

STATE AGENCY ACTION REPORT
ON APPLICATION FOR CERTIFICATE OF NEED

A. PROJECT IDENTIFICATION

1. Applicant/CON Action Number

Sarasota County Public Hospital Board/CON #9808

d/b/a Sarasota Memorial Hospital
1700 South Tamiami Trail
Sarasota, Florida 34239

Authorized Representative: G. Duncan Finlay, M.D., President & CEO
(941) 917-2498

2. Service District/Subdistrict

District 8/Subdistrict 6 (Sarasota County)

B. PUBLIC HEARING

No public hearing was held regarding the establishment of an acute care hospital through the transfer of up to 160 acute care beds from Sarasota Memorial Hospital. However letters of support were submitted as follows.

The applicant included 106 unduplicated letters of support with its application. The letters consisted of: 58 letters from doctors in the area (the majority of which were from staff at Sarasota Anesthesiologists, P.A., Sarasota Memorial Hospital and Sarasota Healthcare System, but also included letters from the CEO of the Moffitt Cancer Center and the superintendent of Sarasota County School Board); two letters were also submitted by anesthesiologists at Sarasota Anesthesiologists, 18 letters were from staff of the Sarasota Memorial Hospital and nine letters were from the members of the Sarasota Memorial Public Hospital Board; nine letters were received from local citizens (including one business owner), four letters were received from health services organizations and one letter each was received from Steve Queior (President of the Greater Sarasota Chamber of Commerce), Dr. Sarah H. Pappas (President of Manatee Community College), Terry Bentz, (Executive Director of the American Heart Association), Bill Little (Administrator of the Sarasota

County Health Department), Jon Thaxton (Chairman of the Sarasota County Board of Commissioners) and Marge Maisto, RN, MA, MS.

The letters attest to the high quality of care offered by the applicant as evidenced by its receipt of awards and citations including being listed as one of the top 50 hospitals in seven specialties, in 2004 issues of *News and World Report*, receiving a Sterling Award and its Magnet Nursing status. It is also scheduled to be a clinical center for the training of medical students from Florida State University next year. The letters state that, with the sale of the Bon Secours system that the applicant is the only not-for-profit hospital in Sarasota County. The letters contend that it is the only hospital in the county that provides primary care, and specialty care clinics to the poor, underinsured and uninsured and is also the only hospital where women can deliver their babies and where physicians can admit children for hospital care.

One physician states that amongst the six practitioners at First Physicians Group, 700-800 patients a week are seen. Their practice is in Venice, central and south Sarasota County. It is estimated that three quarters of these patients would prefer to go to Sarasota Memorial for service (though no survey results were provided) because of its service.

Another physician stated that on average, he refers 100 patients a year to the applicant and expects to refer patients annually to the new satellite facility, however, the letter was not signed.

Letters of Opposition:

Five letters of opposition were submitted regarding the applicant's proposal to establish an 80-bed acute care hospital in Sarasota County. One letter was received from the law firm of Metz, Hauser & Husband, P.A. on behalf of Health Management Associates (HMA). One letter was received from Bon Secours-Venice Hospital (Venice Hospital). One letter each was received from the CEOs of Fawcett Memorial Hospital, Englewood Community Hospital and Doctors Hospital.

The letters state that AHCA recently approved CON #9768 for North Port HMA to build a new 80-bed acute care hospital in North Port, located in the southern portion of Sarasota County. The CON approval has been challenged by the co-batched applicant (CON #9767), Universal Health Care Services, Inc. (UHS) and a hearing is scheduled for the spring of 2005. Sarasota Memorial Hospital Board also filed an administrative challenge, signed July 16, 2004. HMA attached a copy of the petition for a formal administrative proceeding to its letter. HMA contends that if Sarasota Memorial does not believe that the North Port Hospital is needed, it is "illegitimate and disingenuous to argue that its own new

hospital is needed”. HMA contends that it is premature to consider another hospital in the south part of the county while North Port is in litigation and assuming the agency’s decision is upheld, before the facility becomes operational when its interests will be substantially impacted should a second facility be approved in this area. HMA also contends that the applicant seems to be driven to expand for its own purposes and references what it characterizes as the applicant’s failed attempt to acquire Bon Secours-Venice Hospital. According to HMA, if the applicant thought there was a need for a hospital in the south part of the county, it should have applied to establish this new hospital when UMS and HMA did during the prior batching cycle.

Venice Hospital also contends that that is premature to propose another hospital in the area, since the recent CON approval for North Port is being legally challenged. The letter states that the applicant initially challenged the approval of the North Port Hospital and Venice Hospital finds it difficult to understand how the applicant can now assert that there is a need for two new hospitals. In addition, Venice Hospital states that the proposed project will substantially compromise and injure its operations and financial condition.

