

STATE AGENCY ACTION REPORT
ON APPLICATION FOR CERTIFICATE OF NEED

A. PROJECT IDENTIFICATION

1. Applicant/CON Action Number

SemperCare Hospital of Tallahassee, Inc./CON #9644
2745 North Dallas Parkway
Plano, Texas 75093

Authorized Representative: Gary A. Kagan
(972) 836-1300

Select Specialty Hospital of Tallahassee, Inc./CON #9645
2021 Church Street, Suite 202
Nashville, Tennessee 37203-2016

Authorized Representative: Greg Sassman
(615) 284-6716

2. Service Planning Area/District

District 2

B. PUBLIC HEARING

A public hearing was not requested with regard to the establishment of a long-term care hospital (LTCH) in District 2. However, letters in support of each applicant's proposal to establish a long-term care hospital were received and a discussion of these follows.

SemperCare Hospital of Tallahassee, Inc. (CON #9644) submitted 22 letters of support for the project, including letters from Tallahassee Memorial Emergency Medical Services (Bobby Bailey, Director); The Florida State University College of Medicine (J. Ocie Harris, M.D. Dean); The Florida State University College of Medicine (Kenneth Brummel-Smith, M.D., Professor and Chair, Department of Geriatrics); The Florida State University College of Medicine (Alma B. Littles, M.D., Associate Dean for Academic Affairs); Board of County Commissioners (Tony

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Grippa, Chairman, Leon County Commission); Vascular Surgery Associates, P.A. (Dr. William D. Long); Clarence Applegate, M.D.; Robert Rowland, M.D., Tallahassee Memorial Hospital (Duncan Moore, President/CEO); Mark Cuffe, M.D.; Bay Medical Center (Steven M. Johnson FACHE/President/CEO); Dr. Joseph Webster (Internist and Cardiologist on staff at Tallahassee Memorial); Florida State University School of Nursing (Katherine Mason, RN, MPH, Ed.D., Dean); Tallahassee Community Hospital (Sharon L. Roush, CEO); Tandem Health Care of Tallahassee (Alan G. Davis, Executive Director); Tallahassee Pulmonary Clinic (Drs Clifton J. Bailey, J. Daniel Davis, F. Ray Dolly, David Y. Huang, Praful B. Patel, Carlos E. Camp and John S. Thabes); Family Practice Residency Program/Tallahassee Memorial Healthcare (Dr. John R. Purvis); Florida Agricultural and Mechanical University/FAMU (Margaret W. Lewis, R.N., Ph.D./Dean and Professor); Tallahassee Community College (Steven Owens, Assistant Vice President); Florida Department of Health (Arthur P. Cooper, M.P.H., Administrator, Leon County Health Department); and City of Tallahassee (John R. Marks, III, Mayor).

The majority of the letters support the hospital-within-a-hospital concept as superior to freestanding LTCH's due to avoidance of unnecessary transfers, cost-effective use of existing support services and medical staff, and the continuity of care and maintenance of the physician-patient relationship. The letters of support from The Florida State University College of Medicine also address the educational training opportunities for medical students and residents, as well as the availability of an alternative level of care not available in nursing homes, rehabilitation facilities, and home health care. The educational training aspect is also endorsed by a letter of support from FAMU (Dr. Margaret Lewis). The letter from the President and CEO of Bay Medical Center indicates that the development of the SemperCare proposal in Tallahassee will have only minimal impact on the approved SemperCare Hospital of Panama City. Among the letters of support were four letters from area physicians that provided both the number of patients each physician saw in 2002 who would have been more appropriately served in a long-term care hospital bed had there been one available in the area and the approximate number of days these patients would have spent in the LTCH. The four letters indicate that during 2002, a combined total of 34 patients would have been more appropriately served in a long-term care hospital for a combined total of 814 patient days. In addition, the applicant submitted a letter signed by the seven physicians at Tallahassee Pulmonary Clinic which indicated the group estimated that 84 of their patients per year would need long-term care hospital services.

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Select Specialty Hospital-Leon, Inc. (CON #9645) submitted one letter of support for its proposed project from Tallahassee Community Hospital (Sharon L. Roush, CEO). Ms. Roush states that many of the hospital's long-stay acute patients are candidates for care in a LTCH and the hospital anticipates implementing a transfer agreement with the facility. Ms. Roush also submitted a letter of support for the SemperCare proposal (CON #9644).

The applicant did not submit any letters from area hospital discharge planners or physicians indicating a specific number of patients that would benefit from a LTCH.

C. PROJECT SUMMARY

SemperCare Hospital of Tallahassee, Inc. (CON #9644) a subsidiary of SemperCare, Inc., proposes the establishment of a new 29-bed long-term care hospital-within-a-hospital (LTCH) in collaboration with Tallahassee Memorial Hospital. SemperCare intends to lease space on the sixth floor of Tallahassee Memorial Hospital currently occupied by a medical/surgical unit. The applicant proposes to purchase certain regulatory services, including radiology, laboratory, surgery and other medical and support services, from the hospital. The proposed term of the agreement between the applicant and the hospital will be five years, with options to extend for two additional five-year periods.

The project involves 14,290 gross square footage and renovation costs of \$651,510. Project costs total \$1,417,072.

The applicant agrees to condition award of the certificate of need on the provision of an average of two percent of total patient days to Medicaid patients and a ratio of indigent/charity care to net revenue that will average two and a half percent.

Select Specialty Hospital-Leon, Inc. (CON #9645), a wholly owned subsidiary of Select Medical Corporation, proposes the creation of a 40-bed freestanding LTCH to be located in Tallahassee, Leon County. The applicant has identified three potential sites for the project along Capital Circle Northeast between Interstate 10 and Mahan Drive in close proximity to both hospitals in the city. The project requires approximately five acres.

The proposed hospital will consist of 37,648 gross square feet of new construction and construction costs of \$6,819,750. Total project cost is estimated to be \$10,968,150.

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The applicant agrees to condition award of the certificate of need on the provision of 2.8 percent Medicaid and indigent patient days combined.

D. REVIEW PROCEDURE

The evaluation process is structured by the certificate of need review criteria found in Section 408.035, Florida Statutes. These criteria form the basis for the goals of the review process. The goals represent desirable outcomes to be attained by successful applicants who demonstrate an overall compliance with the criteria. Analysis of an applicant's capability to undertake the proposed project successfully is conducted by assessing the responses provided in the application, and independent information gathered by the reviewer.

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

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, M. Riley Gibson, analyzed the application in its entirety with consultation from the Financial Analyst, John Williamson, 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.

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Proposed Rule 59C-1.045, Florida Administrative Code implements the provisions of subsection 408.034(3), and paragraphs 408.036(1)(a), (b), (c), (d), (f), and (g), Florida Statutes for the purpose of regulating proposals subject to comparative review for the establishment of new long-term care hospitals and the addition of beds to existing long-term care hospitals, and the conversion of licensed hospital beds to long-term care hospital beds.

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 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 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.

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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. Through this system, termed LTC DRGs, CMS is recognizing the patient population of LTCHs as separate and distinct from the populations treated by short-term acute care and post acute care providers that each have their own prospective payment system in recognition of the material differences in patient populations, cost of care, and health care delivery. Under this system, each patient admitted to a LTCH is assigned a DRG with a corresponding payment rate that is weighted based upon the patient's diagnosis and acuity. The LTCH will be reimbursed the pre-determined payment rate for that DRG, regardless of the cost of care.

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 post acute care providers, most notably rehabilitation providers (page 55965):

- 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.

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- 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.

Note: The proposed rule (42 CFR Part 412) for the LTCH Prospective Payment System (PPS) with proposed annual payment rate updates and policy changes was published in Vol. 68, No. 45, of the Federal Register on March 7, 2003.

At present there are nine long-term care hospitals with 683 beds licensed to operate in the state of Florida. These facilities are concentrated in five of the 11 AHCA health planning areas and are in the following counties: Dade (Miami), Hillsborough (Tampa), Broward (Ft. Lauderdale and Hollywood), Duval, Clay and Pinellas (St. Petersburg). There are an additional 182 beds approved but not yet operational: 20 beds at Kindred Hospital in District 4, 22 beds at Kindred in District 5, six beds at Kindred in Ft. Lauderdale in District 10 and the following approved new LTC hospitals: SemperCare (30 beds) in Panama City in District 2, SemperCare (35 beds) in Orlando in District 7, HealthSouth (40 beds) in Sarasota in District 8, and Mercy (29 beds) in District 11. The average occupancy of the operational programs was 76.6 percent for the period July 2001-June 2002, ranging from a low occupancy rate of 54.6 percent for Specialty LTCH-Jacksonville to a high of 99.2 percent for Kindred LTCH-St. Petersburg.

The following table shows the beds, patient days and occupancy of Florida's operational LTCH's for the July 2001-June 2002 reporting period.

