

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

**A. PROJECT IDENTIFICATION**

1. Applicant/CON Action Number

**Select Specialty Hospital-Duval, Inc. (CON #9705)**  
2021 Church Street, Suite 202  
Nashville, Tennessee 37203-2016

Authorized Representative: Greg Sassman, Vice President  
(615) 284-6716

**SemperCare Hospital of Volusia, Inc. (CON #9706)**  
2745 North Dallas Parkway  
Plano, Texas 75093

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

2. Service District

District 4

**B. PUBLIC HEARING**

A public hearing was not held or requested with regard to the establishment of new and additional long-term care hospital beds in District 4. However, letters of support for the proposed projects were received for each applicant. A letter of opposition to the establishment of a new LTCH in District 4 was also received. Support letters and the letter of opposition are discussed below.

**Select Specialty Hospital-Duval, Inc. (CON #9705)** submitted 32 letters of support for the project. Letters of support were submitted by several officers, medical directors and other medical personnel affiliated with Shands Hospital Jacksonville, as well as letters of support from physicians and public officials in the district and other letters from family members of former patients and individuals attesting to the

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quality of care provided by Select Specialty facilities. Several letters address the benefits of long-term acute care services whereas other letters identify potential cases for referral to the facility. Letters did not show however that any residents of the district needing LTCH services were unable to obtain them.

The Vice President and Chief Nursing Officer at Shands Jacksonville estimates roughly 300 hospital patients who were appropriate for LTCH services, translating into an excess of 7,000 patient care days. The President/Administrator at Shands Jacksonville identified 287 discharges in 2002 that remained in SJCM for 24 or more days. The letter further states that these patients represent 13.5 percent of the 2,059 similarly identified long stay patients in Duval County. The average length of stay of the 287 patients was determined to be 42 days, for an aggregate 12,054 patient days at the hospital, or an average daily census of 33. The letter further states that during the past three years, SHMC had an average of 268 long stay patient discharges. The aforementioned data was supported by several exhibits that reference adult admissions by ICD-9 codes, DRGs and length of stay. The approximate 300 eligible LTCH patients at Shands in 2002 were further supported by the Senior Associate Dean at the University of Florida College of Medicine. Letters of support from Senator Anthony C. Hill, Sr. and District Seven Councilwoman Pat Lockett-Felder also identified 287 patients at SJMC in CY 2002 who would be candidates for admission into a LTCH. The letters do not address why these potential patients were not transferred to an existing LTCH within the district, or whether they actually needed LTCH, or other post-acute care services at all.

Memorial Healthcare Group, Inc. d/b/a Specialty Hospital Jacksonville submitted a letter of opposition with an attached position paper stating the reasons for its opposition to the addition of a new LTCH in District 4 and specifically to the proposal by Select Specialty. This position paper basically states that an additional LTCH within the district will not enhance quality of care, will not enhance access to long-term care hospital services, and will unnecessarily add costs to the health care system through the duplication of existing services.

**SemperCare Hospital of Volusia, Inc. (CON #9706)** submitted 35 letters of support for the project. A collective support letter was submitted from the three health systems in Volusia County (Memorial Health System d/b/a Florida Hospital Memorial Division, Halifax Fish Community Health, and Florida Hospital West Volusia). These three health systems include Florida Hospital-Flagler, Florida Hospital-Deland, Florida Hospital, West Volusia Division, Halifax Medical Center, and Bert Fish Medical Center. This collective letter emphasizes the lack of

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reasonable access to LTCH services in the area and the convenience of a hospital within hospital concept. The letter also states that the facilities that comprise the three health systems are willing to enter into written transfer agreements with the applicant hospital. There were several letters submitted from area physicians identifying potential numbers of LTCH patients in the area. A letter was submitted by the director of the heart center and cardiac catheterization laboratory at Halifax Medical Center stating that eight to 10 patients of the heart program would meet the clinical admission criteria for the proposed LTCH. The Chief of Medicine at Florida Hospital Deland states that in 2002, the hospital treated at least 228 clinically complex long-stay patients who could have benefited from LTCH services. The medical director of Florida Memorial Health Network states his medical practice had over 20 patients during the past year with long hospital lengths of stay. A private physician in the area and advisor to Florida Hospital Deland's Case Management department states that she had 42 patients during the past year that required an extensive stay in a hospital setting. The aforementioned letters are typical of several other letters from area physicians indicating specific numbers of patients who would have benefited from LTCH services. In total, letters from physicians identify an approximate total of 271 patients who could benefit from LTCH services. It is not clear if the 228 clinically complex long-stay patients at Florida Hospital Deland (see above) represent a duplicative portion of the patients identified by area physicians. A letter was provided from the administrator of The Huntington, a nursing home located in Daytona Beach. The administrator states that The Huntington provides short-term rehab but cannot provide services to patients in need of intensive clinical support, including ventilator patients. The administrator indicates the facility would be willing to enter into a written transfer agreement with SemperCare. The other letters of support are non-specific with regard to the number of patients that could benefit from LTCH services but support the hospital-within-a-hospital concept as another option for patients requiring post-acute care services. The letters do not address why these potential patients were not transferred to an existing LTCH within the district, or whether they actually needed LTCH, or other post-acute care services at all.

### **C. PROJECT SUMMARY**

**Select Specialty Hospital-Duval, Inc. (CON #9705)**, a wholly-owned subsidiary of Select Medical Corporation, proposes the establishment of a 40-bed long-term care hospital (LTCH) to be located at Shands-Jacksonville Medical Center in Duval County, Florida. Shands Jacksonville Medical Center (SJMC) is part of Shands HealthCare, which

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is affiliated with the University of Florida (UF) and consists of eight not-for-profit hospitals. The parent of the applicant, Select Medical Corporation, currently has 72 LTCHs nationwide, including one operational LTCH in Miami that was licensed on December 23, 2002 and a recently approved 40-bed LTCH to be located within Lucerne Medical Center in District 7. Select Specialty has submitted seven separate proposals in the current review cycle to develop LTCHs within the State of Florida. These involve new proposals in Districts 1, 3, 4, 6, 8 and 9.

The proposed hospital will be located on the fifth floor of The Pavilion at SJMC and will consist of 21,294 gross square feet, including 4,545 square feet of renovation. Construction costs are estimated to be \$1,775,655. Total project cost is estimated to be \$3,019,387. The funding for the proposed project will be provided by Select Medical Corporation.

The applicant agrees to condition award of the certificate of need on the provision of 2.8 percent of its patient days to Medicaid and indigent patients on a combined basis. The applicant also proposes to condition award of the CON to the facility being "Joint Commission Accredited". However, section 408.043(3), Florida Statutes directs that "Accreditation by any private organization may not be a requirement for the issuance or maintenance of a certificate of need".

**SemperCare Hospital of Volusia, Inc. (CON #9706)** proposes the establishment of a new 43-bed long-term care hospital to be located within Florida Hospital-Oceanside in Ormond Beach, Florida (Volusia County). The project is a collaboration with Florida Hospital-Memorial Division and Halifax Medical Center. SemperCare currently operates thirteen long-term care hospitals in the United States with five in the process of start-up and seven more pending regulatory approval. In Florida, SemperCare has been approved for a 30-bed LTCH in Panama City, a 29-bed LTCH in Tallahassee. The applicant also has a 35-bed LTCH located within Florida Hospital in Orlando. SemperCare has submitted four separate proposals during the current review cycle to develop LTCHs in the State of Florida. These involve new LTCHs in Districts 1, 4, 6 and 8.

The proposed LTCH will be comprised of 26,600 square feet of space on the second floor of Florida Hospital-Oceanside. Renovation costs are expected to be \$818,400 and the total project cost is projected to be \$2,051,310.

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The applicant agrees to condition award of the certificate of need on the provision of two percent of its patient days to Medicaid and a ratio of indigent/charity care to gross revenue that will average one percent.

**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 (FAC); and Local Health Plans.

**1. Fixed Need Pool**

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

Need is not published by the Agency for long-term acute care hospital (LTCH) beds. It is the applicant's responsibility to demonstrate need based on the criteria provided in rule and listed in Item b below.

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.