The CEOs at Fawcett Memorial Hospital, Doctors Hospital and Englewood Hospital indicate that the establishment of two new hospitals in the area will significantly negatively impact their respective hospitals. Each also expressed concerns over staffing issues including the recruitment of staff from the existing facilities that would negatively impact their facilities. Writers indicate that staffing shortages have resulted in EMS diversions. CEOs from Doctors Hospital and Englewood Hospital also discussed the negative impact from the recently opened Lakewood Ranch Medical Center due to Lakewood’s recruitment of staff from existing hospitals.

The letters contend that there is no overwhelming community demand for the project and that the applicant is not responding to community need.

C. PROJECT SUMMARY

Sarasota County Public Hospital Board (CON #9808) d/b/a Sarasota Memorial Hospital proposes to establish an 80-bed acute care satellite hospital in the southern portion of Sarasota County, District 8, Subdistrict 6. The hospital will be established through the transfer of 80 general acute care beds from Sarasota Memorial Hospital (SMH), also locate in District 8, Subdistrict 6. SMH is part of the Sarasota Memorial Health Care System (SMHCS), a non-profit health system. SMH has 828

licensed beds and is the second largest acute care public hospital in Florida and the second largest employer in Sarasota County. Its bed compliment consists of 666 general acute care beds, 13 Level II and seven Level III NICU beds, 49 adult and 37 child/adolescent psychiatric beds, 32 skilled nursing beds and 24 rehabilitation beds. With recent changes to CON regulation, the applicant's acute care, NICU and skilled nursing beds may be increased at any time via notification to the CON office and without CON review.¹

The applicant proposes to condition CON approval upon providing five percent of its total annual patient days to Medicaid/Medicaid HMO/charity patients and delicensing 80 general acute care beds at Sarasota Memorial Hospital.

The total project cost is estimated at \$150,618,211. Construction costs are projected at \$85,392,825 and the project will involve 354,800 gross square feet (GSF) of new construction.

D. REVIEW PROCEDURE

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

¹ Hospital licensing requirements have not changed and the hospital must still meet those requirements before the beds become operational. CON review and approval however are no longer needed to add hospital beds in three of the facility's bed categories: acute, NICU and skilled nursing. Acute care beds are regulated in low-growth counties. Sarasota County is not currently a low growth county.

Section 59C-1.010(2) (b), Florida Administrative Code, allows no application amendment information subsequent to the application being deemed complete. The burden of proof to entitlement of a certificate rests with the applicant. As such, the applicant is responsible for the representations in the application. This is attested to as part of the application in the Certification of the applicant.

As part of the fact-finding, the consultant, Tina Mazanek analyzed the application in its entirety with consultation from the Financial Analyst, John Williamson 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; and Local Health Plans.

1. Fixed Need Pool

a. Does the project proposed respond to need as published by a fixed need pool? Or does the project proposed seek beds or services in excess of the fixed need pool? Ch. 59C-1.008(2), Florida Administrative Code.

On July 23, 2004, AHCA published a fixed need pool (FNP) in Volume 30, Number 30, Florida Administrative Weekly (F.A.W.) of zero (0) for additional hospital acute care beds in District 8, Subdistrict 6 for the July 2004 review cycle.

District 8, Subdistrict 6 had a total of 1,210 licensed acute care beds, which experienced an occupancy rate of 45.54 percent for the January 1, 2003 through December 31, 2003 reporting period. In addition, an 80-bed acute care hospital was approved under CON #9768 for North Port HMA, Inc. in June of 2004. However, the applicant and other area hospitals have filed a petition and an administrative hearing has been scheduled for the spring of 2005 challenging that approval.

The applicant is not responding to the fixed need pool but rather claims special circumstances exist that show need for an additional acute care hospital in the planning area as discussed below.

Other Special Circumstances:

The applicant states that this project is not driven by need or fixed need pool calculation and that the project will not increase the district's or subdistrict's licensed bed capacity or provide any new tertiary services. The applicant contends that the proposed project will benefit the patients in southern Sarasota County as well as patients who continue to use its main campus. However, as discussed in detail below, the applicant has not considered the CON approved, but not yet established, 80-bed hospital that will be located within the applicant's proposed service area or recent changes in CON law that make the promise to transfer acute beds within a planning area relatively meaningless because acute care beds may be added in most areas of the state at any time without CON review. Further, it has not demonstrated that renovation planned at its existing facility could not be expanded to include additional improvements to patients who continue to use its main campus.

The applicant identified an area encompassing nine zip codes as its proposed service area, which make up southern Sarasota County. The applicant provided the following table to illustrate the projected population growth in the area from 2004-2009.