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Florida Long Term Care Hospitals Utilization Experience July 2001-June 2002

Hospital	District	Beds	Bed Days	Patient Days	Occupancy
Kindred-North Florida	4	60	22,080	19,524	88.4%
Specialty-Jacksonville	4	107	39,376	21,482	54.6%
Kindred-St. Petersburg	5	60	22,080	21,909	99.2%
Kindred-Central Tampa	6	102	37,536	28,794	76.7%
Kindred-Tampa	6	73	26,864	18,499	68.9%
Kindred-Hollywood	10	124	45,632	32,485	71.2%
Kindred-Ft. Lauderdale	10	64	23,552	21,279	90.3%
Kindred-Coral Gables	11	53	19,504	17,166	88.0%
*Select Specialty-Miami	11	40	Not Reported	Not Reported	Not Reported
Florida Total		683	236,624**	181,138**	76.6%**

Source: Florida Hospital Bed Need and Service Utilization, 1/24/03

*** Licensed 12/23/02**

****Does not include Select Specialty-Miami bed days. Utilization data shown above is based on 643 beds in operation for 12-month reporting period.**

There is one CON approved and no existing or operational long-term care hospitals (LTCHs) located in District 2. Notice of the Agency's intent to award CON #9596 was given to SemperCare Hospital of Panama City, Inc. in December, 2002 for the establishment of a 30-bed LTCH in collaboration with Bay Medical Center, located in Bay County, District 2.

Both SemperCare (CON #9644) and Select Specialty (CON #9645) contend that their respective proposals will provide LTCH services to patients with complex and medically unstable conditions that cannot be adequately addressed by continued stay in licensed acute care beds or by placement in comprehensive medical rehabilitation beds, hospital-based skilled nursing unit beds, and nursing home beds in the service planning area. SemperCare intends to treat patients with cardiopulmonary conditions, medically complex conditions, stage III and IV wounds, and neurological and musculoskeletal disorders. Select Specialty intends to provide I.V. therapy, enteral therapy, wound/skin care, post surgical stabilization, respiratory care, ventilator weaning, nutritional support, dialysis and oncology support. In addition, rehabilitation services will be offered to augment the primary treatment program of the patient.

The current bed complement, patient days and average occupancy of these distinct other forms of care in District 2 is as follows.

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

District 2 Acute Care Beds			
Area	Total Beds	Total Days	Average Occupancy
District Two	1,645	291,272	48.48%
District 2 Comprehensive Medical Rehabilitation Beds			
District Two	135	46,111	96.99%
District 2 Hospital Based Skilled Nursing Beds			
District Two	143	34,476	61.75%
District 2 Community Nursing Homes			
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. 2003	Total Jan. 2008	Percent Change	65+ Percent Change	75+ Percent Change
Bay	153,658	163,020	6.09%	10.41%	14.20%
Calhoun	13,301	14,070	5.78%	12.58%	12.42%
Franklin	10,074	10,392	8.65%	16.39%	9.89%
Gadsden	45,642	46,733	3.16%	5.12%	8.62%
Gulf*	15,451	15,598	0.95%	1.00%	7.78%
Holmes	19,011	19,904	4.70%	11.82%	7.59%
Jackson	48,520	50,424	3.92%	1.78%	3.39%
Jefferson	13,307	13,820	3.86%	5.92%	13.81%
Leon	251,173	269,310	7.22%	7.46%	1.91%
Liberty	7,332	7,811	6.53%	6.62%	8.25%
Madison	19,097	19,789	3.62%	2.55%	3.56%
Taylor	20,162	21,372	6.00%	11.39%	16.31%
Wakulla	25,241	28,850	14.30%	27.81%	34.47%
Washington	22,020	23,269	5.67%	13.84%	14.54%
Total District	663,989	704,362	6.08%	8.72%	8.83%

Source: AHCA Pop. Projections, published October 2002.

As shown above, the overall population in District 2 is expected to increase by 6.08 percent during the next five years, with the 65 and over and 75 and over age cohort increasing by 8.72 percent and 8.83 percent, respectively. For Leon County, the increase is anticipated to be 7.22 percent overall, with the 65 and over population increasing 7.46 percent while the 75 and over population is expected to increase by only 1.91 percent during the next five years. Whereas, the 75 and over population is generally

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expected to increase at a higher rate than the overall population and slightly higher than the 65 and over population, this is not the case in Leon County. The 75 and over age group is generally considered the age group most likely to use the services of a long-term care hospital and stay longer than other age groups.

SemperCare Hospital of Tallahassee, Inc. (CON #9644) contends that because of the distance (120 miles) from Leon County to SemperCare's recently approved 30-bed LTCH to be located in Panama City (District 2/Bay County), it intends to serve distinctly different populations. The applicant states that the approved SemperCare Hospital of Panama City project is intended to serve only five percent of the LTCH appropriate patients from hospitals in Leon County and the counties contiguous to, or east of, Leon County.

The applicant contends that because of the unique level and mix of care provided by LTCHs, no other venue within the clinical continuum of care is able to meet the complex needs of long-term acute patients as effectively and efficiently as a LTCH. Studies do suggest that nursing homes are generally associated with poorer outcomes and higher costs than other post-hospital care modalities, while the same studies suggest that multi-complex cardiac patients, for example, are appropriately and more cost effectively served by home health providers. (Health Services Research Article 35:3/August 2000 (Post-Hospital Care Under Medicare)).

Without an accessible LTCH, the applicant states that patients will continue to be served in the critical care and medical/surgical units of the service area's short-term acute care hospitals rather than receive post-acute care. Specifically, the applicant states that Tallahassee Memorial Hospital's patient population includes a high volume of long-stay, acutely ill patients with multi-system complications as a result of the hospital's status as a regional tertiary care provider. As noted earlier, several area physicians documented that at least 34 of their patients would have been more appropriately served in a LTCH in 2002. One physician practice estimated that 84 of its patients will need the services provided by an LTCH over the period of a year. The average length of stay in an LTCH must be at least 25 days if Medicare reimbursement is received. Based on letters from physicians, it can be reasonably projected that 2,950 LTCH patient days will be needed by area residents and that these patients will not be transferred to the approved LTCH in Panama City or the existing

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LTCH in Jacksonville, but would most likely be kept in acute care beds. In the 29-bed LTCH proposed by the applicant, the annual average occupancy would be 27.87 percent.

The applicant points out that comprehensive medical rehabilitation (CMR) beds in the district are currently operating at near capacity (97.0 percent). Although the applicant argues that the patients it proposes to serve are not appropriately placed in a CMR bed, evidence to support that argument is not provided other than that previously discussed regarding the probable 118 patients described by area physicians.

The applicant addresses hospital-based skilled nursing beds and community nursing home beds as not providing the more intensive level of care necessary for the management of the conditions experienced by a LTCH patient. The applicant cites staffing as a primary distinction (four hours per patient day in a nursing home versus nine or more hours of nursing care per patient day for LTCH patients). Other distinctions include more physician contact for LTCH patients, more restorative therapy (2.0 hours per day average), and a wider range of services for LTCH patients. Studies do support optimal functional outcomes for patients discharged to formal home health care and lesser outcome for patients discharged to nursing homes compared to the actual discharge locations (Post-Hospital Care Under Medicare/Health Services Research 35:3/August 2000).

There are presently 143 licensed hospital-based skilled nursing (HBSN) beds in District 2 with 113 of those beds located at Tallahassee Memorial Hospital. *(Note: As a condition of the approval of the SemperCare LTCH in Bay County, Bay Medical Center intends to delicense its 18 HBSU beds, thus reducing the total District 2 licensed HBSU capacity to 125 beds.)*

The applicant contends that population growth, specifically with the 65 and over population, in District 2, as well as Leon County, has increased steadily over the past few years and is projected to continue. As shown in the population table above, the overall population in Leon County is expected to increase 7.22 percent between 2003 and 2008, with the 65 and over population growth approximating overall growth at 7.46 percent. The overall population growth for Leon County is expected to be higher than the projected District 2 average of 6.08 percent but less than the District average of 8.72 percent for the 65 plus group. The applicant did not specifically address the 75 plus age group,

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however, the growth of this age group in Leon County between 2003 and 2008 (1.91 percent) represents the smallest percentage increase of any county in the district and less than the overall district growth rate for this group of 8.83 percent and the state growth rate of 9.63 percent. Although the projected population growth for Leon County over the next five years is not necessarily significant in comparison with other counties and District 2 in total, the county does represent the major population center in the district with 38 percent of total district population, followed by Bay County with 23 percent of the total population. In view of the fact that these two population centers (counties) are over 100 miles apart, the applicant contends that both counties are suitable locations for the development of a LTCH.