According to a recent *MedPac* report to Congress:

*"LTCHs are the post-acute setting least used by beneficiaries and are not available in many areas. In general, policymakers regard rapid growth in any sector as a phenomenon that requires examination. As the number of LTCH has almost doubled since 1993 and Medicare spending for such care has also quintupled from 1993 - 2001, questions have arisen about whether beneficiaries using LTCHs are different from patients using other settings. Our analysis found patients in market areas with LTCHs had similar acute hospital lengths of stay regardless of whether they used LTC hospitals or not. Patients who used these hospitals were three to five times less likely to use SNF care, suggesting that SNFs and LTCHs may be substitutes. Compared with similar patients who did not use LTHCs, total payments and mortality rates for LTCH patients were considerably higher."*<sup>1</sup>

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<sup>1</sup> June 2003 MedPac Report to Congress: *Variations and Innovation in Medicare*, page 72.

**b. Determination of Need.**

In the absence of agency policy regarding long-term care hospital beds and services, Chapter 59C-1.008 (2)(e), Florida Administrative Code, provides a needs assessment methodology which must include, at a minimum, consideration of the following topics, except where they are inconsistent with the applicable statutory or rule criteria:

- a. Population demographics and dynamics;
- b. Availability, utilization and quality of like services in the district, subdistrict or both;
- c. Medical treatment trends; and
- d. Market conditions.

The existence of unmet need will not be based solely on the absence of a health service, health care facility, or beds in the district, subdistrict, region or proposed service area.

*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 LTCH's 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."*

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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.
- 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.

In addition, rehabilitation facilities are required to have 75 percent of their admissions in one of 10 specific diagnoses related to conditions requiring rehabilitation services. LTCH's only condition of participation in addition to those required of all hospitals is to have an average Medicare length of stay greater than 25 days.

*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.*

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In addition to similarities to rehabilitation providers noted above, as previously stated, *MedPac*, in a June 2003 *Report to Congress* indicted that data suggests that care provided in LTCHs is similar to that provided in skilled nursing facilities and that care in long-term care hospitals is becoming a substitute for skilled nursing care rather than a different or higher level of care. However, despite similarities in care suggested by the data, payments for LTCH patients were considerably higher as were mortality rates.

At present there are 11 long-term care hospitals with 769 beds licensed to operate in the state of Florida. These facilities are concentrated in seven of the 11 AHCA health planning areas and are in the following counties: Dade (Miami), Hillsborough (Tampa), Broward (Ft. Lauderdale and Hollywood), Duval, Clay, Orange(Orlando) and Pinellas (St. Petersburg). There are an additional 165 beds approved but not yet operational: 20 beds at Kindred Hospital in District 4, six beds at Kindred in Ft. Lauderdale in District 10 and the following approved new LTCH hospitals: SemperCare (30 beds) in Panama City (District 2), SemperCare (29 beds) in Tallahassee (District 2), HealthSouth (40 beds) in Sarasota in District 8, and Select Specialty (40 beds) in Orlando (District 7). The average occupancy of the operational programs reporting utilization was 76.84 percent for the period January 2002 through December 2002, ranging from a low occupancy rate of 52.21 percent for Specialty LTCH-Jacksonville to a high of 100.15 percent for Kindred LTCH-St. Petersburg.

The following table shows the beds, patient days and occupancy of Florida's operational LTCH's for the Calendar year 2002 reporting period:

**Florida Long-term Care Hospitals  
Utilization Experience January 2002-December 2002**

| Hospital                 | District | Beds | Bed Days | Patient Days | Occupancy |
|--------------------------|----------|------|----------|--------------|-----------|
| +Kindred-North Florida   | 4        | 60   | 21,900   | 19,821       | 90.51%    |
| Specialty-Jacksonville   | 4        | 107  | 39,055   | 20,392       | 52.21%    |
| *Kindred-St. Petersburg  | 5        | 60   | 21,900   | 21,933       | 100.15%   |
| Kindred-Central Tampa    | 6        | 102  | 37,230   | 29,569       | 79.42%    |
| Kindred-Tampa            | 6        | 73   | 26,645   | 17,986       | 67.50%    |
| Kindred-Hollywood        | 10       | 124  | 45,260   | 32,300       | 71.37%    |
| Kindred-Ft. Lauderdale   | 10       | 64   | 23,360   | 21,409       | 91.65%    |
| Kindred-Coral Gables     | 11       | 53   | 19,345   | 17,197       | 88.90%    |
| **Select Specialty-Miami | 11       | 40   | 360      | -0-          | 0.00%     |
| Florida Total            |          | 683  | 235,055* | 180,607*     | 76.84%    |

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

*+Kindred - North Florida has been approved under CON # 9650 to add 20 LTCH beds.*

*\*Kindred-St. Pete added 22 licensed beds on 04/23/03 increasing total beds to 82.*

*\*\*Select Specialty-Miami was licensed 12/23/02, reporting zero -utilization for the quarter. Not listed but recently licensed LTCHs include Sister Emmanuel Hospital For Continuing Care (29 beds) licensed 07/15/03 in District 11 and SemperCare (35 beds) in Orlando in District 7 licensed 06/12/03.*

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As shown above, there are currently 167 long-term care hospital beds in District 4, distributed between two existing LTC hospitals. Kindred-North Florida is licensed for 60 beds and Specialty-Jacksonville is licensed for 107 beds. The Kindred facility has been approved to add 20 beds via CON #9605. These approved beds will increase the total bed complement in District 4 to 187 LTCH beds.

The current bed complement, patient days and average occupancy of other distinct forms of care in District 4 is presented as follows:

### Acute Care and Post-acute Care Providers District 4 Beds and Utilization

| Facility Type                        | Total Beds District 4 | District 4 Average Occupancy |
|--------------------------------------|-----------------------|------------------------------|
| Long-term Hospital Care              | *167                  | 65.97%                       |
| Acute Care                           | 4,126                 | 60.77%                       |
| Comprehensive Med. Rehab             | 167                   | 80.60%                       |
| Hospital Based Skilled Nursing       | **91                  | 72.30%                       |
| Skilled Care Community Nursing Homes | 9,179                 | 89.67%                       |

Source: Hospital Bed Need Projections 07/03 for LTCH, acute car, CMR beds, skilled care community nursing home, and HBSNU beds by district for January 2002 - December 2002.

\*20 bed addition approved for Kindred-North Florida via CON #9605. This will increase the total LTCH beds to 187.

\*\*HBSNU bed total does not reflect approved CON's to both add beds and decrease beds in District 4. Assuming both the bed addition and the delicensure requests occur, the total licensed HBSNU beds will be decreased by 37 beds for a total of 54 HBSNU beds.

As previously noted, LTCHs are designed to treat patients with medical conditions requiring extended hospital-level services, for a lengthy period of time (generally more than 25 days). All three co-batched applicants state that its respective proposals will provide LTCH services to patients with complex and medically unstable conditions that cannot be adequately addressed by licensed acute care beds, comprehensive medical rehabilitation beds, hospital-based skilled nursing unit beds, and nursing home beds in the service planning area.

However, as noted earlier, studies recently conducted suggest the opposite. When no need methodology exists, it is the applicant's responsibility to demonstrate need based upon the availability, utilization and quality of like services in the district. The Centers for Medicare and Medicaid, based on several studies, have determined that LTCH services are similar to home health services, skilled nursing services and comprehensive medical rehabilitation services. Applicants for LTCH services must therefore show that there is need based upon the availability, utilization and quality of LTCH, home health, skilled nursing and comprehensive medical rehabilitation services in the district.

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Both applicants contend that LTCH services are distinct. However, neither co-batched applicant demonstrated that its proposal addressed a quantifiable distinct population or showed that there was need for additional services regardless of the venue of care, beyond those beds already approved in District 4. A discussion of each applicant's need analysis is presented below following general findings regarding expected population growth in the district within the next five years.

