTAL	8,761	100.0%			

**HealthSouth LTAC of Bay County, Inc. (CON #9597)** Neither Schedule 5 nor Schedule 7 gave the dates for year one and year two. The Project Completion Forecast indicated initiation of services will be in February 2005; therefore the end of year one and year two for this review is January 31, 2006 and 2007.

Projected net revenue per adjusted patient day (NRAPD) of \$752 in year one is above the lowest level of the control group of \$735. NRAPD of \$982 in year two is between the control group median and highest values of \$974 and \$1,738. With net revenues per adjusted patient day for year two falling between the median and highest the facility is expected to consume health care resources similar to other long-term care providers. (See Comparative Table).

Projected cost per adjusted patient day of \$587 in year one and \$549 in year two are both significantly below the control group lowest values of \$761 in year one and \$783 in year two. (See Comparative Table). The lowest cost is considered the lower limit of cost-efficiency. Costs below this threshold would describe efficiencies that no other facility has been able to achieve. Compared to the control group these costs are too low to be efficient, indicating the facility is not spending enough on services to provide adequate care.

The year two operating profit for the hospital of \$4.4 million computes to an operating margin per adjusted patient day of \$433, which is far above the peer group highest value of \$219. The operating margin of 44.1 percent indicates that spending is way out of proportion to revenues. In an industry where a 10 percent profit margin is considered high this 44 percent margin indicates that costs are significantly underestimated. While we do not question the ability of HealthSouth Corporation to operate long-term care hospitals, this project, as presented is not financially feasible.



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

**Comparisons Between Applicant's Projections**

	<b>Beds</b>	<b>Net Rev. per day</b>	<b>Total Cost per day</b>	<b>Oper Profit per day</b>	<b>Managed Care percent</b>	<b>Medicaid percent</b>
Sempercare	30	1,123	1,025	99	12.7	2.0
HealthSouth	40	982	549	433	2.0	2.5

**SemperCare Hospital of Panama City, Inc. (CON #9596)** projects managed care to represent 12.7 percent of its patient days. This is below the control group median level of activity of 14.2 percent. The projected levels, if realized, will have little significant impact on competition to promote quality assurance and cost-effectiveness.

**HealthSouth LTAC of Bay County, Inc. (CON #9597)** projects managed care to represent 2.0 percent of its patient days. This is between the control group lowest and median levels of zero and 14.2 percent. The projected levels, if realized, will have no 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.**

**SemperCare Hospital of Panama City, Inc. (CON #9596)** is proposing to create a 30-bed long-term acute care hospital-within-a-hospital. SemperCare of Panama City intends to lease space on the third floor of Bay Medical Center (BMC) for a long-term acute care facility. Only a portion of the floor will be used for the proposed hospital. The new facility will supplant Bay Medical Center's pulmonary unit, a skilled nursing unit and a cardio-pulmonary and sleep lab. BMC will delicense 30 beds so the total bed count of the district will not change with this proposal.

Chapter 59A-3 of the Florida Administrative Code and the Florida Building Code do not permit a hospital-within-a-hospital, but it is possible that this policy might change or that a waiver may be granted to allow this type of co-mingling of hospitals.

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The Florida Building Code states in Section 419.3.4.5:

“Any other facility or building used for medical care, including a medical office building, must be physically separated from the hospital and have clear, visible and readable signs denoting its separateness from the hospital. Physically separate means, at a minimum, separation by fire walls and distinct mechanical and electrical systems.”

The requirement of physical separation of the mechanical, electrical and heating/air conditioning systems do not appear to have been met by the proposed changes and renovations. However, there are some walls identified that will be upgraded to two-hour firewalls for occupancy separation and the existing smoke compartment walls will remain as is.

The lease agreement stipulates that radiology, laboratory and emergency services are proposed to be obtained from the host hospital. Although an emergency department is not required, a designated area to provide emergency services must be incorporated in the new facility. A similar condition exists for surgery and anesthesia. These functional spaces must be located on site per Chapter 59A-3 of the Florida Administrative Code. The lease provisions with the host hospital, surgical and anesthesia area/rooms and their required ancillary spaces such as pre-op and recovery must be dedicated to the exclusive use by the proposed LTCH 24 hours per day seven days per week.

The new hospital has only one exit stair within its boundaries, which necessitates its staff and patients as well as the staff and patients of the third floor of BMC to exit through another facility/hospital to exit in case of a fire or other dangerous situation. Since both occupancies are the same, this is not a significant issue although it is not ideal.