Sarasota Memorial Hospitals Satellite Project Service Area Population Profile, 2004-2009*					
Zip Code		2004	2009	% Change 2004-2009	Net Change
34229	Osprey	5,412	6,068	12.1%	656
34275	Nokomis	15,599	16,477	5.6%	878
34285	Venice	19,090	20,296	6.3%	1,206
34292	Venice	8,771	10,355	18.1%	1,584
34293	Venice	33,156	35,863	8.2%	2,707
34286	North Port	10,274	13,853	34.8%	3,579
34287	North Port	23,539	28,844	22.5%	5,305
34288	North Port	2,920	4,586	57.1%	1,666
34223	Englewood	18,046	18,658	3.4%	612
Total Service Area		136,807	155,000	13.3%	18,193
Sarasota County		352,944	374,289	6.0%	21,345
District 8		1,399,569	1,540,166	10.0%	140,597
State of Florida		17,360,033	18,737,105	7.9%	1,377,072

Source: CON Application #9808, pg. 22. Agency for Health Care Administration and Medstat/Inforum (Zip Code Data). *The estimates for Sarasota County, District 8 and the State of Florida reflect the data listed in the AHCA Population Estimates for July 2004 and July 2009, published March 2004.

As indicated above, the target nine zip code service area is expected to grow by 13.3 percent by 2009, over two times that of Sarasota County at 6.0 percent, surpassing the state's projected growth of 7.9 percent. The target area is expected to generate 85 percent of the growth for Sarasota County (18,193/21,345 = 85.23 percent). As discussed earlier, North Port HMA, Inc. recently received approval via CON #9768 to establish a hospital in the North Port area. HMA advised in that CON application that it expected to receive most of its admissions from three of the nine

CON Action Number: 9808

zip codes noted by the applicant above and considered the following zip codes to contain its primary service area: 34286, 34287, 34288 and 34289, which is a postal zip code). Further, the North Port zip codes shown above account for a large percentage of the total projected growth in the applicant's proposed service area. According to data gathered recently by the agency for year ending September 2003, 2,317 of Sarasota Memorial's 133,398 total patients days were from residents of these zip codes.

The applicant states that emergency rescue services responded to over one thousand calls. The applicant contends that its facility will provide for shorter driving times and improved access for emergency situations in the southern part of Sarasota County. However, it did not provide any materials documenting current or proposed driving distances and it did not consider the CON approved new hospital to be located in that area.

The applicant states that, as the population of females age 15-44 increases, the need for obstetrics service will also increase. The applicant provided the following table to illustrate the population increase.

Sarasota Memorial Hospitals Satellite Project Service Area Female Aged 15-44 Population, 2004-2009*					
Zip Code		2004	2009	% Change 2004-2009	Net Change
34229	Osprey	925	964	4%	39
34275	Nokomis	2,516	2,450	-3%	-66
34285	Venice	1,757	1,653	-6%	-104
34292	Venice	1,097	1,195	9%	98
34293	Venice	6,128	6,119	-0.1%	-9
34286	North Port	3,278	4,208	28%	930
34287	North Port	4,740	5,679	20%	939
34288	North Port	1,030	1,558	51%	528
34223	Englewood	2,374	2,227	-6%	-147
Total Service Area		25,849	28,062	9%	2,208
Sarasota County		48,350	47,631	-1%	-719
District 8		206,943	213,960	3%	7,017
State of Florida		3,326,992	3,390,543	2%	63,551

Source: CON Application #9808, pg. 23. Agency for Health Care Administration and Medstat/Inforum (Zip Code Data). *The estimates for Sarasota County, District 8 and the State of Florida reflect the data listed in the AHCA Population Estimates for July 2004 and July 2009, published March 2004.

As shown in the table above, the 15-44 female population is expected to increase by nine percent for the service area again, with a significant portion in the North Port area, although less significant than total population. The applicant contends that it is redistributing its 10 obstetric beds from its main campus to the proposed satellite facility based on the shift in distribution of the 15-44 female population. The applicant explained that the need for the 10-bed obstetric unit is based on the fact that the local area hospitals (Doctors Hospital of Sarasota and Blake Medical Center) are discontinuing their obstetric services (OB).

CON Action Number: 9808

According to the applicant, it currently provides all of the obstetric care within the county. This project would allow for service of low risk obstetric care to residents in the southern part of Sarasota County and will provide the main campus to decompress current OB volumes. However, North Port HMA, as part of its commitment to serve the residents of this area indicated in approved CON #9768 that it will provide obstetric services.

The applicant states that, with the establishment of a satellite facility several issues could be addressed that are currently an issue for its main campus including: overcrowding in the emergency room, obstetrics and NICU program; lack of private rooms; an aging physical plant; wayfinding difficulties; space needed for program expansion and development of new programs and for clinical education. The applicant states it will convert three and four-bed rooms to private and semi-private rooms at the main campus, enhancing privacy and bringing inpatient beds that had been used to meet outpatient needs back online. The applicant maintains that to achieve these goals without the proposed satellite facility would not be undertaken without considerable disruption to hospital operations and patient inconvenience. However, the applicant has indicated that major renovations are planned if the satellite is approved and has not shown that renovations would present unusual problems or major disruptions in service. It is noted that large hospital systems in Florida often experience major renovation or expansion with little disruption in service.