**Population Estimates for District 4 Counties and Percent Change by County  
For Total Population, 65 and over, and 75 and Over Population**

| County         | Total<br>July 2003 | Total<br>July 2008 | Percent<br>Change | 65+ Percent<br>Change | 75+<br>Percent<br>Change |
|----------------|--------------------|--------------------|-------------------|-----------------------|--------------------------|
| Baker          | 23,111             | 24,896             | 7.72%             | 18.02%                | 24.57%                   |
| Clay           | 147,644            | 165,560            | 12.13%            | 26.54%                | 25.57%                   |
| Duval          | 813,578            | 864,303            | 6.23%             | 8.84%                 | 7.71%                    |
| Flagler        | 57,355             | 68,578             | 19.57%            | 26.33%                | 33.77%                   |
| Nassau         | 61,991             | 69,424             | 11.99%            | 19.41%                | 26.83%                   |
| St. Johns      | 136,249            | 157,147            | 15.34%            | 24.42%                | 25.36%                   |
| Volusia        | 464,785            | 501,134            | 7.82%             | 7.64%                 | 6.97%                    |
| Total District | 1,704,713          | 1,851,042          | 8.58%             | 12.41%                | 12.16%                   |

Source: AHCA Pop. Projections, published June 2003.

As shown above, the overall population in District 4 is expected to increase by 8.58 percent during the next five years, with the 65 and over and 75 and over age cohort increasing by 12.41 percent and 12.16 percent, respectively. For both Duval (proposed site for CON #9705) and Volusia Counties (proposed site for CON #9706), the most populous counties in the district, the overall population increase as well as the increase in the 65 and over and 75 and over age groups is expected to be less than the district averages.

**Select Specialty Hospital-Duval, Inc. (CON #9705)** contends that Shand's Jacksonville Medical Center (SJMC) patient population is at a severe disadvantage with respect to LTCH services and has been forced to go without appropriate and effective care. The nearest LTCHs to SJMC, are the two District 4 facilities. While the Kindred facility in Clay County is located approximately 34 miles from SJMC (40 minutes to one-hour travel time), Specialty Hospital of Jacksonville is located within Duval County in closer proximity to SJMC. The applicant contends that Specialty Hospital, although licensed for 107 beds, only operates 61 beds. That facility's occupancy was 52.21 percent in calendar year (CY) 2002. As noted earlier, Select Specialty Hospital-Duval, Inc., the owner of Specialty Hospital of Jacksonville, submitted a letter of opposition for this very reason. The hospital has unused capacity. Therefore, there are unused LTCH beds at a facility, within 12 minutes of SJMC (7.5 miles).

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The high occupancy at Kindred was previously addressed with the approval of CON #9650 to add 20 LTCH beds. Both of the existing LTCHs within District 4 are within reasonable proximity to SJMC, and both have the capacity, including CON approved capacity, to admit patients from SJMC. The applicant has not demonstrated its earlier statement, that the patients at its facility have been forced to go without appropriate and effective care. It has not provided evidence that any patient actually went without appropriate or effective care or that it was unable to place a patient needing LTCH services at one of the two LTCHs within District 4. Additionally, none of the letters from physicians or health care professionals support this statement.

In response to population demographics and dynamics, the applicant's analysis focuses on the July 2002 through July 2007 timeframe using Agency population projections. Although slightly different than the 2003 through 2008 projections, the applicant is showing a total population increase in the district (7.7 percent) with the 65 and over (10.5 percent) and 75 and over population (12.2 percent) segments expected to experience the most growth. Duval County is projected to increase in population but at a slower rate than the district in both total population and elderly population.

The applicant attempts to quantify the number of LTCH beds that can be supported by SJMC using only Shands patients. Although the applicant anticipates some transfers from other area hospitals, that number is expected to be minimal.

In the absence of an approved methodological approach to need for LTCH beds, the applicant presents four different methods for estimating need. The first involves an extended length of stay analysis specific to SJMC. The second and third methods address the geometric mean length of stay plus 15 days and seven days, respectively. The fourth method focuses on a patient discharge analysis. All four methods are hospital specific to SJMC.

With regard to the extended length of stay analysis, the applicant selected the top DRGs from SJMC appropriate for LTCH stay. The evaluation of the hospital's discharges excluded lengths of stay of less than 24 days, patients under the age of 14, psychiatric diagnosis, substance abuse diagnosis, obstetric diagnosis, newborn diagnosis and rehabilitation diagnosis. The net number of discharges was then identified in an attempt to show potential need for LTCH beds at SJMC.

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The applicant arrived at a total of 287 hospital discharges with a length of stay 24 days and greater. The applicant multiplied the potential number of patients by the average length of stay for LTC hospitals in Florida (42.7 days) to arrive at total patient days and then divided this number by 365 to arrive at the average daily census of 34 patients. Based on a 75 percent occupancy rate, the applicant arrived at a need for 45 beds in support of its 40-bed request. The expected length of stay of 42.7 days may be overstated. The ALOS for LTCH patients in the state is inflated due to the Kindred facilities focus on ventilator/pulmonary services and a corresponding longer length of stay. Kindred currently operates seven of the 11 LTCHs in the state. A more realistic method using a 25 to 30 day length of stay supports an average daily census of 20 to 24 patients or a potential hospital specific need, absence other factors, for 29 to 33 beds based on a 75 percent occupancy rate. Further, as noted earlier, no evidence has been presented by the applicant indicating that area residents needed LTCH services but were unable to obtain them from one of the several venues of post-acute services currently available, within a reasonable distance, in District 4.

The second method examines the geometric mean length of stay plus 15 days to arrive at 295 potential LTCH discharges and a bed need for 46 beds. This method results in a count similar to the extended length of stay method previously discussed and is also based on an average length of stay of 42.7 beds. The third method using a GMLOS plus seven days obviously results in a higher projected need (192 beds). Again, the application of a 25 to 30 day length of stay supports a hospital specific need in the range of 29 to 33 beds, less than the 40 beds requested and before consideration of other factors. Additionally, the occupancy standard used in this calculation is lower than typically used in a post-acute setting and there is no evidence that the patients the applicant projects it can serve cannot be served in existing healthcare settings, including LTCHs, in District 4.

The fourth method provides a more detailed, patient specific extended stay analysis conducted of SJMC discharges with average length of stays greater than 24 days. For CY 2002, the applicant identified 287 discharges at SJMC with 24 days or greater length of stay. According to this analysis, 25 percent of the patients had a length of stay exceeding 46 days and 46 percent had a length of stay exceeding one month. The applicant contends that these patients were in a critical state and may have benefited from a stay at a LTCH. The applicant provided summaries of several patient cases in which the patient was not discharged to an appropriate setting due to the lack of LTCH services in the area. However, as noted earlier, Specialty Hospital Jacksonville, an existing 107-bed LTCH located 12 minutes from SJMC had an average

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occupancy of 52.21 percent in CY 2002. The applicant states that many of these patients were eventually discharged to a skilled nursing facility, after spending months in an acute care setting. This analysis does not provide a potential bed need but rather presents specific discharge data in support of the applicant's perceived need for LTCH services and to show that these patients are not candidates for other post-acute settings. There was no documentation provided that patients are being denied admission to LTCH services in the district and/or elsewhere in the state or that patients are being inappropriately cared for.

The applicant further provided a summary of the various letters of support for the project, including several from Shands medical personnel that support the project with similar patient data and potential LTCH discharges as that presented in the methodologies shown above. As summarized in the Public Hearing section, Memorial Healthcare Group, Inc. d/b/a Specialty Hospital Jacksonville (Specialty) submitted a position paper in opposition to the proposed project. Specialty contends that the project will not enhance quality of care, will not enhance access to long-term care hospital services, and will add costs to the health care system through duplication of services. Specialty provided a description of the various clinical areas that it specializes in and contends that the applicant will not be able to offer the full range of services that it currently provides. According to the patient origin information provided by Specialty in its letter of opposition it had a total of 382 patient admissions for the six month period July through December 2002, with the largest share of admissions originating from the zip codes that comprise South Duval County (37 percent) and total Duval County admissions comprising 68 percent of total admissions. Kindred-North Florida received only 15 percent of total admissions from Duval County with the majority of admissions from other Florida counties (57 percent). The analysis provided by Specialty further states that the volume of referrals from Shands System hospitals to Specialty declined significantly between 1998 and 2003 going from 81 patients (12.7 percent of total admissions) in 1998 to 42 patients (5.5 percent of total admissions) in 2002 and currently accounts for only 2.6 percent of Specialty's total admissions so far in 2003. There was no explanation provided as to the sharp decline in referrals from Shands to the Specialty facility in recent years.