The new hospital will occupy existing smoke compartments 3A and 3B of BMC. The new facility will have seven semi-private rooms, 15 private rooms, and one isolation room. Four of the private rooms have handicapped accessible bathrooms. Minimal renovation of the existing patient rooms will be done and certain spaces will change function. A pharmacy will be gained by conversion of an existing activities room. Similarly, a new rehab room and family waiting room will take the space of an existing dining space.

SemperCare also plans to purchase a number of services from BMC, and these are indicated in the lease agreement included in the application.

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The lessor will provide maintenance for the entire building as well as other services. Some of these services include dietary, radiology/imaging, laboratory and pathology, surgery emergency and laundry. Although the new hospital may contract elsewhere for more complex radiological/imaging services, it must have its own equipment and/or space for basic diagnostic radiology services.

There are also a number of “common spaces” that are in the lease and are to be shared by the two facilities. The host hospital also will furnish furniture and equipment for the SemperCare facility.

There are certain spaces and functions that a hospital must have by code to be classified as a hospital. In this application, very few if any of these spaces are shown since they located outside the area of the new hospital. Since these spaces are not adjacent, it is imperative that they meet the requirements of the Florida Building Code and Chapter 59A-3 of the Florida Administrative Code.

Specific attention is directed to the these codes’ requirements for disaster preparedness. The provisions regarding the site conditions and elevations, construction and missile impact requirements are crucial to the project since it is a new hospital. A new hospital must meet and/or satisfy all the code and standards required. These codes state:

The floor elevation of all new occupied patient area(s) and all patient support area(s) and patient support utilities, including mechanical, electrical except as noted in (55)9.b.(I), and food services shall be located above the 100-year flood plain or hurricane Category 3 (Saffir-Simpson scale) hurricane surge inundation elevations, whichever requires the highest elevation.

Since no plans of other floors at BMC are included in the application, it cannot be determined where the required patient support areas are located or if they meet the disaster preparedness requirements. Additional information must be submitted in order to determine that this new long-term acute care hospital is actually viable in its proposed location if this application is approved.

Information as to the emergency power situation also needs to be amplified. If an existing generator at the host hospital is to be used to provide emergency power for the new facility, its protection must meet standards for a new facility.

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In short, all provisions for Disaster Preparedness must be met by the new facility. In spite of its location within an existing building, the long-term care facility is a new hospital and the codes above have specific requirements for new facilities, which must be met.

The plan is fairly straightforward with two nurse stations and has proved workable for BMC. Required ancillary patient room support spaces are existing and appear to be satisfactory.

There is a list of applicable codes and it is mostly correct. The renovation cost of \$38 per square foot appears to be reasonable for the scope of the project.

**HealthSouth LTAC of Bay County, Inc. (CON #9597)** provided drawings of the proposed 40-bed hospital that include a floor plan of the single story building. It consists of a long rectangle with another rectangle overlaid at a skewed angle. The main entrance area bisects the building and all the patient rooms are located on one side of the building. On the other side are the staff and business offices, therapy areas, food service and other ancillary spaces. There is a large patient dining room and generous quarters for management and staff. Space is provided for extensive patient records within the business office area. The plan is quite straightforward and well organized. It has three smoke compartments and the rated walls are shown where required in most cases.

The facility has the required pharmacy, radiology area and laboratory but has no space(s) indicated for emergency services. Although an emergency department is not required, a designated area to provide emergency services must be incorporated in the facility. There are no surgical or anesthesia departments shown with their required ancillary spaces such as pre-op and recovery. These functional spaces must be located on site per Chapter 59A-3 of the Florida Administrative Code. Since there is no laundry shown, it is assumed that this service will be contracted off-site. Adequate space for soiled linen holding and clean linen receiving need to be addressed in more detail than is shown on the schematic plan included in the application.

Ten of the patient rooms are private and the rest are semi-private. Each room has a wheelchair-accessible shower and a lavatory within the patient room instead of in the toilet/shower room. There are two nurse stations centrally located and back-to-back within the patient room area.

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Required ancillary support spaces have been provided as well as a pharmacy, prep and exam rooms within the patient room area. There has obviously been a great deal of thought put into the plan with the patient's needs and convenience involved.

There is no explanation as to why there is a rather spacious area containing men's lockers and an accessible toilet/shower off the main physical therapy room and no similar facilities for women.

The list of applicable building codes is incorrect for quite a few of the codes. This is not a significant issue. The correct codes will have to be adhered to when and if the project progresses. The AHCA Office of Plans and Construction will have input at this time and will insure that all code information is correct.