In order to demonstrate need for the project, the applicant presented the discharge planners at Tallahassee Memorial Hospital with the admissions criteria for the proposed project and asked them to estimate the number of patients that would be transferred to a LTCH if it were available. However, it does not appear that planners were not asked to provide a list of patients needing post acute care that were denied that care because it was unavailable and consequently had to remain in an acute care bed. Further, it does not appear that planners were asked to provide a list of patients needing post acute care that were eventually placed in an appropriate post-care care setting but who had to remain in an acute care bed for an extended period of time because there was no appropriate post acute care setting available at the time the patient would have been discharged had there been appropriate placement along, including waiting times. The discharge planners did identify 18 patients currently admitted to the hospital who could benefit from LTCH services. In addition to a potential patient base at Tallahassee Memorial, the applicant states that the patient base at other hospitals in the district were examined to determine potential need. The applicant has chosen to use a length of stay (LOS) methodology to project the need for LTCH services using 2001 (quarters 3 and 4) through 2002 (quarters 1 and 2) utilization data based on DRGs and length of stay, to target patients whose lengths of stay are well above national averages for the DRG. The geometric mean length of stay for each DRG based on the Medicare

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Prospective Payment System was then applied to all potential discharges from the host hospital and other area hospitals. By definition, the average LOS for a LTCH must be at least 25 days for Medicare patients. Since not every DRG is appropriate for admission to a LTCH, the applicant developed a list of DRGs that are not clinically appropriate for LTCH services. The applicant states that for purposes of conservatively projecting demand, only those patients with lengths of stay greater than 15 days beyond the geometric mean length of stay would be candidates for admission to a LTCH. The applicant states that according to the "Florida Hospital Inpatient Database," Tallahassee Memorial accounted for 301 LTCH appropriate discharges and a total of 7,731 patient days from 2001 quarter 3 through 2002 quarter 2. The applicant contends that this volume alone would generate a need for 26 beds at 80 percent occupancy for the proposed hospital. However, the applicant assumes that only 95 percent of the hospital's LTCH appropriate patients will be referred to the proposed LTCH, which excludes the five percent of patients from Tallahassee Memorial that were assumed to be referred to the approved SemperCare Hospital of Panama City (CON #9596). The applicant further assumes that it will capture 60 percent of the total LTCH patient days generated by Tallahassee Community Hospital, located approximately 2.6 miles from Tallahassee Memorial. In combination, the two Tallahassee hospitals are expected to generate a total of 8,639 patient days that may be LTCH appropriate. In addition, the applicant is assuming that at least 10 percent of the LTCH appropriate patients from hospitals in Madison County and a minimum of five percent from the remaining hospitals in District 2 (except Bay County) will be referred to the proposed hospital. These potential referral hospitals are shown below 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:

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Potential LTCH Referrals From District 2 Acute Care Hospitals

Hospital	County	Total LTCH Appropriate Patients	LTCH Appropriate Patient Days	Projected Referral Percentage	Projected Referrals	Projected Pat. Days
Tallahassee Mem.	Leon	301	7,731	95%	286	7,344
Tallahassee Community	Leon	91	2,158	60%	55	1,295
Madison County Memorial	Madison	34	805	10%	3	81
Jackson Hospital	Jackson	20	417	5%	1	21
George E. Weems Memorial	Franklin	4	76	5%	0	4
Gulf Pines	Gulf	6	124	5%	0	6
Doctors' Memorial	Taylor	5	39	5%	0	2
NW Florida Community	Washington	7	128	5%	0	6
Calhoun Liberty	Calhoun	1	24	5%	0	1
Doctor's Memorial (Bonifay)	Holmes	1	18	5%	0	1
	District 2 Total	470	11,521		346	8,761

Source: CON Application, page 84/Schedule B (Bay Medical Center patients deleted from table)

Note: Applicant indicates that inappropriate DRGs have been omitted, e.g. pediatrics, obstetrics or burn patients as well as other clinically inappropriate DRGs listed in Attachment 14 of the application.

As shown above, the applicant arrives at a potential caseload of 346 patients that might benefit from LTCH services. Using the 8,761 patient days shown above, an ALOS of 25.3 days and a target occupancy of 80 percent, the applicant arrived at a need for 30 beds. The applicant's request is for 29 LTCH beds.

Although the applicant arrived at a potential caseload to support the proposed project based on ALOS, it is noted that certain variations in patient characteristics can alter these need assumptions. These include the patient's functional ability, availability of caretakers at home, ethnicity, age, socio-demographics, and dependence on technology.

As further confirmation of potential need, the applicant states that it surveyed the Tallahassee Memorial Hospital physicians who admitted most of the LTCH appropriate patients in the last year. From the experience of the seven pulmonary physicians at Tallahassee Pulmonary Clinic alone (letter of support submitted), as previously discussed, it was estimated that seven patients per month or 84 patients per year could be referred to the proposed LTCH by this physician group alone. In addition, letters were also submitted by four other area physicians indicating a total of 34

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patients would have benefited from admission to a LTCH. These patients stayed a total 814 days in the hospital. In total, the five letters submitted by area physicians indicate an approximate yearly total of 118 patients that might benefit from LTCH services.

In summary, although the applicant did not provide specific information in the form of discharge studies or other data from area hospitals regarding the subsequent placement of discharged patients who meet the criteria and may have benefited from placement in a LTCH, need for an additional LTCH in the planning area has been shown based on physician letters of support and reasonable assumptions and projections. Although the recently approved District 2 LTCH is expected to serve the area, the applicant has shown need for additional beds and the approved LTCH is located in the western portion of the district and is not expected to be negatively impacted should this project be approved.

Select Specialty Hospital-Leon, Inc. (CON #9645) contends that a need for a LTCH exists in Leon County, to better serve the residents of the eastern portion of the district. As with the proposal submitted by SemperCare (CON #9644), the applicant states that the currently approved LTC hospital in Panama City (Bay County) is intended to meet the LTCH need for patients in the western counties of the district but will not meet the needs of the residents in the eastern counties of the district. However, as noted above, the Panama City newly approved LTCH is expected to serve the planning area, which includes Leon County. As also noted above, this does not preclude an applicant from demonstrating need for additional beds, which would indicate that the approved LTCH will not be adversely impacted.

The applicant addresses the January population estimates for the service area and Leon County to demonstrate forecasted growth in all age groups. The applicant's projections indicate that the 65 and over age group will see growth of 8.8 percent in the next five years. This approximates the growth rate for this cohort across District 2 as previously shown in the population estimates table and represents the group most likely to use LTCH services.

However, as previously discussed, the 75 and over age group in Leon County is only expected to increase by 1.91 percent between 2003 and 2008, substantially below the district and statewide increases of 8.83 percent and 9.63 percent, respectively for this age group.

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The applicant states that LTCH patients typically represent the most critically ill patients coming out of the short-term acute care hospital setting. To illustrate this, the applicant references the DRG case mix index. This measure was developed in conjunction with Medicare's prospective payment system (PPS) as a means of adjusting payments to hospitals based upon case complexity. The mix of short-term acute care patients nationwide is expected to have an overall index of 1.00, whereas, in Florida, the average case mix for the various hospital groupings was 1.24 for the 12-month period ending June 2002. By comparison, the applicant states that patients treated at the eight Florida LTCH's licensed for the same time period had a composite case mix index of 2.36, indicating a greater medical complexity of cases than that of short-term acute care hospitals. The applicant contends that without the availability of LTCH beds, some of these high acuity patients may remain in intensive care beds or other critical care units of acute care hospitals.

As compared to comprehensive medical rehabilitation (CMR) services, the applicant states that LTCH services offer a less intensive program of physical, speech and other therapies and a generally more intensive program of medical and nursing support services, including the capability to perform surgical procedures. With regard to hospital or nursing home sub-acute care units, the applicant contends that these patients are generally less medically complex and provide a more limited length of stay. Typically, the ALOS in skilled nursing units runs between 12 and 15 days whereas, Florida's eight LTCH's had an ALOS of 42.2 days during the 12 month period ending June 2002. Although the applicant emphasizes that the level of care provided by a LTCH is acute care, this is not the case. Acute care services are only provided in an acute care setting, whereas, the care provided in a LTCH is considered "post acute care", predominantly provided to patients discharged from an acute care setting.

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The applicant states that in the absence of an approved methodological approach to need for LTCH beds, it is presenting two methodologies for consideration. The first methodology is based upon use rates by age cohort in Florida counties where adequate long-term care beds exist to serve the county population, and a second based upon lengths of stay in general acute care hospitals in the proposed service area. The applicant contends that the use rate approach supports 42 to 43 beds during the anticipated first three years of operation of the hospital. The length of stay methodology, drawing from the eastern portion of District 2 shows 14,040 LTCH patient days being generated in the area's acute care hospitals by 2008, the anticipated third year of operation of the proposed hospital, producing a need for 48 LTCH beds. However, need methodologies based on use rates from patient populations different from the population the applicant is proposing to serve are not good indicators of need. Assumptions must be made that are without basis and likely without merit as illustrated by the applicant in its discussion of certain markets and utilization "skewing" projections. For example, the applicant arrived at a statewide utilization rate using only the District 4, District 6 and District 10 LTCH patient days and population, omitting the District 5 and District 11 LTCH patient days and populations because it states that the District 5 and 11 areas have only four LTCH beds per 10,000 elderly people and in combination, suggests that LTCH use in these two areas is limited by bed availability. Therefore, the applicant concludes that the low utilization rate but yet high occupancy levels in these counties, skews the patient day projections downward, producing misleadingly conservative estimates of future demand. The patient day use rates during the 12-month period ending June 2002 vary tremendously, from 2.99 per 1,000 among the young (0-44) to almost 332 per 1,000 among those over the age 85 (153.74 for the 65-74 age group and 259.99 for the 75-84 age group), indicating the very old use these services more than the young. In view of the variability of use among the different age cohorts, the applicant arrived at an average utilization rate for the entire population of 38.05, which of course understates the usage among the elderly. Therefore, rather than providing an acceptable need methodology, the applicant has demonstrated why this use rate model for this service in Florida is not a valid indicator of need.

The applicant provided the following current resident-based patient day use rates for the counties with at least one LTCH, as well as utilization by service resident, provided for comparison.