The applicant's justification for a hospital based LTCH is not demonstrated in view of there being no evidence that patients needing LTCH services are unable to access those services. This is supported by several factors two of which are: (1) the availability of licensed but unused beds at Specialty Hospital; and (2) the approval of 20 additional LTCH beds at Kindred. Additionally, need methodologies presented by

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the applicant in response to criteria set forth in section 59C-1.008 (2)(e), Florida Administrative Code failed to demonstrate that this proposal addressed a quantifiable distinct population that is unable to access needed care. Further, none of the methodologies show that there is need for additional services regardless of the venue of care, beyond the number of beds in existence or already approved in District 4 within the planning horizon set forth by the applicant.

**SemperCare of Volusia, Inc. (CON #9706)** is proposing to create a 43-bed long-term care hospital within leased space at Florida Hospital-Oceanside in Volusia County to serve residents of the southern part of District 4.

In response to population demographics and dynamics, the applicant's analysis focuses on the historical population increase for Volusia County and District 4 from January 1995 until January 2003 to show a significant increase in the 65 and over population group for both the county (11.7 percent) and the district (19.5 percent). Although Volusia County, the second most populous county in District 4 is showing an increase in population, an examination of the June 2003 through June 2008 projections, indicates that Volusia County has experienced the lowest percentage increase in the 65 and over (7.64 percent) and 75 and over (6.97 percent) population groups of the seven counties that comprise District 4. Volusia has the third lowest percentage increase for total population (7.82 percent). Volusia County is projected to increase in population but at a slower rate than the district in both total population and elderly population. However, it should be noted that Volusia County does contain 27 percent of the total population and 40 percent of the total 65 and over population in District 4.

The applicant maintains that distance from Volusia County to the LTCH's in Duval (80 miles) and Clay County (70 miles) is prohibitive for Volusia residents. According to Agency data, 56 patients from Volusia County were referred to the LTCH's in Duval/Clay Counties during 2002. The applicant contends that this is a low number considering the aged population in the area and is an indication that distance to LTCH services is a factor. However, it should be noted that an affiliate corporation received a license in June 2003 to operate a 35-bed LTCH in Orlando, approximately 45 miles in distance from Ormond Beach and the proposed site.

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In an effort to demonstrate need, the discharge planners at Florida Hospital were provided the admissions criteria for the proposed LTCH and asked to estimate the number of patients that would be transferred to a LTCH if it were available. The discharge planners reviewed patient charts for a two week period and identified 10 patients who could not be placed in another venue of care and would benefit from LTCH services. On an annualized basis, the applicant contends that approximately 260 patients would benefit from LTCH services at this one hospital alone. The applicant provided excerpts from several support letters attesting to an accessibility problem in transferring patients out of the area for LTCH services. The application also contained several letters from area physicians (reference Public Hearing section) identifying an approximate total of 271 patients who could benefit from LTCH services. As noted earlier, none of the letters identified a patient that needed but did not receive appropriate care.

The applicant selected to use a length of stay statistical methodology to project the need for LTCH services at Florida Hospital-Oceanside and targets patients whose lengths of stay are above national averages for that DRG. The methodology uses the geometric mean length of stay (GMLOS) for each DRG provided as a part of the Medicare Prospective Payment System and applies the GMLOS to all potential discharges from the host hospital and other area hospitals. The applicant provided an extensive listing of DRGs considered not appropriate for LTCH services and deleted those from consideration as well as all lengths of stay totaling less than the sum of 15 days plus the Medicare GMLOS for that DRG.

The applicant states that according to Agency data, Halifax Medical Center accounted for 337 LTCH appropriate discharges and a total of 8,732 patient days for CY 2002 and Memorial Hospital-Ormond Beach accounted for 114 LTCH appropriate discharges and a total of 2,602 patient days during 2002. Based on these discharges from both hospitals supports a perceived need for 39 beds (at 80 percent occupancy). The applicant does acknowledge that approximately five percent of the identified discharges will not result in a transfer to LTCH beds in view of the patient's medical condition. The applicant then assumes that all of Florida Hospital-Oceanside's LTCH appropriate patients will use the LTCH at Florida Hospital and approximately 50 percent of long-stay patients at the other hospitals in Volusia County (excluding Florida Hospital-Flagler with an assumed 10 percent referral due to distance). In total, the applicant assumes a total of 521 projected LTCH referrals (13,065 patient days). The application of an 80 percent utilization rate and an expected ALOS of 25.1 days results in a perceived need for 45 beds. Based on its parent company's experience, the

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applicant has projected an average daily census of 22 patients during the initial six-month period (51 percent occupancy), 30 patients during year one (70 percent occupancy) and 34 patients during year two (80 percent occupancy). Assuming the applicant is correct in its projection of the number of patients that will potentially need LTCH care, there appears to be adequate accessibility to beds within the district. As previously stated, there are a number of unused LTCH beds at Specialty Hospital Jacksonville and Kindred-North Florida has recently been approved for 20 new beds. The applicant failed to demonstrate that patients needing LTCH services are unable to access them and it appears that patients needing these services are currently accessing them at either the existing LTCH facilities, one of which is occupied at slightly better than 50 percent, or in one of the three other venues of post-acute care in the area.

### 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 2003 District 4 CON Allocation Factors Report, contains the following preference statements pertaining to long-term care beds as well as generic preference statements:*

#### **Long-term Care Hospital Beds:**

- 1. Preference shall be given to applicants who propose to convert licensed unused beds or use existing space rather than new construction, including space created by previous voluntary delicensure of unused beds.**

Neither co-batched applicant seeks to convert existing unused beds. Both applicants plan to renovate an existing building to either add space or renovate existing space. Refer to the architectural review under E. 4. h. below.

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Construction costs for each project follow:

**Select Specialty Hospital-Duval, Inc. (CON #9705): \$1,775,655.**

**SemperCare of Volusia, Inc. (CON #9706): \$818,400.**

- 2. Preference shall be given to existing facilities that have experienced an average occupancy rate over 90 percent for the most current 12-month period when the number of beds requested is 20 beds or less. For the purpose of this preference, the specific time periods and the formula to calculate occupancy rates are provided in the current proposed Rule 59C-1.045 Long-Term Care Hospital Beds. (It is noted that, subsequent to the development of this preference, proposed Rule 59C-1.045 was withdrawn by the Agency).**

**Select Specialty Hospital-Duval, Inc. (CON #9705)** does not have an existing LTCH in District 4.

**SemperCare of Volusia, Inc. (CON #9706)** does not have an existing LTCH in District 4.

- 3. Preference shall be given to applicants proposing to acquire or consolidate facilities where it can be demonstrated that services will be improved and cost to the public will be reduced.**

Neither applicant is proposing to acquire or consolidate facilities.

- 4. Preference shall be given to applicants who submit copies in their CON application of current written patient transfer agreements with providers of health care health services that may include, short-term general hospitals, skilled nursing facilities, intermediate care facilities, home health agencies, hospice programs or other types of institution.**

**Select Specialty Hospital-Duval, Inc. (CON #9705)** does not currently have any transfer agreements with existing providers in the area. However, the applicant expects to have a written patient transfer agreement with SJMC, the host hospital. This pending agreement is noted in the letter from the vice president and chief nursing officer at SJMC.

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**SemperCare of Volusia, Inc. (CON #9706)** does not currently have any transfer agreements with existing providers in the area. However, the applicant states that it does have exclusive support from all short-term acute care hospitals in Volusia County as well as letters indicating willingness to enter into a transfer agreement upon approval of the proposed LTCH.

- 5. Preference shall be given to applicants who have demonstrated quality of care standards by achieving and maintaining JCAHO accreditation. This preference only applies to existing facilities.**

**Select Specialty Hospital-Duval, Inc. (CON #9705)** is a new corporate entity with no existing facilities.

**SemperCare of Volusia, Inc. (CON #9706)** is a new corporate entity with no existing facilities.

- 6. Preference shall be given to applicants who formally commit to provide Medicaid and/or charity care and specify the annual amount of Medicaid and/or charity care to be provided in their CON application.**

**Select Specialty Hospital-Duval, Inc. (CON #9705)** requests that the proposed project be conditioned for the provision of a combined 2.8 percent of patient days to Medicaid and charity care patients.

**SemperCare of Volusia, Inc. (CON #9706)** requests that the proposed project be conditioned for the provision of two percent of its patient days to Medicaid and a ratio of indigent/charity care to gross revenue that will average one percent.