A potentially significant issue is that no reference is made to the disaster preparedness sections 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 not been selected, it is imperative that the applicant be aware of these code issues before continuing the design process and certainly before the final selection of the site.

- 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.**

*According to AHCA Fiscal year 1999 data, LTCHs in Florida provided an average of 3.4 percent Medicaid patient days of total patient days and 8.7 percent of charity care deductions to net patient service revenue.*

**SemperCare Hospital of Bay County, Inc. (CON #9596)** does not currently own or operate LTCHs in Florida. The applicant agrees to condition award of the certificate of need on the following: a minimum of two percent of total annual patients days will be provided to Medicaid patients and a minimum of one percent of total annual patient days will be provided to indigent/charity care patients. Schedule 7A of the application does not indicate any percentage of projected patient days for indigent or charity patients. There is no indication given that the proposed project will meet or exceed the state averages.

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**HealthSouth LTAC of Bay County, Inc. (CON #9597)** is not an existing licensed provider of LTCH services in Florida. The applicant agrees to condition award of the certificate of need on the following: a minimum of 4.5 percent of total annual patient days will be provided to charity care patients and a minimum of 2.5 percent of total annual patient days will be provided to Medicaid patients. Schedule 7A of the application does not indicate any percentage of projected patient days for indigent or charity patients. The applicant agrees to condition award of the certificate of need for six percent combined charity and Medicaid patient days. There is no indication given that the proposed project will meet or exceed the state averages.

**F. SUMMARY**

**SemperCare Hospital of Panama City, Inc. (CON #9596)** proposes the establishment of a new 30-bed long-term care hospital to be located at Bay Medical Center in Bay County, AHCA District 2. The specific clinical programs that the applicant will implement include pulmonary, medically complex, wound care management, and rehabilitation.

The proposed project cost is \$811,338 and will involve 18,479 GSF of construction and \$225,000 in construction costs. The applicant states that simultaneous to the opening of the proposed hospital, Bay Medical Center will delicense 22 psychiatric beds, which are not being used. The applicant also states that Bay Medical Center will file an exemption request to convert its 18 skilled nursing unit beds to general acute care beds and then delicense eight of those beds.

The applicant has agreed to provide a minimum of two percent of total annual patient days to Medicaid patients and a minimum of one percent of total annual patient days to indigent/charity care patients.

**HealthSouth LTAC of Bay County, Inc. (CON #9597)** proposes the establishment of a new 40-bed freestanding long-term care hospital to be located in Bay County, AHCA District 2, near to the existing HealthSouth Emerald Coast Rehabilitation Hospital.

The project involves a total of 40,000 GSF of new construction and construction costs of \$6,386,000. The total project cost is stated to be \$12,703,625.

The applicant agrees to condition award of the certificate of need for six percent combined charity and Medicaid patient days.

**Need:**

**SemperCare Hospital of Panama City, Inc. (CON #9596):**

- Need is not published by the agency for long-term care hospital beds. It is the applicant's responsibility to demonstrate need.
- The applicant reasonably demonstrated a potential caseload of patients for the proposed project based on several letters from area hospitals attesting to specific numbers of patients with medical conditions that cannot be reasonably transferred to an existing post acute facility. As expected, the applicant relies on Bay Medical Center to provide the majority of LTCH referrals.
- It was not disclosed how many of the identified potential patients could be treated in Bay Medical Center's currently licensed but unused 18 bed HBSNU. The current placement of patients with medical conditions that meet the criteria for LTCH services was not disclosed.

**HealthSouth LTAC of Bay County, Inc. (CON #9597):**

- Need is not published by the agency for long-term care hospital beds. It is the applicant's responsibility to demonstrate need.
- The applicant contends that LTCH services are not currently available to District 2 residents within a reasonable travel time. The applicant presented several need methodologies in support of the project, but failed to adequately address the proposed rule criteria. The applicant did not demonstrate that patients requiring post acute care services were not receiving those services. The applicant failed to quantify need based on documentation from area providers with regard to potential LTCH transfers or delays in receiving care.

**Quality of Care:**

**SemperCare Hospital of Panama City, Inc. (CON #9596):**

- The applicant does not currently own or operate long-term care hospitals in the State of Florida. However, the applicant reasonably demonstrated the potential to provide quality of care based on its experience and existing policies in place at other facilities. The applicant included the JCAHO survey results for the four currently operational SemperCare facilities. However, the applicant did not discuss how it would recruit or retain the staff proposed in the application.

**HealthSouth LTAC of Bay County, Inc. (CON #9597):**

- The applicant does not currently own or operate long-term care hospitals in the State of Florida. The applicant reasonably demonstrated the potential to provide quality of care based on its experience and existing policies in place at other facilities.