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**Florida LTCH Utilization
County Resident Use By Age July 2001-June 2002**

County	Patient Days		Rate Per 1,000		Total
	Age 0-64	Age 65+	Age 0-64	Age 65+	
Broward	6,994	43,372	6.39	164.17	31.33
Clay/Duval	12,470	28,482	14.68	288.62	38.05
Hillsborough	11,221	34,832	12.22	277.46	44.12
Miami-Dade	3,138	15,687	1.57	51.03	8.15
Pinellas	4,533	15,023	6.23	72.50	20.93
Total	40,356	137,396	6.84	136.98	25.74
<i>Leon</i>	<i>23</i>	<i>69</i>	<i>0.10</i>	<i>3.42</i>	<i>0.37</i>

Source: CON Application/AHCA Utilization Data

As expected, in the absence of a LTCH, Leon County resident access LTCH services at a lower rate than do residents of counties where facilities exist. For the reporting period referenced above, only seven District 2 residents were discharged from one of the Florida LTCH's, with two of those from Leon County. Rather than provide letters from hospital discharge planners or area physicians, the applicant indicates that it can only be assumed that many patients in District 2 and specifically, Leon County have been eligible for LTCH services but remained in an acute care setting. As indicated earlier, there is an approved LTCH in District 2, which is expected to serve some percentage of this population.

The use rate approach is based on the assumption that Leon County and surrounding area will perform, on average, the same as other LTCH's in the state. It does not however, take into account other variables that may impact utilization including the difference in population growth of the various age groups, the availability of other care options and a change in referral patterns. As previously shown, Leon County is expected to experience the lowest increase in the 75 and over age cohort (1.91 percent change) than any other county in District 2 and is substantially below the district and state average growth of 8.83 percent and 9.63 percent, respectively for this group for the period January 2003 to January 2008. The gap is narrowed for the 65 and over population group in Leon County with a projected increase of 7.46 percent compared to a district increase of 8.72 percent and the statewide average increase of 9.48 percent for this age group. These lower than average increases in the elderly population in Leon County would tend to indicate that Leon is one of the "youngest" counties in the state.

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The applicant also presents a length of stay methodology, similar to that presented by SemperCare to arrive at what the applicant considers an understated need for LTCH beds. This methodology attempts to identify patients in acute care hospitals who are candidates for LTCH services by calculating an estimated number of days for LTCH services based on lengths of stay that are above the national average for the patient's diagnosis. Since not all diagnoses are appropriate for the services offered at a LTCH (burn victims, obstetric and gynecological care, alcohol and drug abuse, rehabilitation and psychoses, etc.), the applicant has deleted these DRGs and others from inclusion in the analysis. The applicant also removed all patients with a length of stay that is less than the GMLOS plus 15 days. (*Note: The GMLOS represents an adjusted value for all cases for a given DRG, assigned by the CMS*) It is therefore assumed that if patients stayed in the acute care hospital more than a few days beyond the GMLOS, they are potential candidates for a LTCH. However, unlike co-batched applicant SemperCare, the applicant has not supported its assumptions with quantified evidence of patients that would have benefited from but that did not receive LTCH services.

The following table indicates the applicant's calculated number of discharges and LTCH patient days for the hospitals expected to transfer patients to the proposed LTCH.

**Long Term Acute Care Patient Days
Leon County Service Area Hospitals: GMLOS plus 15 Definition
July 2001 - June 2002**

Hospital	Discharges	LTCH Days	ADC	Bed Need
Doctors Memorial	5	88	0.2	0
George E. Weems Mem.	4	74	0.2	0
Madison County Mem.	31	750	2.1	3
Tallahassee Community	81	1,941	5.3	7
Tallahassee Memorial	273	7,005	19.2	24
Total	394	9,858	27.0	34

Source: CON Application

Based on the above discharges, the applicant arrives at a total bed need for 34 LTCH beds, less than the 40 requested. The applicant also looks at all lengths of stay longer than 15 days to arrive at an even greater need, approximating 52 beds. However, this method appears to present a much too liberal approach to arriving at need.

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In order to arrive at need that more closely supports the 40 beds requested, the applicant contends that the mid-point of the two estimates is used to establish age specific utilization rates, that are then applied to the appropriate age cohorts. This LOS approach indicates need for 46-48 LTCH beds and 14,040 LTCH appropriate patient days for the service area hospitals by the end of year 2008.(an ADC of 38.4/80 percent).

As with the SemperCare proposal, the applicant arrived at a potential caseload to support the proposed project based on an ALOS approach. However, as with any LOS methodology, certain variations in patient characteristics can alter assumptions of need. These include the patient's functional ability, availability of caretakers at home, ethnicity, age, socio-demographics, and dependence on technology. The applicant did not provide any specific data, including specific DRG data from any area hospitals in support of the project. There was no documentation presented from area hospital planners with regard to discharges of potential LTCH patients.

In summary, the applicant's two methodological approaches to need are not supported by any specific discharge studies or other data, including DRG admission criteria from area hospitals regarding potential need nor were any supporting documentation provided from area physicians regarding potential referrals. The applicant's use rate approach is based on the experience of some other LTCHs in other parts of the state and relies on assumptions that may or may not occur in the proposed service area. With regard to the LOS methodological approach, the applicant's projections are based on assumed capture rates with no supporting data or indication of potential referrals from area hospitals. The only letter of support submitted for the project is from Tallahassee Community Hospital indicating that need exists and a transfer agreement will be initiated. However, a similar letter was also provided by Tallahassee Community Hospital for the SemperCare project. It was further not demonstrated by the applicant 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.

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 does not specifically address the development of long term care hospital beds. However, the report does list 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 Tallahassee, Inc. (CON #9644) states only that it will provide a safe work environment. As a proposed hospital-within-a-hospital, the applicant states that Tallahassee Memorial currently meets all safety and accessibility standards. The applicant states its intention to provide team building experiences, as well as health and stress management information to its employees.

Select Specialty Hospital-Leon, Inc. (CON #9645) states that its hospitals are designed and constructed to conform to all applicable licensure and building codes, life safety codes, the Florida Building Code (with revisions); and Handicap Accessibility Standards, including Florida Statutes Chapter 553, Part V, and Americans with Disabilities Act. The applicant also intends to provide counseling and referral services to its employees aimed at promoting individual and family health and welfare.

- (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.**

Both applicant state compliance with the preference and intend to provide the materials listed to its patients as appropriate.

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The October 2002 District 2 CON Allocation Factors Report list 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.**

(Note: Reference Agency review of financial feasibility in Items 4-f and 4g for a more comprehensive examination of the financial aspects for both projects)

SemperCare Hospital of Tallahassee, Inc. (CON #9644) contends that the proposed LTCH services will decrease the cost of providing services to patients that would otherwise remain in the more costly critical care setting. The applicant states its intention to work to improve the availability of cost-effective, quality health care. According to the Financial Review (see Items 4f and 4g), the applicant's costs in comparison to the control group are considered efficient. With regard to the applicant's projected managed care levels, if realized, a positive impact will occur on competition to promote quality assurance and cost-effectiveness.

Select Specialty Hospital-Leon, Inc. (CON #9645) states its intention to provide an appropriate, cost-efficient alternative to extended retention of technology dependent or otherwise medically complex patients in a traditional short-stay acute care setting. The applicant cites a February 2000 study reported in the journal *Critical Care Medicine*. The study entailed a review of medical records of ventilated patients to demonstrate a lower mortality rate and lower average cost per stay in a LTCH than in a short-term acute care hospital.

Comparisons Between Applicant's Financial Projections

	Beds	Net Rev. per day	Total Cost per day	Oper Profit per day	Managed Care percent	Medicaid percent
SemperCare (9644)	29	\$1,111	\$1,028	\$83	12.70%	2.00%
Select Specialty (9645)	40	\$984	\$946	\$37	4.90%	0.80%

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- (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 Tallahassee, Inc. (CON #9644) states that it will take advantage of contracting with Tallahassee Memorial Hospital for many necessary ancillary services (not to exceed 15 percent of operating costs excluding lease payment). The services may 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 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 are not clear as to the location of some services and ancillary spaces, such as pre-op and recovery. However, there are provisions that Tallahassee Memorial will provide all surgical, anesthesia, and recovery services. Further, basic radiology services may not be leased from the host hospital. Basic radiology must be provided directly by the applicant.

Select Specialty Hospital-Leon, Inc. (CON #9645) responds that the proposed project does not involve a joint venture or shared services.

- (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 Tallahassee, Inc. (CON #9644) states its commitment to providing services to Medicaid and charity/indigent patients. The applicant agrees to condition award of the certificate of need on the provision of an average of two percent of total patient days to Medicaid patients and a ratio of indigent/charity care to net revenue that will average two and a half percent. According to Schedule 7A, the applicant indicates that two percent of total patient days will be provided to Medicaid patients and one percent for charity care in each of the first two years of operation of the LTCH.

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Select Specialty Hospital-Leon, Inc. (CON #9645) states that applicants for admission will be considered without regard to race, color, religion, sex, national origin, age, or mental or physical handicap or ability to pay. The applicant agrees to condition award of the certificate of need on the provision of 2.8 percent Medicaid and indigent patient days combined. Schedule 7A indicates the applicant's expectation to deliver up to two percent of its total patient days to self pay patients and 0.8 percent for Medicaid patients. The applicant anticipates that all self-pay patients will be charity.

- (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 Tallahassee, Inc. (CON #9644) agrees to condition award of the certificate of need on the provision of an average of two percent of total patient days to Medicaid patients and a ratio of indigent/charity care to net revenue that will average two and a half percent.

Select Specialty Hospital-Leon, Inc. (CON #9645) agrees to condition award of the certificate of need on the provision of 2.8 percent Medicaid and indigent patient days combined.

According to the 2001 Hospital Financial Data Report, LTCHs in the state averaged 2.0 percent Medicaid patient days and 1.7 percent charity care patient days.