**Generic Preference Statements:**

- 1. Preference shall be given to applicants who demonstrate that they will meet identified needs by providing services which meet commonly accepted quality standards in a most economical manner in terms of capital and operating expenditures.**

**Select Specialty Hospital-Duval, Inc. (CON #9705)** states its commitment to implementing an effective quality improvement program and described the various methods to implement the program.

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**SemperCare of Volusia, Inc. (CON #9706)** states that one of the advantages of its proposed hospital-within-a-hospital LTCH involves the cost savings associated with capital and operating expenses.

- 2. Preference shall be given to applicants who demonstrate that they can alleviate a current or potential geographic access problem.**

As noted above under E. 1, neither co-batched applicant demonstrated a current or potential geographic access problem.

**Select Specialty Hospital-Duval, Inc. (CON #9705)** states its intention to provide care to any patient referred from anywhere in District 4 as well as regionally through its affiliation with SJMC. The applicant contends that SJMC is currently unable to admit patients to the existing Specialty LTCH due to its full and stabilized occupancy. However, as previously pointed out by the applicant, the Specialty facility is currently staffing only 61 beds out of its total licensed capacity of 107 beds. There is excess capacity in at least one existing LTCH in the district.

**SemperCare of Volusia, Inc. (CON #9706)** contends that it has identified a distinct lack of access to LTCH services in the southern portion of District 4 due to the distance to the existing facilities in the Jacksonville area. The applicant did not acknowledge its recently licensed 35-bed LTCH located in Orlando (Orange County), approximately 45 miles in distance from its proposed site in Ormond Beach.

- 3. Preference shall be given to applicants who demonstrate that the proposed service has access to an adequate supply of appropriate health manpower.**

**Select Specialty Hospital-Duval, Inc. (CON #9705)** states that due to its affiliation with SJMC and its own network of affiliated health care providers, it will experience resource efficiencies and shared service opportunities. The applicant provided a description of its corporate recruitment and staff retention resources.

**SemperCare of Volusia, Inc. (CON #9706)** expects to recruit some staff from both Florida Hospital-Memorial Division and Halifax Fish Community Health and contends that the proposed project will enhance both parties' ability to recruit and retain qualified staff.

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The applicant states that the LTCH will expand the clinical continuum offered at both hospital systems and offer nurses the opportunity to work in a critical care setting rather an intensive care unit.

- 4. Preference shall be given to applicants who demonstrate that new or expanded bed capacity and/or service will not have a significant negative impact on similar adjacent health care facilities.**

**Select Specialty Hospital-Duval, Inc. (CON #9705)** states that the proposed reduction in the number of long-stay patients at SJMC and other acute care hospitals will ultimately have a positive impact on their financial position, as they will be able to more appropriately allocate hospital resources. The applicant contends that the project will not impact existing LTCH providers. However, as previously addressed, a position paper in opposition to the proposed project was submitted by Specialty Hospital Jacksonville contending that the project will adversely impact Specialty and add costs to the health care system through duplication of services.

**SemperCare of Volusia, Inc. (CON #9706)** reiterates its previous contention that the proposed project is based on the unavailability of LTCH services within a reasonable distance of Volusia County and the surrounding area. However, as previously indicated, many Volusia County residents seek LTCH services at Kindred's North Florida facility and that facility has been recently approved to add 20 beds. Additionally, as discussed in the Public Hearing section above, Specialty Hospital Jacksonville has indicated that it will be negatively impacted by the addition of a LTCH in District 4.

- 5. Preference shall be given to applicants who commit to maximizing services to rural county residents.**

**Select Specialty Hospital-Duval, Inc. (CON #9705)** states its intention to provide care to any patient referred from anywhere within District 4 and its commitment to provide services to Medicaid and charity care patients. There is no indication that the project will maximize services to rural county residents.

**SemperCare of Volusia, Inc. (CON #9706)** states that although not located in a rural area, the proposed project will enhance care to rural county residents in Volusia and surrounding counties due to improved access to LTCH services. There is no indication that the project will maximize services to rural county residents.

**3. Agency Rule Criteria**

The Agency does not currently have adopted preferences or criteria relating to LTCHs.

**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.**

**Select Specialty Hospital-Duval, Inc. (CON #9705)** contends that SJMC is underserved with regard to the accessibility and availability of LTCH services and that clinically appropriate patients are remaining in inappropriate bed situations. The applicant identified 287 adult patients in SJMC during CY 2002 who stayed in the hospital for 24 days or longer, or 295 patients with a GMLOS plus 15 days. However, as previously discussed, Kindred Hospital North Florida has been approved for 20 additional LTCH beds and by the applicant's own admission, Specialty Hospital is currently only staffing 61 of its licensed 107 beds. The potential availability of these beds in the Jacksonville area does not support the applicant's contention that LTCH services are not accessible or available. Additionally, the applicant has not demonstrated that residents needing LTCH services were unable to receive them. As previously discussed, Specialty Hospital Jacksonville submitted a letter of opposition to this project specifically and indicated that it will be negatively impacted should a new LTCH be approved in District 4.

In response to quality of care, the applicant discussed its corporate experience in monitoring care, outcomes and patient satisfaction. Select currently has one existing operational LTCH in Florida.

Need for LTCH services in the district beyond those already approved or currently licensed was not demonstrated by the applicant. The applicant did not demonstrate need for the project as evidenced by the availability, quality of care, accessibility, and extent of utilization of existing health care facilities and health services in the applicant's service area.

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**SemperCare of Volusia, Inc. (CON #9706)** contends that LTCH services are currently missing from the continuum of care within Volusia County and that the distance (70 miles) to LTCHs in the Jacksonville area precludes Volusia County residents from receiving LTCH services. However, the applicant did not address the recent licensure and availability of LTCH beds at the SemperCare facility in Orlando (Orange County) or the recent CON approval to add 20 beds to Kindred's North Florida LTCH. Additionally, it is not clear that a distance of 70 miles for some of the residents of the applicant's proposed service area is to great a distance to travel for LTCH services. As previously stated, Specialty Hospital Jacksonville has indicated that it will be negatively impacted by a new LTCH in the district.

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

- 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.**

**Select Specialty Hospital-Duval, Inc. (CON #9705)** is a new, development stage corporation, as such has no operating history. The applicant is a controlled entity of Select Medical Corporation, an existing provider of LTCH services nationwide with 77 existing facilities, including one in Miami, Florida that was licensed on December 23, 2002. The applicant does not indicate that all existing Select Medical facilities have current JCAHO accreditation. 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 currently established performance improvement plan for establishing specific methods and techniques for monitoring and improving care delivery. The applicant states its commitment to implementing an effective quality improvement program.

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**SemperCare of Volusia, Inc. (CON #9706)** is also a new, development stage corporation with no operating 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 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 of Accreditation of Healthcare Organizations (JCAHO) survey results for four currently operational SemperCare facilities. The four existing facilities scored above the benchmark score of 92 on their JCAHO surveys.

The applicant points out that the facility will be separately licensed and responsible for securing and completing all appropriate state licensure requirements, Medicare and Medicaid certification, and JCAHO accreditation. The applicant states that Florida Hospital Oceanside, the host hospital, is currently fully licensed and accredited.

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

The co-batched applicants are not 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.**

The proposed project submitted by SemperCare of Volusia (CON #9706) will not be located in a statutorily defined teaching hospital nor will the primary purpose of that project involve research or physician education. The proposal submitted by Select Specialty (CON #9705) will be located within Shands Jacksonville Medical Center, a statutory teaching hospital and Level 1 trauma center. SJMC is part of Shands HealthCare, which is affiliated with the University of Florida and consists of eight not-for-profit hospitals. The applicant states that the project will enhance medical research and impact the clinical training needs of health professionals in the region. The applicant further states its intent to establish agreements/affiliations with SJMC educational/training programs to use the proposed LTCH for applicable clinical training and internships.

- 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 the three co-batched applicants as of the balance sheet date and the financial strength of the operations for the applicants for the applicable period presented.

**Select Specialty Hospital-Duval, Inc. (CON #9705)**, a wholly-owned subsidiary of Select Medical, Inc., is a start-up company with \$10 in assets as of August 5, 2003. Select Medical, Inc., the parent, had as of December 31, 2002, \$56.1 million in cash on hand, \$346.9 million in current assets and \$739.1 million in total assets. Revenue from operations was \$1.1 billion with cash flows of \$120.8 million. The parent company is considered financially strong.