The applicant presented a quantitative need methodology for its proposed 80-bed facility beginning with the previously presented analysis of the total population for the nine zip code service area, which is expected to grow by 13 percent, 7.3 percent more than Sarasota County, accounting for 85 percent of Sarasota County's growth, by July 2009. It is again noted that a substantial percentage of the growth is in an area with an approved 80-bed hospital conditioned to provide obstetric services, which although approved, has not had the CON actually issued because it was challenged by this applicant and other area facilities.

The applicant provided the following table demonstrating the growth in population for the service area by age co-hort.

Sarasota Memorial Hospital Satellite Hospital Service Area Population by Age Co-hort					
Population Age Group	2004 Population	2009 Population	2004 Percent of Total Pop.	2009 Percent of Total Pop.	2004-2009 Population Growth
0-17	19,469	21,293	14%	14%	9%
18-44	28,462	31,628	21%	20%	11%
45-64	36,382	43,070	27%	28%	18%
65+	52,494	59,009	38%	38%	12%
Total	136,807	155,000	100%	100%	13%

Source: CON #9808 Application, pg. 34. Medstat/Inforum (Zip Code data)

As discussed above, a significant percentage of the growth is projected to occur in an area with a CON approved 80-bed hospital.

The applicant combined this population forecast with an assessment of the actual inpatient volume generated from the service area. According to the applicant, AHCA data reveals a total of 81,223 total patient days (excluding normal newborns) for the 12 months ending December 2003 for the proposed service area. The applicant states that, while this is the total patient day amount, the true potential pool of patients for the satellite facility is smaller than the total patient base. To define the patient base, the applicant removed patients with diagnosis MDC 15 and 19-20 (newborn/psychiatric/substance abuse patients and arrange of tertiary patients including invasive cardiology/transplant/burn/major trauma/other subspecialty tertiary care patients) from the total amount. The applicant further states that AHCA data reveals 64,835 non-tertiary, non-specialty patients (excluding the specialty and tertiary patients described above) during CY 2003 for this area.

The applicant provided the following table for illustration.

SMH Satellite Hospital Service Area Patient Days 2003					
	Age 0-13	Age 14-44	Age 45-64	Age 65+	Total
Non-Specialty/Non-Tertiary Patient Days	1,551	4,540	11,899	46,835	64,825

Source: CON Application #9809, pg. 35

As shown in the table above, according to the applicant, there were 64,825 patient days with the exclusion of the patients with diagnosis MDC 15 and 19-20 (newborn/psychiatric/substance abuse patients and arrange of tertiary patients including invasive cardiology/transplant/burn/major trauma/other subspecialty tertiary care patients) or 80 percent of the total 81,223 patient days ($64,825/81,223 = 81.22$). The

reviewer independently looked at more recent data reported to the State Center for Health Statistics for year ending June 2004, which show a slight decline in inpatient days. Those data are presented in a chart and discussed at the end of this section.

The applicant forecasted future utilization levels using the five-year time frame for 2009, with an extended forecast for 2010 and 2011 (the second and third year of its operation target). For the 2009 time frame, the applicant calculated patient days by applying age cohort service area population growth rates to the age cohort specific CY 2003 patient days as identified appropriate for the satellite facility. The 0-13 age group was not included in the forecast because the applicant expects limited pediatric volume. The applicant states that, as a result of using a CY 2003 baseline and the 2009 planning horizon, the growth rates were extrapolated to account for six years of growth versus five years presented earlier. As noted above, the applicant identified 64,825 total patient days in 2003 that were non-tertiary and non-specialty.

The applicant presented the following table to illustrate its projections.

SMH Satellite Hospital 2009 Service Area Forecasted Patient Days					
	Pop. 0-17	18-44	45-64	65+	Total
Actual 2003 Non-Specialty/Non-Tertiary Patient Days	NA	4,540	11,899	46,835	63,274
2003-2009 Population Growth	NA	13.5%	22.4%	15.1%	
Forecasted 2009 Non-Specialty/Non-Tertiary/Patient Days	NA	5,153	14,564	53,907	73,624
Forecasted 2010 Non-Specialty/non-tertiary Patient Days			+2.56% growth per year 2009-2010		75,509
Forecasted 2011 Non-Specialty/Non-Tertiary Patient Days			+2.56% growth per year 2009-2010		77,442

Source: CON Application #9808, pg. 36.

As shown in the table above, applying growth rates to the forecasted patient days (excluding non-specialty/non-tertiary patients) yields a forecast of 73,624 patient days for the satellite facility in 2009, a 15.1 percent increase in patient days for the 2003-2009 time frame. The applicant applied a 2.56 per year compound average growth for 2010 and 2011, yielding 75,509 and 77,442 forecasted patient days respectively.