- (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 Tallahassee, Inc. (CON #9644) is proposing to lease existing space from Tallahassee Memorial Hospital for the proposed LTCH. The space is currently occupied by a medical/surgical unit. There is no indication given as to the disposition of the displaced beds. However, the conversion of space will require only minimal renovation and no new

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construction and the project does not involve the establishment of a new facility or involve a bed expansion. The total project cost of implementing this hospital-within-a-hospital concept is \$1,417,072, considerably less than the \$10,968,150 expected to be expended by Select Specialty.

Select Specialty Hospital-Leon, Inc. (CON #9645) proposes the construction of a new freestanding facility for a total projected cost of \$10,968,150.

- (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 Tallahassee, Inc. (CON #9644) states that as a new entity, it 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. The projected number of HIV/AIDS patients to be admitted and/or any indication of need from areawide providers was not shown.

Select Specialty Hospital-Leon, Inc. (CON #9645) states that according to the most recent company-wide discharge data, its inpatient facilities provided care to 58 patients with a primary diagnosis of AIDS, for a total of 1,648 patient days. The applicant states that the company has in place infection control procedures and universal precautions against all potentially infectious diseases and hazardous materials and all staff members are trained in these procedures. The projected number of HIV/AIDS patients to be admitted and/or any indication of need from areawide providers was not shown.

- (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.**

Neither applicant is proposing to convert existing beds.

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 Tallahassee, Inc. (CON #9644) states its intention of meeting this preference by implementing effective programs for training of professional staff and committing to provide quality care. Additionally, Tallahassee Memorial Hospital offers continuing education courses that will be made available to the LTCH staff. The applicant also indicates that it has a corporate compliance plan that enforces ethical activities of its staff relating to patient care as well as business practices. These same policies and procedures will be adopted by the proposed project.

Select Specialty Hospital-Leon, Inc. (CON #9645) provided several examples of the company's ongoing training and competency evaluation in the form of its orientation, performance evaluation, and competency skills materials submitted with the application.

3. **Agency Rule Criteria** *(The Agency does not currently have adopted preferences relating to LTCHs; however, the proposed rule for LTCHs does 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 the 2001 Hospital Financial Data Report, LTCHs in the state averaged 2.0 percent Medicaid patient days.

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SemperCare Hospital of Tallahassee, Inc. (CON #9644) 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 consistent with the state average.

Select Specialty Hospital-Leon, Inc. (CON #9645) proposes to provide 0.8 percent of its total patient days to Medicaid recipients. This is less than the state average of 2.0 percent.

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.**

According to the 2001 Hospital Financial Data Report, LTCHs in the state averaged 1.7 percent charity care patient days.

SemperCare Hospital of Tallahassee, Inc. (CON #9644) states that it intends to provide a ratio of indigent/charity care to net revenue that will average 2.5 percent. According to Financial Schedule 7A, the applicant intends to provide one percent of total patient days in each of the first two years of operation to charity care. The applicant does not meet the state average with regard to charity care patient days.

Select Specialty Hospital-Leon, Inc. (CON #9645) agrees to condition award of the certificate of need on the provision of 2.8 percent Medicaid and indigent patient days combined. In Financial Schedule 7A, the applicant does not specifically allocate patient days for charity care but rather for self-pay days (2.0 percent), considered by the applicant to be charity. Assuming that the self-pay days do represent charity care days totally, the applicant meets the state average.

- b. **Minimum Hospital Size. Freestanding long-term care hospitals established after the effective date of this rule shall have a minimum of 40 licensed beds. Long-Term care hospitals designated as hospitals within hospitals established after the effective date of this rule shall have a minimum of 25 licensed beds.**

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SemperCare Hospital of Tallahassee, Inc. (CON #9644) is proposing a 29-bed LTCH-within-a-hospital in collaboration with Tallahassee Memorial Hospital. The minimum licensed bed size criteria is met.

Select Specialty Hospital-Leon, Inc. (CON #9645) is proposing a freestanding LTCH comprised of 40 beds. The minimum licensed bed size criteria is met.

- c. 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.**
 - 3. Care for patients with multi-system failure.**
 - 4. Services for difficult-to-wean ventilator-dependent patients.'**
 - 5. Services for patients who cannot be weaned from ventilator dependence.**
 - 6. Respiratory/pulmonary care.**
 - 7. Airway restoration.**
 - 8. Intensive wound care.**
 - 9 Nutrition services, including metabolic analysis, invasive enteral tube placement, and total parenteral nutrition.**
 - 10. Infusion therapy.**
 - 11. Daily physician assessments.**
 - 12. An average of at least 8 direct patient care nursing hours per patient per day.**
 - 13 Physical therapy, occupational therapy, speech therapy, and respiratory therapy.**
 - 14. Laboratory**
 - 15. Pharmacy.**
 - 16. Radiology.**
 - 17. An operating room.**

SemperCare Hospital of Tallahassee, Inc. (CON #9644) states that it will provide the above listed required services either directly or through contract. The applicant provided a copy of the Agreement with Tallahassee Memorial Hospital indicating the services to be provided including but not limited to, surgery, laboratory, and radiology. In response to Item #12, the applicant

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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. However, LTCHs are required to directly provide basic radiology services.

Select Specialty Hospital-Leon, Inc. (CON #9645) states that the proposed project includes staffing, equipment, and facility provisions to meet all of the above requirements.

The applicant has made specific provision for a surgical suite, including an operating room incorporated into the physical plant of the proposed facility. In addition, radiographic equipment and pharmacy space is shown on the submitted architectural plans.

- d. 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.** *(Note: Also reference Item 4-b regarding the provision of quality of care)*

Both applicants state their intention to comply with applicable licensure standards.

- 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 Tallahassee, Inc. (CON #9644) states that it intends to serve an older population group. The applicant states that approximately 69 percent of its patients nationwide are above the age of 65 and 42 percent are over the age of 75. Individuals age 18 to 44 and those 45 to 64, make up eight percent and 23 percent, respectively, of the average SemperCare patient population.

As previously discussed, the applicant intends to treat patients that can be generally categorized into the following four programs: cardiopulmonary, medically complex, state III and IV wounds, and neurological and musculoskeletal disorders.

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Select Specialty Hospital-Leon, Inc. (CON #9645) expects that 80 percent of its proposed discharges will be for the age 65 and over population while 20 percent will be under the age of 65. With regard to this older age group, the applicant anticipates that 18.3 percent of total discharges will involve diseases and disorders of the respiratory system, 14.3 percent involving the circulatory system and 11.7 percent for diseases and disorders involving skin, subcutaneous tissue, and breast. The applicant also intends to treat disorders involving the nervous system, musculoskeletal and connective tissue, kidney and urinary tract, digestive system, endocrine, nutritional and metabolic diseases, infectious and parasitic diseases, hepatobiliary system, and toxic effects.

2. Specialty programs to be provided.

SemperCare Hospital of Tallahassee, Inc. (CON #9644) states its intention to provide the following specialty care: pulmonary care, a medically complex program, wound care management, and a rehabilitation program.

Select Specialty Hospital-Leon, Inc. (CON #9645) states its intention to provide the following specialty programs: pulmonary/vent; neuro/trauma; medically complex; and wound care.

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 Tallahassee, Inc. (CON #9644) provided as Attachment 10, 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 also states that it will work with Tallahassee Memorial Hospital's human resources department in the recruitment and orientation of the required staff. The applicant intends to provide the administrative personnel and support personnel and will contract with Tallahassee Memorial for the provision of certain medical and support services according to the terms of the agreement between the parties. The applicant states

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that most, if not all, of the LTCH's medical staff will be comprised of physicians currently on the medical staff at Tallahassee Memorial.

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references Schedule 6 (Staffing) as well as job descriptions, including required training and experience for staff as part of the supporting materials submitted with the application. According to Schedule 6, the applicant's projected staffing levels are based upon the operating experience of the parent corporation.

- 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 Tallahassee, Inc. (CON #9644) is projecting that its patient population will come from District 2, with the highest number of referrals from Leon and contiguous counties. The applicant expects that the majority of patients referred to the hospital will come directly from Tallahassee Memorial Hospital.

Select Specialty Hospital-Leon, Inc. (CON #9645) does not specifically identify the source of its expected admissions but does indicate that its referral networks typically include physicians, hospital and nursing home case managers or social workers. The applicant provided a sample hospital transfer agreement currently in place at its recently opened Miami facility. The applicant references letters from hospitals anticipating establishing referral relationships with the proposed project. However, the only identified letter was submitted by Tallahassee Community Hospital, expressing support for the project and interest in developing a transfer agreement with the applicant facility. A similar letter of support from Tallahassee Community Hospital was also provided for the SemperCare proposal. There is no evidence that any other preliminary discussions have occurred with other providers, including physicians in the area, with regard to patient referrals.

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

SemperCare Hospital of Tallahassee, Inc. (CON #9644) expects the overall length of stay for each age group to be 27 days.

Select Specialty Hospital-Leon, Inc. (CON #9645) expects the average length of stay will be 32.81 days with the 0-64 age group staying an average of 29.59 days and the 65 and over staying on average 33.61 days. The applicant's expected average length of stay is above the national average of 27 days (Source: Post-Acute Service Use Following Acute Myocardial Infarction in the Elderly/Bronskill, Normand, McNeil/as published in the Health Care Financing Review/Winter 2002/Volume 24, Number 2).