Select Specialty Hospital-Duval, Inc. will lease the space required to operate the hospital from Shands Jacksonville Medical Center. The applicant did not disclose the terms of the lease.

**Capital requirements:**

Total capital costs for this project from Schedule 1 are \$3.0 million. Schedule 2 indicates the applicant has capital projects totaling \$3.1 million.

**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 proposed project will require 48 FTE staff in the first year of operation, increasing to 74 FTE staff in year two, including 22 nursing staff positions in year one and 39 nursing staff positions in year two. It is noted that because this is a hospital in hospital, some services are provided by the host, and purchased via contract. The individuals employed by Shands Jacksonville Medical Center are not reflected in Schedule 6 and are not considered FTE employees. The applicant does not describe any recruitment and/or staff retention plans but states its confidence in being able to effectively recruit and retain appropriately qualified staff to meet the needs of its patients.

**Conclusion:**

Funding for this project, with the support of its parent, should be available as needed.

**SemperCare of Volusia, Inc. (CON #9706)** is a start-up company with \$100 in assets as of September 5, 2003. SemperCare, Inc., the parent, was formed in 1999 for the purpose of developing a network of facilities providing long-term hospital care. The parent 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 \$13.6 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 twelve facilities operational as of the date of the balance sheet. These facilities are too new to judge the financial strength of the parent based on their revenue. The short-term financial position of the company depends on its continued ability to raise sufficient capital to support its operating losses. On August 8, 2003 the company established a \$55 million credit facility with General Electric Capital Corporation (GECC) to support its development strategy and ongoing working capital requirements. 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 Volusia, Inc. will lease the space required to operate the hospital from Florida Hospital Oceanside, at \$1,000 per month per licensed long-term care bed with the rental payment deferred for the first six months. After the six-month period the deferred rent will be paid in 53 equal installments. The initial term of the lease is for five years, with options to extend.

Florida Hospital Oceanside will be responsible for funding \$649,086 of the project. Audited financial statements for Memorial Hospital Ormond Beach and Memorial Hospital Peninsula were submitted for the period ended December 31, 2001. Those statements reported cash and short-term investments of \$14.9 million, current assets of \$50.2 million, with an operating profit of \$2.3 million. More recent statements for Florida Hospital-Ormond Memorial and Florida Hospital-Oceanside were obtained from the hospital's 2002 Prior Year Report filed with the Agency. Those statements reported cash and short-term investments of \$32.7 million, current assets of \$64.9 million, with an operating profit of \$5.9 million.

**Capital requirements:**

Total capital costs for this project from Schedule 1 are \$2.1 million. Schedule 1 did not include the estimated loss during the initial six months of operation of \$871,809, bringing the total project costs for the applicant to \$2,923,119. Schedule 2 indicates the applicant has no other capital projects.

**Available capital:**

Funding for the proposed project is coming from SemperCare, Inc. and Florida Hospital - Oceanside. SemperCare, Inc. provided a letter in support of their commitment to fund the project.

**Staffing:**

According to Schedule 6, the applicant anticipates that 102.9 FTE staff will be in place by the end of the first year of operation (2005). This total includes 57.4 FTE nursing positions, more than twice the number proposed by Select Specialty for both the first and second year of operation (see above). The applicant did not describe any proposed staff recruitment and retentions plans.

**Conclusion:**

Funding for this project is likely to 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 management skills 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.

The estimated revenues submitted by Select Specialty (CON #9705) and SemperCare (CON #9706), both hospital based LTCHs, 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. Select Specialty (CON #9705) did not disclose how they intend to comply with this provision, while SemperCare (CON #9706) states they intend to comply. Failure to comply would have a material negative impact on revenues.

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. During the demonstration period the hospital is reimbursed at the acute care rate. Select Specialty (CON #9705) states that Medicare revenues during the first six months were estimated using short-term acute care rates. SemperCare (CON #9706) submitted schedules for the six-month demonstration period. For the best estimation of long-range financial feasibility, the two years subsequent to the demonstration period is used in the financial analysis.

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Comparative data for the three co-batched applicants were derived from hospitals in peer groups that reported data in 2002. The co-batched applicants will be compared to the hospitals in peer group 12. Per Diem rates are projected to increase by an average of 3.3 percent per year. Inflation adjustments were based on the 2003 2<sup>nd</sup> Quarter Health Care Cost Review, New CMS Hospital Market Basket Index.

**Select Specialty Hospital-Duval, Inc. (CON #9705)** presented projected net revenue per adjusted patient day (NRAPD) of \$1,022 in year two which is between the control group lowest and median values of \$895 and \$1,175. 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 \$953 in year two is between the control group median and highest values of \$767 and \$1,093. Compared to the control group these costs are efficient. (See Comparative Table).

The year two operating profit for the hospital of \$700,290 computes to an operating margin per adjusted patient day of \$69, which falls between the peer group median and highest values of -\$53 and \$125 respectively. The operating margin of 6.7 percent indicates that net revenues are proportional to costs.

This project appears to be financially feasible.

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**Comparative Table**

| CON # 9705<br>Select Specialty - Duval<br>2002 DATA Peer Group 12 | 2006               | YEAR 2              | VALUES ADJUSTED     |        |        |
|---|--------------------|---------------------|---------------------|--------|--------|
|   | YEAR 2<br>ACTIVITY | ACTIVITY<br>PER DAY | FOR INFLATION       |        |        |
|   |                    |                     | Highest             | Median | Lowest |
| ROUTINE SERVICES  | 9,701,495          | 950                 | 1,205               | 894    | 658    |
| INPATIENT AMBULATORY  | -                  | 0                   | 12                  | 0      | 0      |
| INPATIENT ANCILLARY SERVICES                                      | 21,494,055         | 2,105               | 3,758               | 2,878  | 2,339  |
| OUTPATIENT SERVICES   | 0                  | 0                   | 222                 | 2      | 0      |
| OTHER OPERATING REVENUE   | 0                  | 0                   | 4                   | 2      | 0      |
| TOTAL REVENUE   | 31,195,550         | 3,055               | 4,713               | 3,796  | 2,999  |
| DEDUCTIONS FROM REVENUE   | 20,759,760         | 2,033               | *                   | *      | *      |
| NET REVENUES  | 10,435,790         | 1,022               | 2,180               | 1,175  | 895    |
| EXPENSES  |                    |                     |                     |        |        |
| ROUTINE   | 1,969,845          | 193                 | 559                 | 315    | 191    |
| ANCILLARY   | 3,189,691          | 312                 | 640                 | 297    | 203    |
| AMBULATORY  |                    |                     |                     |        |        |
| OVERHEAD  | 4,575,964          | 448                 | 937                 | 504    | 369    |
| OTHER   |                    | 0                   |                     |        |        |
| TOTAL EXPENSES  | 9,735,500          | 953                 | 2,236               | 1,093  | 767    |
| OPERATING INCOME  | 700,290            | 69<br>6.7%          | 280                 | 125    | -31    |
| PATIENT DAYS  | 10,212             |                     | VALUES NOT ADJUSTED |        |        |
| ADJUSTED PATIENT DAYS   | 10,212             |                     | FOR INFLATION       |        |        |
| TOTAL BED DAYS AVAILABLE  | 14,600             |                     |                     |        |        |
| ADJ. FACTOR   | 1.0000             |                     |                     |        |        |
| TOTAL NUMBER OF BEDS  | 40                 |                     |                     |        |        |
| PERCENT OCCUPANCY   | 69.9%              |                     | 100.2%              | 84.2%  | 52.2%  |
| PAYER TYPE  | PATIENT DAYS       | % TOTAL             |                     |        |        |
| MEDICARE  | 7,956              | 77.9%               | 97.3%               | 75.4%  | 67.4%  |
| COMMERCIAL  | 1,479              | 14.5%               |                     |        |        |
| MEDICAID  | 203                | 2.0%                | 13.3%               | 0.2%   | 0.0%   |
| SELF-PAY  | 81                 | 0.8%                | 4.1%                | 0.9%   | 0.0%   |
| HMO/PPO   | 493                | 4.8%                | 23.4%               | 10.5%  | 0.0%   |
| OTHER   | 0                  | 0.0%                |                     |        |        |
| TOTAL   | 10,212             | 100.0%              |                     |        |        |

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**SemperCare of Volusia, Inc. (CON #9706)** projected net revenue per adjusted patient day (NRAPD) of \$1,156 in year one and \$1,188 in year two is between the control group median and highest values of \$1,138 and \$2,112 in year one and \$1,175 and \$2,180 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 \$1,054 in year two is between the control group lowest and median values of \$744 and \$1,059 in year one and \$767 and \$1,093 in year two. Compared to the control group these costs are efficient. (See Comparative Table).