The applicant then projected its market share and applied that percentage to its defined service area patient days. According to the applicant it now captures 15 percent of the current non-tertiary market (based on the target CY 2003 non-specialty/non-tertiary patient pool), 23 percent of the total acute care market and 58 percent of the tertiary market. Agency data show that in year ending June 2004, of the 31,747 discharges at Sarasota Memorial Hospital, 2,446 were from this nine zip

code area and that patients from this area accounted for 7.7 percent of the hospital's total discharges. Similarly, of the 135,033 total patient days at the hospital, this zip code area accounted for 10,662 or 7.9 percent of the total patient days. Of the total 62,783 non-tertiary patient days during the more recent period, Sarasota Memorial Hospital captured 10,662 days or slightly over 16 percent of this market. (Refer to chart at the of this section.)

The applicant then identified what it considers a reasonable and achievable forecasted market share of 15 percent for year one, growing to 23 percent for year two and 25 percent for year three. By applying the forecasted market share to the projected patient days for the service area, the applicant identified 11,044 patient days for year 2009 ($73,624 \times .15 = 11043.36$), 17,367 patient days for year 2010 ($75,509 \times .23 = 17,367.07$) and 19,360 patient days for 2011 ($11,044 \times 25 = 19360.5$), the third year of operation or an average annual occupancy of 66.3 percent in seven years. Projected occupancy at the satellite within five years is 38.8 percent.

The applicant also expects a 10 percent in-flow factor of patients that it will serve from areas outside of the identified nine zip code service area who either live outside the service area or are "snow-bird" patients with an out of state permanent address. The applicant provided the following table to illustrate the results for 2009, 2010 and 2011.

SMH Satellite Hospital Satellite Hospital Forecasted Patient Days			
	2009	2010	2011
Service Area Targeted Non-Tertiary Patient Days	73,624	75,509	77,442
Anticipated Market Share	15%	23%	25%
Forecasted SMH Satellite Patient Days from Service Area	11,044	17,367	19,360
% of Patient Days from Outside of the Service Area	10%	10%	10%
Total Forecasted SMH Satellite Patient Days	12,271	19,297	21,511
Projected annual average occupancy	42.0%	66.1%	73.7%

Source: CON Application #9808, pg. 38.

As shown above, the applicant expects to increase its existing market share via population growth that is primarily occurring in an area with a CON approved, but not yet established, 80-bed hospital and expansion of its existing market so that within five years its anticipated average occupancy at the new satellite hospital will be at 42 percent. This assessment clearly does not consider the CON approved, not yet operational, 80-bed hospital in North Port.

CON Action Number: 9808

The applicant contends that it has an existing relationship with the residents of southern Sarasota County and states that nearly 30,000 outpatients for CY 2003 came from the proposed service area to SMH for emergency and outpatient services. However, CON review is not required for the establishment of an outpatient facility and it is not clear how the applicant can understand this data to be an indication of need to inpatient services in this area.

The chart below reflects acute care hospital discharge data for the 12-month period ending June 2004, for acute care discharges for the proposed services area, including zip codes 34223, 34229, 34275, 34285, 34286, 34287, 34288, 34292, 34293 excluding the patients with diagnosis MDC 15 and 19-20 (newborn/psychiatric/substance abuse patients and arrange of tertiary patients including invasive cardiology/transplant/burn/major trauma/other subspecialty tertiary care patients.

Information in the chart below was gathered to verify and update information presented by the applicant.

**Proposed Service Area Discharge Data
Zip Codes 34223, 34229, 34275, 34285, 34287, 34288, 34292, 34293, 34286
Percentage of Utilization and Out migration**

Facility/District 8	Beds	Total Facility Discharges	Total Zip Code Resident Discharges	Zip Code as % of Facility's Total Discharges	Total Facility Patient days	Zip Code Patient days at facility	Zip Code Residents as % of Fac Total Pt days
Subdistrict (1) Charlotte County							
Bon Secours St. Joseph Hospital	196	9,552	1,165	12.20%	40,479	5,524	13.65%
Fawcett Memorial Hospital	218	7,733	1,056	13.66%	38,527	4,924	12.78%
Charlotte Regional Medical Center	156	9,597	383	3.99%	51,061	2,119	4.15%
Charlotte County Facility Total	566	26,882	2,604	9.69%	130,067	12,567	9.62%
Subdistrict (6) Sarasota County							
Bon Secours - Venice Hospital	276	8,042	6,354	79.01%	37,428	29,880	79.83%
Englewood Community Hospital	100	4,054	1,656	40.85%	17,936	7,251	40.43%
Sarasota Memorial Hospital	666	31,747	2,446	7.70%	135,033	10,662	7.90%
Doctors Hospital Of Sarasota	168	6,467	576	8.91%	31,140	2,423	7.78%
Sarasota County Facility Total	1,210	50,310	11,032	21.93%	221,537	50,216	22.67%
Total beds both Counties	1,776						
Total Zip Code Residents	N/A	N/A	13,636	N/A	N/A	62,783	

Source: AHCA Acute Care Hospital Discharge Data for the 12 months ending June 2004.