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

SemperCare Hospital of Tallahassee, Inc. (CON #9644) expects the proposed facility to mirror its experience at other facilities, which is: home with home health (16 percent); skilled nursing facility (24 percent); rehabilitation (eight percent); home (26 percent) and other (26 percent). The later category includes acute care hospital, hospice, assisted living and expired.

Select Specialty Hospital-Leon, Inc. (CON #9645) also expects to mirror the experience of its other freestanding hospitals. On average across all age groups, the applicant expects that discharge status will represent the following percentages: acute care hospital (7.7 percent); assisted living (16.5 percent); expired (11.7 percent); home (58.6 percent); and other (5.5 percent).

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

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Projected Patient Days and Percentage By Payer Type, Year Two

Applicant	Self Pay or Charity	Medicaid/Medicare HMO	Medicare/Medicare HMO	Insurance	Managed Care	Other
SemperCare (9644)	1.0% 88 days	2.0% 175 days	76.6% 6,710 days	7.7% 675 days	12.7% 1,113 days	-0-
Select Specialty (9645)	2.00% 245 days	0.8% 96 days	77.6% 9,489	14.7% 1,801 days	4.9% 600 days	-0-

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 both SemperCare (CON #9644) and Select Specialty (CON #9645). The only payers showing significant differences are insurance and managed care. SemperCare expects a higher managed care percentage while Select Specialty expects a higher insurance percentage.

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.

9. Services that will be provided by contract.

SemperCare Hospital of Tallahassee, Inc. (CON #9644) references the copy of the agreement with Tallahassee Memorial that outlines the various services to be provided by contract including: radiology/imaging services, laboratory, blood banking and pathology services; surgery services; laundry and linen services; emergency response services; biomedical equipment maintenance and repair and transcription services.

Select Specialty Hospital-Leon, Inc. (CON #9645) anticipates that radiology, laboratory, and laundry services will be provided by contract. The architectural plans indicate space for radiographic equipment and a pharmacy.

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Although both applicants indicate that radiology services will be contracted out, the pending revised version of Chapter 59A-3, F.A.C. states that a separately licensed hospital facility must have a separate pharmacy and general radiographic equipment located within the boundaries of the physical plant of the new facility.

- f. **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 #9644) 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 Tallahassee, Inc. (CON #9644) states that long-term care services are currently missing from the continuum of care at Tallahassee Memorial Hospital and within District 2. However, as noted in the need section above, there is a CON approved LTCH to serve District 2. As also noted above, the applicant has shown need for LTCH beds that appear to be outside of those demonstrated to be needed in the recently approved District 2 LTCH application.

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 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.

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The applicant did not demonstrate specific access problems with regard to placing potential LTCH patients. However, the applicant does identify, through Tallahassee Memorial Hospital discharge planners and area physicians, patients that would have benefited from LTCH services but did not receive them. According to Tallahassee Memorial discharge data alone, appropriate LTCH discharges were identified to generate a need for 26 beds. This increases to 30 beds (at 80 percent occupancy) when other referral options are assumed. It is noted that the applicant did not obtain specific information in the form of discharge data and/or other supporting documentation from area hospitals regarding potential admissions to a Tallahassee based LTCH from outside the immediate Leon County area. The subsequent placement of patients that meet the LTCH admission criteria but were kept in an acute care setting was also not provided.

Select Specialty Hospital-Leon, Inc. (CON #9645): The applicant reasonably assumes that in the absence of LTCH beds, some high acuity patients may remain in intensive care beds or other critical care units of acute care hospitals. A total of seven residents in District 2 received LTCH services during the past year.

The applicant arrived at a potential caseload to support the proposed project based on both an ALOS methodology and a use rate methodology. The ALOS methodology was not supported with specific data, including specific DRG data from any area hospitals in support of the project or provide documentation from area hospital discharge planners with regard to discharges of potential LTCH patients. The use rate methodology was not shown to be reasonable. It was further not demonstrated by the applicant 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 did not fully 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 Tallahassee, Inc. (CON #9644) does not have an operational history. 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

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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. 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 18 of the application. A copy of the most recent Florida license for Tallahassee Memorial Hospital is also included as Attachment 19.

Select Specialty Hospital-Leon, Inc. (CON #9645) is a new, development stage corporation, and as such as no operating history. However, the applicant is a controlled entity of Select Medical Corporation, an existing provider of LTCH services nationwide with 72 existing facilities, including one in Miami, Florida. The Miami LTCH was licensed on December 23, 2002 and has no significant experience or reported utilization to determine operational performance. The applicant states that all existing Select Medical facilities have a current JCAHO accreditation, except those that have recently opened and are awaiting survey. The JCAHO accreditation is an indication that quality of care is being delivered and that the components are in place to ensure the delivery of quality of care.

The applicant provided a description of its performance improvement plan that establishes specific methods and techniques for monitoring and improving care delivery. The applicant also described the makeup of the Organizational Improvement Committee, an interdisciplinary group that connects all of the quality improvement activities and structures together. A copy of the Select Specialty Hospital Plan for Improving Organizational Performance, Year 2003 is included in the Supporting Materials section.

- 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.**

Neither applicant is proposing special health care services that are not reasonably and economically accessible in adjacent service areas.

- 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 Tallahassee, Inc. (CON #9644) 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 Tallahassee Memorial Hospital as a clinical training site will also use SemperCare Hospital once it is operational. The applicant also states that Tallahassee Memorial has several clinical training agreements, including those with universities, colleges, and specialized training programs in the area as well as southwest Georgia.

Select Specialty Hospital-Leon, Inc. (CON #9645) states that health professional training and development programs will not be a significant feature of the proposed project.

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

The audited financial statements were reviewed to assess the financial position of both co-batched applicants as of the balance sheet date and the financial strength of its operations for the applicable period presented.

SemperCare Hospital of Tallahassee, Inc. (CON #9644) is a start-up company with \$100 in assets as of March 19, 2003. SemperCare, Inc., the parent, was formed in 1999 for the purpose of developing a network of facilities providing long-term care. The company had, at June 30, 2002, \$13.7 million in cash on hand, \$20.1 million in current assets and \$23.3 million in total assets. Capital has been raised through the issuance of stock and long-term debt. The company has a shareholders' deficit of \$13.2 million, a net operating loss for the period of \$3.1 million with negative cash flows from operations of \$4.7 million. However, the first LTC hospital 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

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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.

SemperCare Hospital of Tallahassee, Inc. will lease the space required to operate the hospital from Tallahassee Memorial HealthCare, Inc., with SemperCare paying no rent until the first patient is admitted and \$1,000 per month per licensed LTCH bed thereafter.

Tallahassee Memorial HealthCare, Inc. will be responsible for funding part of the part of the project. Audited financial statements were submitted for the period ended September 30, 2002. Those statements reported cash and short-term investments of \$32.7 million, current assets of \$133 million, an operating loss of \$2.8 million and cash flow from operations of \$2.3 million.

Capital requirements:

Total capital costs for this project from Schedule 1 are \$1.4 million. Schedule 1 did not include the estimated loss during the initial six months of operation of \$360,218, bringing the total project costs for the applicant to \$1,277,290. Schedule 2 indicates the applicant has no other capital projects.

Available capital:

Funding for the proposed project is coming from the parent, SemperCare, Inc. and Tallahassee Memorial HealthCare, Inc. (TMH). Each provided a letter in support of their commitment to fund the project. TMH agreed to provide up to \$794,282. SemperCare, Inc.'s financial resources are discussed above.

Staffing:

According to Schedule 6, the applicant is projecting a total of 66.3 FTE staff for the year ended November 2005. Approximately half of the projected staff will involve nursing/nursing aide positions.

Conclusion:

Funding for this project is likely to be available as needed.

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Select Specialty Hospital-Leon, Inc. (CON #9645) is also a start up company with \$10 in assets as of February 20, 2003. The applicant is a wholly owned subsidiary of Select Medical, Inc. The company had, as of December 31, 2001, \$10.7 million in cash on hand, \$276.5 million in current assets and \$650.8 million in total assets. Revenue from operations was \$959 million with cash flows of \$95.8 million. This is a financially strong company.

Capital requirements:

Total capital costs for this project from Schedule 1 are \$10.9 million. Schedule 2 indicates the applicant has no other capital projects.

Available capital:

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

Staffing:

According to Schedule 6, the applicant is projecting a total of 109.60 FTE positions in the second year of operation of the LTCH. This includes 52 nurses/nurse aides.

The applicant intends to contract for laundry and radiology services.

Conclusion:

Funding for this project, with the support of its parent, 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 each of the co-batched applicant's estimates to the corresponding 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.

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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 prospective payment system (PPS) rule for long-term care hospitals (LTCH) effective for cost reporting periods beginning or after October 1, 2002. Under the PPS for LTCH a payment for a Medicare patient will be made at a predetermined, per discharge amount for each LTC-DRG. 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 the applicants' revenue estimates to the control group values, based on the reasonable cost-based reimbursement system, provide a rational basis for evaluating estimated revenues.

Comparative data were derived from hospitals in peer groups that reported data in 2001. Both applicants will be compared to the hospitals in peer group 12. Per Diem rates are projected to increase by an average of 3.4 percent per year. Inflation adjustments were based on the 3rd Quarter New CMS Hospital Market Basket Index.