The year two operating profit for the hospital of \$1.7 million computes to an operating margin per adjusted patient day of \$134, which falls between the peer group median and highest values of \$125 and \$280 respectively. The operating margin of 11.3 percent indicates that net revenues are proportional to costs.

This application appears to be financially feasible.

**CON Action Numbers: 9705 and 9706**

**Comparative Table**

| <b>CON # 9706<br/>SemperCare Hospital of Volusia<br/>2002 DATA Peer Group 12</b> | <b>2006 YEAR 2<br/>ACTIVITY</b> | <b>YEAR 2<br/>ACTIVITY<br/>PER DAY</b> | <b>VALUES ADJUSTED FOR<br/>INFLATIONS</b>    |       |       |
|--|---------------------------------|--|--|-------|-------|
| ROUTINE SERVICES   | 44,347,421                      | 3,574                                  | 1,205  | 894   | 658   |
| INPATIENT AMBULATORY   | -                               | 0                                      | 12   | 0     | 0     |
| INPATIENT ANCILLARY SERVICES   | -                               | 0                                      | 3,758  | 2,878 | 2,339 |
| OUTPATIENT SERVICES  | 0                               | 0                                      | 222  | 2     | 0     |
| OTHER OPERATING REVENUE  | 0                               | 0                                      | 4  | 2     | 0     |
| TOTAL REVENUE  | 44,347,421                      | 3,574                                  | 4,713  | 3,796 | 2,999 |
| DEDUCTIONS FROM REVENUE  | 29,605,070                      | 2,386                                  | *  | *     | *     |
| NET REVENUES   | 14,742,351                      | 1,188                                  | 2,180  | 1,175 | 895   |
| <b>EXPENSES</b>  |                                 |  |  |       |       |
| ROUTINE  | 3,533,688                       | 285                                    | 559  | 315   | 191   |
| ANCILLARY<br>AMBULATORY  | 5,317,736                       | 429                                    | 640  | 297   | 203   |
| OVERHEAD   | 3,788,495                       | 305                                    | 937  | 504   | 369   |
| OTHER  | 442,286                         | 36                                     |  |       |       |
| TOTAL EXPENSES   | 13,082,205                      | 1,054                                  | 2,236  | 1,093 | 767   |
| OPERATING INCOME   | 1,660,146                       | 134                                    | 280  | 125   | -31   |
|  |                                 | 13.11%                                 |  |       |       |
| PATIENT DAYS   | 12,409                          |  | <b>VALUES NOT ADJUSTED<br/>FOR INFLATION</b> |       |       |
| ADJUSTED PATIENT DAYS  | 12,409                          |  |  |       |       |
| TOTAL BED DAYS AVAILABLE   | 15,695                          |  |  |       |       |
| ADJ. FACTOR  | 1.0000                          |  |  |       |       |
| TOTAL NUMBER OF BEDS   | 43                              |  |  |       |       |
| PERCENT OCCUPANCY  | 79.1%                           |  | 100.2%                                       | 84.2% | 52.2% |
| PAYER TYPE   | PATIENT DAYS                    | % TOTAL                                |  |       |       |
| MEDICARE   | 10,238                          | 82.5%                                  | 97.3%  | 75.4% | 67.4% |
| COMMERCIAL   | 372                             | 3.0%                                   |  |       |       |
| MEDICAID   | 248                             | 2.0%                                   | 13.3%  | 0.2%  | 0.0%  |
| SELF-PAY   | 124                             | 1.0%                                   | 4.1%   | 0.9%  | 0.0%  |
| HMO/PPO  | 1,427                           | 11.5%                                  | 23.4%  | 10.5% | 0.0%  |
| OTHER  | 0                               | 0.0%                                   |  |       |       |
| TOTAL  | 12,409                          | 100.0%                                 |  |       |       |

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

A comparison of the co-batched applicants is as follows:

**CON Action Numbers: 9705 and 9706**

**Applicant Comparison Table**

|                                      | <b>Select Specialty Hospital-Duval, Inc<br/>CON #9705</b> | <b>SemperCare of Volusia<br/>CON #9706</b> |
|--------------------------------------|---|--|
| Net Revenue per adjusted patient day | \$1,022   | \$1,188                                    |
| Cost per adjusted patient day        | \$ 953  | \$1,054                                    |
| Operating profit per patient day     | \$ 69   | \$ 134                                     |
| Estimated Managed Care level         | 4.8%  | 11.5%                                      |
| Estimated Medicaid level             | 2.0%  | 2.0%                                       |

Source: CON applications

**Select Specialty Hospital-Duval, Inc. (CON #9705)** projects managed care to represent 5.0 percent of its patient days. This is between the control group lowest and median level of activity of 0.0 and 10.5 percent. The projected levels, if realized, will not have a positive impact on competition to promote quality assurance and cost-effectiveness.

**SemperCare of Volusia, Inc. (CON #9706)** projects managed care to represent 11.5 percent of its patient days. This is between the control group median and highest level of activity of 10.5 and 23.4 percent. The projected levels, if realized, will 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.**

*It is required that schematic drawings be submitted as part of the CON application. Although the drawings for the 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 applications 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-Duval, Inc. (CON #9705)** proposes to establish a 40-bed long-term care hospital on the fifth floor of Shands Jacksonville Medical Center. The LTCH will occupy the entire floor.

There was a list of applicable building codes on the drawings and in the narrative and they are up to date.

## CON Action Numbers: 9705 and 9706

A pharmacy is included in the new hospital and there is space designated for basic radiographic equipment as required. Operating room services will be contracted with the host hospital as will maintenance and other items as stated in the draft proposed services agreement included in the application.

The application included only two sheets of drawings, and there is no indication as to what the existing spaces are being used for nor the extent of demolition. Some demolition will be necessary in order to provide the required wall ratings and to install the upgraded features addressed in the narrative and on the plans.

There is one potentially significant issue: If an existing non patient bedroom is to be converted to be a new patient bedroom, then it must meet new patient room sizes and other code requirements. However, a new patient bedroom that is currently a patient bedroom is not required to meet new codes and architectural standards.

Some indication of the existing functions of the spaces would have been helpful to evaluate which type of bedrooms is applicable for this application. If there are non-patient bedrooms being converted, this could affect the plan, the proposed budget, and possibly the project schedule. In addition, all new hospital patient rooms must have a hand washing station within the room itself in addition to the lavatory in the bathroom.

The projected costs and schedules appear to be reasonable, assuming non-patient rooms are not being converted.

**SemperCare of Volusia, Inc. (CON #9706)** proposes to establish a 43-bed LTCH on the second floor of Florida Hospital-Oceanside in Ormond Beach. The LTCH will occupy approximately half of the floor. There are two areas labeled “adjacent health care” on the floor that can only be accessed through the new LTCH. This is not ideal, but depending on the actual functions of these host hospital areas, it might not be an issue.

There was a list of applicable building codes on the drawings and in the narrative but they are somewhat out of date.

A pharmacy is included in the new hospital but there is no space designated for basic radiographic equipment as required by code. The required equipment may possibly be included in some of the several storage spaces within the new facility. Operating room services will be contracted with the host hospital, as will maintenance, dietary and others as stated in the draft lease agreement included in the application.

**CON Action Numbers: 9705 and 9706**

The application included only one sheet of drawings, and there was no indication as to what the existing spaces are being used for nor the extent of demolition. Some demolition will obviously be necessary based on budget figures for walls, doors, plumbing, HVAC and finishes etc. itemized in the narrative.

This creates a potentially significant issue: If an existing non-patient bedroom is to be converted to be a new patient bedroom for the LTCH, then it must meet new patient room sizes and other code requirements. However, a new patient bedroom that is currently a patient bedroom is not required to meet new codes and architectural standards.