Note: Data excludes open heart, transplant, NICU and obstetrics as well as normal newborn (DRGs 104-109, 516-518, 526, 527, 370-391 and 103, 302, 480, 481, 495, 512 and 513)

According to agency data, residents in the proposed service area accounted for 13,636 acute care hospital discharges and 62,783 patient days during the 12-month period ending June 30, 2004. The average length of stay for the acute care patient was 4.60 (62,783/13,636) days.

This indicates that residents in the proposed service area occupied approximately 172.01 (62,783/365) of the 1,776 licensed acute care beds in the two subdistricts that include Sarasota and Charlotte County during the 12-month period ending June 30, 2004. Zip code residents occupied 9.69 percent (62,783/648,240) of the both Subdistrict 6 and Subdistrict 1 beds during this period. The average acute care occupancy in Subdistrict 6, Sarasota County was 38.89 percent during the same time period. Average acute care occupancy in Subdistrict 1, Charlotte County was 49.74 percent during that period.

The applicant contends that the project will have minimal impact on the other providers in the area and if it does have an impact, it will be appropriate and warranted based on the needs of the county's one safety net provider. The applicant has not considered North Port HMA's approved 80-bed hospital in its need analysis. However, there is a CON approved, but not yet operational, 80-bed acute care hospital to be located within the fastest growth section of the applicant's proposed service area. The extent of impact on that approved hospital cannot be known. It is noted that the applicant was not prohibited from competing in the last batching cycle to establish this 80-bed facility when North Port HMA, Inc. and Manatee Memorial Hospital, L.P. identified a need in this area and competed for the establishment of a hospital to serve this fast growing section of the county. Had the applicant not wished to consider potential market share of the CON approved hospital, it should have competed with these two CON applicants. Grace periods are established in CON batching cycles for this purpose. Additionally, 2004 changes to CON law allow acute care beds, in most instances, to be added without CON review making the promise to establish a new facility through delicensure of beds at an existing facility have little meaning.

Additionally, regarding the applicant's statement about its needs as the only safety net provider in the county, it should be noted that North Port HMA, Inc. through its CON approved 80-bed hospital, if ultimately awarded, has agreed to provide 6.9 percent of the total annual patient days in the 80-bed facility to Medicaid patients and 2.9 percent of the facility's gross annual revenue to charity patients. Although not at the level of Sarasota Memorial Hospital, which 2003 Fiscal Year data indicates provided 10.8 percent of its patient days to Medicaid patients and 2.3 percent to charity care patients, North Port HMA has agreed to serve the medically indigent at a relatively high percentage compared to other subdistrict providers. Subdistrict 6 averaged 4.9 percent of patient days to Medicaid and 1.3 percent to charity patients. (Refer to the chart in E. 3. g. below). Because a large percentage of the patients North Port HMA's new hospital will likely serve are currently going to Bon Secours - Venice hospital in Charlotte County and 1.4 percent of Bon Secours' adjusted patient days were charity days and 3.2 percent were Medicaid

patient days in Fiscal Year 2003, this most likely represents an improvement in access to the medically indigent to this area of the county.

The applicant appears to content that if this project is not approved, its ability to act as the area's safety net hospital is in jeopardy, suggesting that expanding its market is necessary to ensure its continued ability to ensure care to the medically indigent population in Sarasota County. This is not however clear. It is clear that this project will impact a CON approved, not yet established hospital that has agreed to provide care to the medically indigent at a relatively high percentage compared to the subdistrict average and in relation to the hospital from which the majority of the area's patients are currently being served. Should the new hospital provide expanded access to the medically indigent, then the applicant's role in providing these services to patients it does not currently serve may be diminished, accomplishing essentially the same goal, which should help it to continue as the county's safety net provider.

Need for a second hospital to be located in or near this growing area of Sarasota County to serve the anticipated acute care population in this area has not been demonstrated.

2. Agency Rule Criteria

Does the project respond to preferences stated in agency rules? Indicate how each applicable criteria for the type of service proposed is met. Ch. 59C-1.038(6) (a) & (b), Florida Administrative Code.

- a. Priority consideration for initiation of new acute care services or capital expenditures shall be given to applicants with a documented history of providing services to medically charity care patients or a commitment to do so.**

Refer to E. 4. g. below for a comparison of the applicant's provision of care to Medicaid and charity patients.