**Cost/Financial Analysis:**

**SemperCare Hospital of Panama City, Inc. (CON #9596):**

- The applicant is a start-up company with limited assets. The short-term financial position of the company depends on its continued ability to raise sufficient capital to support its operating losses. The long-term future of the company will depend on its being able to operate the facilities at a profit level that will support the company's debt. The applicant, with the support of its parent, may be able to raise sufficient capital to fund the project under review; however, funding for this and all other capital projects is not fully assured. The application appears to be financially feasible.
- The applicant projects managed care to represent 12.7 percent of its patient days. This is below the control group median level of activity of 14.2 percent. The projected levels, if realized, will have no significant impact on competition to promote quality assurance and cost-effectiveness.

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### **HealthSouth LTAC of Bay County, Inc. (CON #9597):**

- The applicant is a development stage enterprise with no assets, no equity and no revenues as of March 31, 2002. The company is a wholly owned subsidiary of HealthSouth Corporation whose most recent 10K report for the period ended December 31, 2001, disclosed \$276.6 million in cash on hand, \$1.7 billion in current assets and \$7.6 billion in total assets. The company had \$4.4 billion in revenues, \$202.4 million net income and \$670.4 million in cash flows. HealthSouth Corporation provided a commitment letter for funding the project. Based on HealthSouth Corporation's 10K report, and their commitment to fund this project, funding for this project should be available as needed.
- The financial review indicates that it is likely that estimated costs for the project are understated in view of the fact that projected cost per adjusted patient day is below the control group lowest values. In addition, projected net revenues do not appear to be proportional to costs. The financial review concluded that the project as presented is not financially feasible.
- The applicant projects managed care to represent 2.0 percent of its patient days. This is between the control group lowest and median levels of zero and 14.2 percent. The projected levels, if realized, will have no impact on competition to promote quality assurance and cost-effectiveness.

### **Architectural Analysis:**

#### **SemperCare Hospital of Panama City, Inc. (CON #9596):**

- The applicant proposes to lease space on the third floor of Bay Medical Center (BMC) to establish a long-term care facility. The application narrative indicates that only part of the floor will be leased to the new hospital, and the space is currently partly occupied by several functions of Bay Medical Center including a skilled nursing unit.
- There are certain spaces and functions that a hospital must have by code to be classified as a hospital. Very few if any of these spaces are shown since they are located outside the area of the new hospital. Since these spaces are not adjacent, it is imperative that they meet the requirements of the Florida Building Code and Chapter 59A-3 of the Florida Administrative Code. In addition, it cannot be determined if the required patient support areas meet the Disaster Preparedness

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requirements. Additional information must be submitted in order to determine that this new LTCH is actually viable in its proposed location. The requirements for physical separation of the mechanical, electrical and heating/air conditioning systems do not appear to have been met. The applicant plans to lease certain services from the host hospital that must be provided directly by the applicant and cannot be leased such as basic radiology. If surgery suites are to be leased from the host hospital, they must be leased seven days a week, 24 hours a day.

### **HealthSouth LTAC of Bay County, Inc. (CON #9597):**

- The proposed plan appears well organized. The facility has the required pharmacy, radiology area and laboratory but has no space(s) indicated for emergency services. Although an emergency department is not required, a designated area to provide emergency services must be incorporated in the facility. There are no surgical or anesthesia departments shown with their required ancillary spaces such as pre-op and recovery. These functional spaces must be located on site per Chapter 59A-3 of the Florida Administrative Code. Since there is no laundry shown, it is assumed that this service will be contracted off-site. Adequate space for soiled linen holding and clean linen receiving need to be addressed in more detail than is shown on the submitted schematic plan.
- The list of applicable codes is incorrect for quite a few of the codes. The correct codes will have to be adhered to when and if the project progresses. A potentially significant issue is that no reference is made to the disaster preparedness sections 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 not been selected, it is imperative that these code issues be addressed prior to continuing the design process and selection of the site.

**G. RECOMMENDATION**

Approve CON #9596 to establish a 30-bed long-term care hospital (LTCH) within a hospital to be located at Bay Medical Center. The project involves 18,479 GSF of construction and construction costs of \$225,000. the total project cost is \$811,338.

**CONDITIONS:**

- (1) A minimum of two percent of the total annual patient days in the 30-bed LTCH shall be provided to Medicaid patients.
- (2) A minimum of one percent of the total annual patient days in the 30-bed LTCH shall be provided to charity patients.

Deny CON #9597.

**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**