Additionally, all new hospital patient rooms must have a hand washing station within the room itself in addition to the lavatory in the bathroom.

Some indication of the existing functions of the existing spaces would have been helpful to evaluate which type of bedrooms is applicable for this application. If there are non-patient bedrooms being converted, this could affect the plan, the proposed budget, and possibly the schedule. Otherwise, the projected costs and schedules appear to be reasonable

- 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 2002 Hospital Financial Data Report, LTCHs in the state averaged 1.8 percent Medicaid patient days and 1.7 percent charity care patient days.

**Select Specialty Hospital-Duval, Inc. (CON #9705)** is a new development stage company with no operating history.

The applicant is proposing to condition the proposed project on the provision of 2.8 percent Medicaid and indigent patient days combined. Schedule 7A indicates that the applicant expects to deliver up to two percent of its total patient days to Medicaid patients and 0.8 percent for charity care in both the first and second year of operation. The applicant's Medicaid provision exceeds the state average but the charity care provision is lower than the state average of 1.7 percent.

**SemperCare of Volusia, Inc. (CON #9706)** is a new development stage company with no operating history.

## CON Action Numbers: 9705 and 9706

The applicant agrees to condition award of the certificate of need on the provision of two percent of its patient days to Medicaid and a ratio of indigent/charity care to gross revenue that will average one percent. According to Financial Schedule 7A, the applicant does project that two percent of total patient days will be provided to Medicaid patients and that one percent of total patient days will be provided to charity care patients in each of the first two years of operation. The applicant's Medicaid provision exceeds the state average but the charity care provision is lower than the state average of 1.7 percent.

### F. SUMMARY

**Select Specialty Hospital-Duval, Inc. (CON #9705)** proposes the establishment of a 40-bed freestanding long-term care hospital to be located at Shands-Jacksonville Medical Center in Duval County, Florida.

The proposed hospital will be located on the fifth floor of The Pavilion at SJMC and will consist of 21,294 gross square feet, including 4,545 square feet of renovation. Construction costs are estimated to be \$1,775,655. Total project cost is estimated to be \$3,019,387. The funding for the proposed project will be provided by Select Medical Corporation.

The applicant agrees to condition award of the certificate of need on the provision of 2.8 percent of its patient days to Medicaid and indigent patients on a combined basis, as well as Joint Commission Accreditation.

**SemperCare Hospital of Volusia, Inc. (CON #9706)** proposes the establishment of a new 43-bed long-term care hospital to be located within Florida Hospital-Oceanside in Ormond Beach, Florida (Volusia County).

The proposed LTCH will be comprised of 26,600 square feet of space on the second floor of Florida Hospital-Oceanside. Renovation costs are expected to be \$818,400 and the total project cost is projected to be \$2,051,310.

The applicant agrees to condition award of the certificate of need on the provision of two percent of its patient days to Medicaid and a ratio of indigent/charity care to gross revenue that will average one percent.

**Need**

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

**Select Specialty Hospital-Duval, Inc. (CON #9705)**

- The applicant contends that SJMC, the host hospital, does not have LTCH beds available and accessible for its patient population. A letter of opposition was submitted by an existing LTCH located within 12 minutes of the proposed hospital indicating that it would be negatively impacted should this project be approved.
- The applicant's justification for a hospital based LTCH is not demonstrated in view of there being no evidence that patients needing LTCH services are unable to access those services. This is supported by several factors two of which are: (1) the availability of licensed but unused beds at Specialty Hospital; and (2) the approval of 20 additional LTCH beds at Kindred. Additionally, need methodologies presented by the applicant in response to criteria set forth in section 59C-1.008 (2)(e), Florida Administrative Code failed to demonstrate that this proposal addressed a quantifiable distinct population that is unable to access needed care. Further, none of the methodologies show that there is need for additional services regardless of the venue of care, beyond the number of beds in existence or already approved in District 4 within the planning horizon set forth by the applicant.

**SemperCare of Volusia, Inc. (CON #9706)**

- The applicant basically contends that distance from Volusia County to the LTCH's in Duval and Clay Counties is prohibitive for Volusia County residents. The applicant did not acknowledge the recent licensure of a 35-bed SemperCare affiliated LTCH in Orlando in closer proximity to Volusia County residents. Additionally, the Kindred facility, located 70 miles from the Ormond facility was recently approved to add 20 beds and has historically served this area. Further, there is no evidence that travel times from Ormond Beach to Jacksonville to an underused LTCH are unreasonable.
- It was not demonstrated that patients that qualify for LTCH services are not currently being served or that an access problem exists for residents in District 4.

**Quality of Care:**

**Select Specialty Hospital-Duval, Inc. (CON #9705)**

- The applicant is a new development stage corporation with no operating experience. The applicant provided a reasonable description of its performance improvement plan for monitoring and improving care delivery.

**SemperCare of Volusia, Inc. (CON #9706)**

- The applicant is a new development stage corporation with no operating experience. The applicant intends to use the parent company's performance improvement system currently in place to ensure and maintain quality care. The applicant included the JCAHO survey results for four currently operational SemperCare facilities. The applicant provided a reasonable description of its performance improvement plan.

**Cost/Financial Analysis:**

**Select Specialty Hospital-Duval, Inc. (CON #9705)**

- The applicant is a start-up company with limited assets. However, the parent, Select Medical, Inc. is a financially strong company with total assets of \$739.1 million and revenue from operations of \$1.1 billion. The funding for the proposed project should be available, with the support of the parent company.
- The applicant did not disclose how they intend to comply with the exemption provision under CFR Part 412.23 requiring that the facility not exceed more than 15 percent of its total operating costs in services obtained from the host hospital or at least 75 percent of the hospital's inpatient population must be referred from another source. Failure to comply would have a material negative impact on revenues.
- With net revenues per adjusted patient day falling between the lowest and median values, the facility is expected to consume health care resources in proportion to the services provided. The projected operating margin of 6.6 percent indicates that net revenues are proportional to costs. The project appears to be financially feasible.

## **CON Action Numbers: 9705 and 9706**

- The applicant projects managed care to represent 5.0 percent of its patient days. This is between the control group lowest and median level of activity of 0.0 and 10.5 percent. The projected levels, if realized, will have not have a positive impact on competition to promote quality assurance and cost-effectiveness.

### **SemperCare of Volusia, Inc. (CON #9706)**

- The applicant is a start-up company with limited assets. The parent, SemperCare, Inc. has total assets of 23.3 million. However, the company had a net operating loss of \$3.1 million with negative cash flows from operations of \$4.7 million. The financial strength of the applicant depends on the continued ability to raise capital to support operating losses. The impact of recently opened facilities in Florida is to soon to determine financial impact. It is therefore, too early to determine the long-term financial strength of the parent. The funding for the proposed 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. Projected cost per adjusted patient day is between the control group lowest and median values. The projected operating margin falls between the peer group median and highest values indicating that net revenues are proportional to costs. The project appears to be financially feasible.
- The applicant projects managed care to represent 11.5 percent of its patient days. This is between the control group median and highest level of activity of 10.5 and 23.4 percent. The projected levels, if realized, will have a positive impact on competition to promote quality assurance and cost-effectiveness.

### **Architectural Analysis:**

#### **Select Specialty Hospital-Duval, Inc. (CON #9705)**

- The project involves a 40-bed LTCH to be located on the fifth floor of SJMC. The applicable building codes appear to be current and the applicant has allowed space for all the required services and equipment.

**CON Action Numbers: 9705 and 9706**

- There is no indication provided as to the current use and any proposed renovation of the existing space targeted for the LTCH. It cannot be determined if non-patient bedrooms are being converted to patient rooms. If this occurs, the new rooms must meet all code requirements including patient room size.

**SemperCare of Volusia, Inc. (CON #9706)**

- The project involves new construction of a 43-bed LTCH on the second floor of Florida Hospital Oceanside.
- The architectural review reveals that the applicable building codes appear to be out of date. A pharmacy is shown on the plans but there is no space designated for basic radiographic equipment as required by code. There is no indication provided as to the current use and any proposed renovation of the existing space targeted for the LTCH. It cannot be determined if non-patient bedrooms are being converted to patient rooms. If this occurs, the new rooms must meet all code requirements including patient room size.

**G. RECOMMENDATION**

Deny CON #9705 and CON #9706

**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**