- b. When there are competing applications within a subdistrict, priority consideration shall be given to the applications, which meet the need for additional acute care beds in a particular service through the conversion of existing underutilized beds.**

There are no competing applications for additional acute care beds in District 8, Subdistrict 6. However, the applicant proposes to delisense 80 underutilized beds at its main campus at Sarasota

Memorial Hospital for the proposed 80-bed satellite facility, with no increase to the number of acute care beds in the district. It is noted that recent changes to the Florida Statutes no longer require most acute care bed additions to receive CON approval. Agency CON rules are in the process of being amended to reflect 2004 statutory changes.

3. Statutory Review Criteria

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

Availability and Access:

The applicant states it will improve access to medical services to the residents of southern Sarasota County who presently have limited access to its services, as it is its mission to serve all of the residents in the county. As noted in the need section above, the applicant currently serves approximately 15 to 16 percent of this nine zip code area market. However, the agency recently approved the establishment of an 80-bed acute care hospital to be located within the applicant's proposed service area in southern Sarasota County. Although the applicant claims that it will be the only provider of obstetric services in the area because the other hospitals in the area either have, or intend to, discontinue OB services, that is not the case assuming the CON recently approved is implemented. North Port HMA, the CON approved provider in this area, has agreed to provide OB services. The applicant listed various programs it already offers in the southern part of the county as evidence of its commitment to residents the area and the county.

The applicant also noted that it is the only safety net provider in the area, suggesting that impact to its program might negatively impact access to care to the medically indigent. It is noted that North Port HMA, Inc. through its CON approved 80-bed hospital, if ultimately awarded, has agreed to provide 6.9 percent of the total annual patient days in the 80-bed facility to Medicaid patients and 2.9 percent of the facility's gross annual revenue to charity patients. Although not at the level of Sarasota Memorial Hospital, which 2003 Fiscal Year data indicates provided 10.8 percent of its patient days to Medicaid patients and 2.3 percent to charity care patients, North Port HMA has agreed to serve the medically indigent at a relatively high percentage compared to other subdistrict providers. Subdistrict 6 averaged 4.9 percent of patient days to Medicaid and 1.3 percent to charity patients. (Refer to the chart in E. 3. g. below).

Because a large percentage of the patients this new hospital will likely serve are currently going to Bon Secours – Venice hospital in Charlotte County and 1.4 percent of Bon Secours’ adjusted patient days were charity days and 3.2 percent were Medicaid patient days in Fiscal Year 2003, this most likely represents an improvement in access to the medically indigent to this area of the county. **In any CON review, there is always concern for any negative impact on a safety net provider’s continued ability to serve the medically indigent population.**

However, the approved establishment of HMA’s hospital in North Port is not expected to impact the main hospital or its ability to serve the medically indigent population. Conversely, the impact of approving a second new hospital in the North Port area on a hospital yet to be built cannot be fully determined. However, given the percentage of population increase in the next five years and the projected occupancy presented in both applicant’s need analysis, although not comparatively reviewed, need for two new facilities is not supported.

Efficiency:

The applicant states that the main campus of SMH and the satellite project will be able to function seamlessly as one in many areas including: radiology imaging, medical records, laboratory, billing, and patient registration. Many corporate, support management and clinical management services proposed at the satellite hospital will be provided through the existing Sarasota Medical Health Care System resources. The applicant listed strategies it intends to implement at the new facility including paperless clinical records that are accessible to providers using web-enabled technologies. Although the applicant maintained that it would be an inconvenience to patients at its main campus during renovation, it did not demonstrate that it was more efficient or necessary to build a satellite facility as opposed to renovating its current facility.

Utilization of Like and Existing Resources:

The applicant states that AHCA has given CON approval to HMA’s facility in North Port (CON #9768), despite low occupancy rates. The planning area utilization for the most recent reporting period is shown below:

District 8 Subdistrict 6 Occupancy Rates January 2003 through December 2003		
Hospital	# of Acute Care Beds	Percent Occupancy
Englewood Community Hospital	100	43.26%
Doctors Hospital of Sarasota	168	46.48%
Sarasota Memorial Hospital	666	38.94%
Bon Secours- Venice Hospital	276	32.55%
Average -Dist 8/Subdistrict 6	1,210	38.89%
Total-District 8	3,883	45.54%
Total State of Florida	46,771	58.00%

Source: Florida Hospital Bed and Service Utilization by District, Vol. II, July 23, 2004.

As shown in the table above, the utilization rate for District 8 is lower than the state average and the utilization rate for Subdistrict 6 is lower than District 8 for CY 2003. While the applicant states that this CON would allow it to utilize more beds than is currently possible, it also states that it intends to renovate rooms at the existing facility. A review of the agency's report in which the state's findings were presented indicates that utilization was not evidence of need and also indicates that expected population growth in the North Port area, as shown by this applicant, was a primary factor in the agency's approval of a new hospital to be located within this growing area.