SemperCare Hospital of Tallahassee, Inc. (CON #9644) provided estimated revenues for the project that were developed based on the prospective payment system. In order to qualify for an exemption under CFR Part 412.23 for reimbursement under the prospective payment system a long-term acute care facility, operating as a hospital within a hospital, must 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 stated they intend to comply with this provision. Failure to comply would have a material negative impact on revenues

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The applicant submitted schedules for a six-month period (demonstration period) required for Medicare reimbursement under the LTCH PPS. This period is required to demonstrate a minimum 25-day average length of stay. During the demonstration period the hospital is reimbursed at the acute care rate. For the best estimation of long-range financial feasibility the two years subsequent to the demonstration period are being used in this analysis.

Projected net revenue per adjusted patient day (NRAPD) of \$1,103 in year one and \$1,111 in year two is between the control group median and highest values of \$1,027 and \$2,029 in year one and \$1,060 and \$2,094 in year two. The highest level is generally viewed as the practical upper limit on economies of operation. With net revenues falling between the median and highest level, the facility is expected to consume health care resources in proportion to the services provided. (See Comparative Table).

Projected cost per adjusted patient day of \$1,035 in year one and \$1,028 in year two is between the control group median and highest values of \$925 and \$3,133 in year one and \$955 and \$3,233 in year two. Compared to the control group these costs are efficient. (See Comparative Table).

The year two operating profit for the hospital of \$497,718 computes to an operating margin per adjusted patient day of \$68, which falls between the peer group median and highest values of \$53 and \$234 respectively. The operating margin of 6.2 percent indicates that net revenues are proportional to costs.

This application appears to be financially feasible.

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Financial Comparison Table

CON # 9644 SemperCare Hospital of Tallahassee, Inc. 2001 DATA Peer Group 12	2006	YEAR 2	VALUES ADJUSTED		
	ACTIVITY	PER DAY	Highest	Median	Lowest
ROUTINE SERVICES	26,280,000	3,000	865	708	314
INPATIENT AMBULATORY	0	0	10	0	0
INPATIENT ANCILLARY SERVICES	0	0	3,802	2,495	392
OUTPATIENT SERVICES	0	0	3,430	8	0
OTHER OPERATING REVENUE	0	0	56	2	0
TOTAL REVENUE	26,280,000	3,000	4,546	3,335	2,226
DEDUCTIONS FROM REVENUE	16,547,233	1,889	*	*	*
NET REVENUES	9,732,767	1,111	2,094	1,060	798
EXPENSES					
ROUTINE	2,482,282	283	415	262	189
ANCILLARY	3,675,294	420	551	269	195
AMBULATORY	0				
OVERHEAD	2,850,373	325	1,356	450	357
OTHER	0	0			
TOTAL EXPENSES	9,007,949	1,028	3,233	955	784
OPERATING INCOME	724,818	83	234	53	-186
		7.4%			
PATIENT DAYS	8,761		VALUES NOT ADJUSTED		
ADJUSTED PATIENT DAYS	8,761		FOR INFLATION		
TOTAL BED DAYS AVAILABLE	10,585				
ADJ. FACTOR	1.0000				
TOTAL NUMBER OF BEDS	29				
PERCENT OCCUPANCY	82.8%		96.0%	75.0%	9.5%
PAYER TYPE	PATIENT				
	DAYS	% TOTAL			
MEDICARE	6,710	76.6%	97.3%	74.5%	67.2%
COMMERCIAL	675	7.7%			
MEDICAID	175	2.0%	15.3%	0.2%	0.0%
PRIVATE	88	1.0%			
HMO/PPO	1,113	12.7%	16.3%	11.3%	0.0%
OTHER	0	0.0%			
TOTAL	8,761	100.0%			

Select Specialty Hospital-Leon, Inc. (CON #9645) submitted estimated revenues for the proposed project that were developed based on the prospective payment system.

Medicare requires a six-month period (demonstration period) before a hospital is eligible for reimbursement under the LTCH PPS. This period is required to demonstrate a minimum 25-day average length of stay.

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During the demonstration period the hospital is reimbursed at the acute care rate. The applicant did not disclose how this period was accounted for in their financial projections.

Projected net revenue per adjusted patient day (NRAPD) of \$884 in year one and \$984 in year two is between the control group lowest and median values of \$798 and \$1,060 in year one and \$824 and \$1,094 in year two. The lowest value is generally viewed as the practical lower limit on economies of operation. With net revenues per adjusted patient day falling between the lowest and median the facility is expected to consume health care resources in proportion to the services provided. (See Comparative Table).

Projected cost per adjusted patient day of \$1,087 in year one and \$946 in year two is between the control group median and highest values of \$955 and \$3,233 in year one and the control group lowest and median values of \$809 and \$985 in year two. Compared to the control group these costs are efficient. (See Comparative Table).

The year two operating profit for the hospital of \$457,610 computes to an operating margin per adjusted patient day of \$37, which falls between the peer group lowest and median values of \$-186 and \$53 respectively. The operating margin of 3.8 percent indicates that net revenues are proportional to costs.

This application appears to be financially feasible.

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SemperCare Hospital of Tallahassee, Inc. (CON #9644) projects managed care to represent 12.7 percent of its patient days. This is between the control group median and highest level of activity of 11.3 and 16.3 percent. The projected levels, if realized, will have little positive impact on competition to promote quality assurance and cost-effectiveness.

Select Specialty Hospital-Leon, Inc. (CON #9645) projects managed care to represent 4.9 percent of its patient days. This is between the control group lowest and median level of activity of 0.0 and 11.3 percent. The projected levels, if realized, will not have a positive impact on competition to promote quality assurance and cost-effectiveness.

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

SemperCare Hospital of Tallahassee, Inc. (CON #9644) proposes to establish a 29-bed LTCH within a hospital. SemperCare of Tallahassee proposes to lease almost all of the 6th floor of Tallahassee Memorial Hospital, which is currently occupied by a medical/surgical unit. The number of acute care beds and disposition of those beds on the 6th floor cannot be determined. The project also involves leasing space on the 2nd floor of the hospital for storage.

The existing Tallahassee Memorial patient/sleeping rooms that the new SemperCare Hospital will continue to utilize as such will be considered existing construction for AHCA review purposes. However, the new hospital spaces, particularly the new patient rooms that will be gained by renovation of non-patient room spaces, will be required to meet the standards for new hospital construction. New construction standards will be applied to the three-bed room and the semi-private room on the southernmost part of the 6th floor next to Stair B and spaces. The requirements for disaster preparedness would not seem to apply for this kind of renovation.

It is projected that the revised Florida Building Code and Chapter 59A-3 of the Florida Administrative Code will be in effect by the time this project is submitted for review by the AHCA Office of Plans and Construction.

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The new hospital has a pharmacy as required, but no space on the 6th floor is specifically labeled to meet the general radiographic equipment requirement. There are several storage rooms noted, so it might be assumed that the new hospital is prepared to meet this requirement.

The application included a partial site plan, a demolition and floor plan of the 6th floor and larger scaled plans of spaces to be converted to patient rooms. It is not possible to tell exactly what is being done to the interior wall of the newly configured triple bedroom. It appears that the existing wall will be relocated and that a toilet for unspecified use will be enlarged to meet accessibility requirements. This is the only toilet opening off the corridor system that is noted to be accessible. The two existing toilets next to the waiting room do not appear to be accessible, which would be required if they were not existing. They may remain as is if they are not renovated.

The project is quite clear as to what spaces and services will be leased from TMH. These appear to be within acceptable parameters and will help to differentiate the new LTCH from Tallahassee Memorial.

There is a list of applicable building codes included in the application, but most of them will change as noted above. Cost data and schedules submitted seem to be reasonable for what is essentially a relatively minor renovation of existing space.

It is required that schematic drawings be submitted as part of the certificate of need process. Although the drawings for this proposal may be more advanced than required, they have been reviewed as schematics with the expectation that they will necessarily be revised and refined during the design development (preliminary) and contract document stages. The architectural review of the application shall not be construed as an in-depth effort to determine complete compliance with all applicable codes and standards. The final responsibility for facility compliance ultimately rests with the owner.

Select Specialty Hospital-Leon, Inc. (CON #9645) intends to establish a 40-bed freestanding LTCH in Tallahassee. The applicant is currently considering three sites, relatively near the two major hospitals in Tallahassee.

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Obviously new construction standards will be applied when and if the AHCA Office of Plans and Construction reviews the proposed building. It is expected that the revised Florida Building Code and Chapter 59A-3 of the Florida Administrative Code will be in effect by the time this project could be submitted for review. The disaster preparedness requirements of the applicable codes will also have to be met.

The application includes a floor plan of the proposed one-story building, larger scaled plans of patient rooms and a smoke compartment plan.

The building is laid out quite efficiently. There is a large central core nurse station with three patient wings radiating out. One wing leads to an ICU area with its own nurse station with the required support spaces. There is also a surgery/procedure wing and a sizable administrative/dining/visitor area.

In the patient wings, the more critical areas and the semi-private rooms are located near the central nurse station. There is a variety of toilet/shower configurations. Some patient rooms have accessible showers and some do not. There is a five-station central bathing near the nurse station, which includes a shower that will accommodate a patient on a stretcher.

In addition to having a staff dining room, there is also a small patient dining space. Evidently, the applicant anticipates that all patients will not be bed-ridden. Both of these rooms open onto a covered exterior patio.

The surgery/procedure wing needs extensive further study and revision. Since there is only one operating room and one procedure room, the traffic pattern for doctors, staff and patients is overly complicated. There is only one two-station space that serves as both holding and recovery. It is not clear if "holding" refers to pre-op or post-op functions or both. No space is provided for a nurse station and its ancillary spaces in the holding/recovery room and this is particularly needed to serve the isolation room. There is a doctor's area with showers for both men and women but no adjacent toilet rooms. There are also no comparable spaces for the nursing staff. In most cases, the staff support spaces are separate from those of the doctors. The surgery waiting room can easily be enlarged to function better by moving its wall and entrance door further up the corridor. Accomplishing this would allow a door leading directly from the waiting room to the surgical suite and the attendant could better monitor this area. In summary, the surgical suite needs to be re-designed, likely resulting in an increase in size and cost.

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There are numerous storage spaces as well as visitor and staff/patient amenities throughout the building. There is a list of applicable building codes on the plans, but most of them will change as noted above. Cost data and schedules submitted are difficult to analyze because of the surgery/procedure wing situation noted above. The applicant has submitted several other proposals that have the identical problem, and the redesign will affect the timetable of at least one of these proposals and possibly the cost of all of the projects.

It is required that schematic drawings be submitted as part of the CON application. Although the drawings for this proposal may be more advanced than required, they have been reviewed as schematics with the expectation that they will necessarily be revised and refined during the design development (preliminary) and contract document stages. The architectural review of the application shall not be construed as an in-depth effort to determine complete compliance with all applicable codes and standards. The final responsibility for facility compliance ultimately rests with the owner.

- 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 the 2001 Hospital Financial Data Report, LTCHs in the state averaged 2.0 percent Medicaid patient days and 1.7 percent charity care patient days.

SemperCare Hospital of Tallahassee, Inc. (CON #9644) 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 ratio of indigent/charity care to net revenue will average two and a half percent. According to Financial Schedule 7A of the application, charity care is expected to represent one percent of total patient days in both the first and second year of operation of the LTCH. This is less than the state average for charity care provided in a LTCH. Medicaid is shown at 2.0 percent, and meets the state average.

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Select Specialty Hospital-Leon, Inc. (CON #9645) agrees to condition award of the certificate of need on the provision of 2.8 percent Medicaid and indigent patient days combined. Schedule 7A indicates the applicant's expectation to deliver up to two percent of its total patient days to self-pay patients and 0.8 percent for Medicaid patients. The applicant anticipates that all self-pay patients will be charity. The applicant's projected Medicaid provision is less than the state average of 2.0 percent.

F. SUMMARY

SemperCare Hospital of Tallahassee, Inc. (CON #9644) proposes the establishment of a new 29-bed long-term care hospital-within-a-hospital (LTCH) in collaboration with Tallahassee Memorial Hospital.

The applicant intends to use the majority of the patient care area as currently configured with only minor renovations. The project involves 14,290 gross square footage and renovation costs of \$651,510. Project costs total \$1,417,072.

The applicant agrees to condition award of the certificate of need on the provision of an average of two percent of total patient days to Medicaid patients and a ratio of indigent/charity care to net revenue that will average two and a half percent.

Select Specialty Hospital-Leon, Inc. (CON #9645) proposes the creation of a 40-bed freestanding LTCH to be located in Tallahassee, Leon County.

The proposed hospital will consist of 37,648 gross square feet of new construction and construction costs of \$6,819,645. Total project cost is estimated to be \$10,968,150.

The applicant agrees to condition award of the certificate of need on the provision of 2.8 percent Medicaid and indigent patient days combined.

Need:

Need is not published by the agency for long-term care hospital beds. It is the applicant's responsibility to demonstrate need.

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SemperCare Hospital of Tallahassee, Inc. (CON #9644)

- The applicant demonstrated a potential caseload of patients for the proposed project based on specific numbers of patients with medical conditions that qualify them for LTCH services as identified by discharge planners at Tallahassee Memorial and local physicians. The applicant's ALOS methodology also identifies a potential caseload of LTCH patients based on assumed capture rates that are not supported by specific discharge data from other area hospitals. The applicant intends to rely on Tallahassee Memorial Hospital to provide the majority of LTCH referrals. The applicant reasonably demonstrated that this project, if approved, will most likely not have any substantive impact on the CON approved LTCH in Panama City.
- The current placement of patients with medical conditions that meet the criteria for LTCH services was not disclosed.

Select Specialty Hospital-Leon, Inc. (CON #9645)

- The applicant presented two methodological approaches to need (ALOS methodology and use rate methodology) in an attempt to demonstrate a potential caseload of patients for the proposed project. However, the applicant failed to present any specific discharge data from area hospitals or physicians or any other supporting documentation regarding potential LTCH referrals. The applicant intends to rely on the two hospitals in Tallahassee to provide the majority of LTCH referrals. However, neither hospital presented any specific data with regard to patient referrals to support the project. The applicant reasonably demonstrated that this project, if approved, will most likely not have any substantive impact on the CON approved LTCH in Panama City.
- It was not disclosed how many of the identified potential patients could be served by other treatment options in the area including hospital based skilled nursing units and community nursing homes. It was further not demonstrated that patients are being denied access to LTCH services outside of District 2. The current placement of patients with medical conditions that meet the criteria for LTCH services was not disclosed.

Quality of Care:

SemperCare Hospital of Tallahassee, Inc. (CON #9644)

- The applicant does not currently operate long-term care hospitals in the State of Florida. However, the applicant reasonably demonstrated the potential to provide quality of care based on the experience of the parent company including existing policies in place at other facilities. The applicant included the JCAHO survey results for the four currently operational SemperCare facilities.

Select Specialty Hospital-Leon, Inc. (CON #9645)

- The applicant is a new development stage corporation with no operating experience. However, the applicant's parent company is an existing provider of LTCH services and states that all existing LTCH's have a current JCAHO accreditation with the exception of those that have recently opened and are awaiting survey. The applicant provided a reasonable description of its performance improvement plan.

Cost/Financial Analysis:

SemperCare Hospital of Tallahassee, Inc. (CON #9644)

- The applicant is a start-up company with limited assets. Although the company is showing a negative cash flow from operations, the applicant has four LTCH's that recently became operational. In view of the relatively short operation of these facilities, the actual financial strength of the parent based on revenue cannot be determined. 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 funding for the proposed project will be provided by both the applicant and Tallahassee Memorial Healthcare, Inc. The required funding for the project is likely to be available as needed.
- With net revenues falling between the median and highest level, the facility is expected to consume health care resources in proportion to the services provided. The projected operating margin of 6.2 percent indicates that net revenues are proportional to costs. The proposed project appears to be financially feasible.

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- The applicant projects managed care to represent 12.7 percent of its patient days. This is between the control group median and highest level of activity of 11.3 and 16.3 percent. The projected levels, if realized, will have no significant impact on competition to promote quality assurance and cost-effectiveness.

Select Specialty Hospital-Leon, Inc. (CON #9645)

- The applicant is also a start-up company with limited assets. However, the parent, Select Medical, Inc. is a financially strong company with total assets of \$650.8 million and revenue from operations of \$959 million. The funding for the proposed project should be available, with the support of the parent company.
- With net revenues falling between the lowest and median values in the first two years of operation, the facility is expected to consume health care resources in proportion to the services provided. The projected operating margin of 3.8 percent indicates that net revenues are proportional to costs. The project appears to be financially feasible.
- The applicant projects managed care to represent 4.9 percent of its patient days. This is between the control group lowest and median level of activity of 0.0 and 11.3 percent. The projected levels, if realized, will have not have a positive impact on competition to promote quality assurance and cost-effectiveness.

Architectural Analysis:

SemperCare Hospital of Tallahassee, Inc. (CON #9644):

- The applicant proposes to lease space on the 6th floor of Tallahassee Memorial Hospital to establish a long-term care facility. The project involves some renovation of existing space and new bed space will be required to meet the standards for new hospital construction. The proposed plan specifically delineates what spaces and services will be leased from the hospital. Although the facility has a pharmacy as required, specific space for radiographic equipment is not shown. The proposed disposition of current medical/surgical beds on the floor is not disclosed.
- There are certain applicable building codes referenced that are subject to change. Cost data and schedules submitted appear to be reasonable for essentially minor renovation of existing space.

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Select Specialty Hospital-Leon, Inc. (CON #9645)

- The project involves new construction of a 40-bed freestanding LTCH and final drawings will need to meet the revised Florida Building Code and Chapter 59A-3 of the Florida Administrative Code. The disaster preparedness requirements of the applicable codes will also have to be met.
- The proposed project appears to be designed efficiently although the surgery/procedure wing needs extensive further study and revision, likely resulting in an increase in the size as well as the total cost of the project. The cost data and schedules proved difficult to analyze in view of the necessary changes that must occur with the surgery/procedure wing. The required redesign of this portion of the project will need to occur with other proposals submitted by the applicant, possibly impacting the total cost of all projects being developed by the applicant.
- The plans show numerous visitor and staff/patient amenities and the required pharmacy and space for radiographic equipment is shown.

G. RECOMMENDATION

Approve CON #9644 to establish a 29-bed long-term care hospital (LTCH) within Tallahassee Memorial Hospital. The project involves 14,290 GSF of renovation and \$651,510 in construction costs. Total project cost is \$1,417,072.

CONDITIONS:

- (1) A minimum of two percent of the total annual patient days in the 29-bed facility shall be provided to Medicaid patients.
- (2) The ratio of indigent/charity care to net revenue will average 2.5 percent annually.

Deny CON #9645.

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