Although the applicant contends that this satellite hospital will use like and existing resources that are currently available through the main campus of SMH and will enhance patient privacy and security at the main campus with the delicensure of 80 beds from the new facility, need for such services beyond those already approved was not demonstrated.

b. Does the applicant have a history of and demonstrate the ability to provide quality care? ss. 408.035(3), 408.035(12), Florida Statutes.

The applicant is an existing provider of acute care hospital services and is accredited by the Joint Commission on Accreditation of Healthcare Organizations (JCAHO). According to the applicant, Sarasota Memorial Hospital received Magnet Nursing Services Recognition (awarded by the American Nurse's Credentialing Center), however, documentation of when this occurred was not provided. The applicant also states that it received the Governor's Sterling Award for Performance Excellence for 2001 and was listed in U.S. News & World Report's 2004 America's Best Hospital Issue as the best in seven specialties (based on the magazine's survey results). The applicant provided copies of its JCAHO three-year accreditation letter and of the magazine article in appendix B of the application.

According to AHC records, the applicant had five confirmed complaints within the past three years as of September 15, 2004, all with deficiencies. There were two complaints in the category of billing/refunds, and one each for patients test management, patient care and patient rights.

c. What resources, including health manpower, management personnel, and funds for capital and operating expenditures, are available for project accomplishment and operation? ss. 408.037(6), Florida Statutes.

The audited financial statements of Sarasota Memorial Hospital, for the periods ended September 30, 2003 and 2002 were analyzed for the purpose of evaluating the applicant's ability provide the capital and operational funding necessary to implement the project.

Sarasota Memorial Hospital		
	09/30/2003	09/30/2002
Current Assets	\$ 82,333,983	\$ 86,286,919
Cash and Current Investment	\$ 26,454,179	\$ 18,331,586
Assets Restricted for Capital Projects	\$ 339,527,651	\$ 292,646,568
Total Assets	\$ 712,991,424	\$ 651,070,924
Current Liabilities	\$ 69,050,910	\$ 53,039,686
Total Liabilities	\$ 444,792,851	\$ 362,860,258
Net Assets	\$ 268,198,573	\$ 288,210,666
Total Revenues	\$ 325,453,282	\$ 322,993,439
Interest Expense	\$ 5,710,890	\$ 6,693,495
Decrease in net assets	\$ (14,708,704)	\$ 29,962,046
Cash Flow from Operations	\$ 22,913,082	\$ 28,641,519
Working Capital	\$ 13,283,073	\$ 33,247,233
Current Ratio (CA/CL)	1.2	1.6
Cash Flow to Current Liabilities (CFO/CL)	0.3	0.5
Long-Term Debt to Net Assets (TL-CL/NE)	1.4	1.1
Times Interest Earned (NPO+Int/Int)	-1.6	5.5
Net Assets to Total Assets (TE/TA)	37.6%	44.3%
Total Margin (ER/TR)	-4.5%	9.3%
Return on Assets (ER/TA)	-2.1%	4.6%
Operating Cash Flow to Assets (CFO/TA)	3.2%	4.4%

Sarasota Memorial Hospital is a division of the Sarasota County Public Hospital Board, which is a special taxing district authorized to levy property taxes. Given their ability to levy property taxes, the hospital's financial position needs to be evaluated differently from the average hospital.

Short-term position:

Sarasota Memorial Hospital's current ratio of 1.2 and cash flow to current liabilities ratio of 0.3 are both below average and indicate a moderately weak short-term position. The working capital (current assets less current liabilities) of \$13.3 million is a measure of excess liquidity that could be used to fund capital projects. The applicant had significant non-operating revenues, derived primarily from taxes. Overall the applicant has a weak but acceptable short-term position.

Long-term position:

The ratio of long-term debt to net assets is 1.4, indicating long-term debt is significant in relation to net assets, a weak position. The ratio of cash flow to assets of 3.2 percent is below average and a moderately weak position. The most recent year had a net loss of \$14.7 million in net income, which resulted in a total margin of -4.5 percent. Overall, the applicant has a weak but acceptable long-term position.

Capital requirements:

Schedule 2 indicates the applicant has capital funding needs of \$260.6 million in capital projects.

Available Capital:

Sarasota Memorial had, at September 30, 2003, \$339.5 million in board-designated funds for capital projects. In addition, the applicant provided a letter of interest from Citigroup, indicating funding should be available for the project through the issuance of tax-exempt bonds.

Conclusion:

Funding for this project and all capital projects is likely to be available as needed.

Staffing:

According to Schedule 6, the proposed project will require a total of 198.6 FTE staff in year one, increasing to 229.1 FTEs in year two. The nursing staff, including aides will fill 109.4 FTE positions in year one, increasing to 123.9 FTEs in year two. Ancillary positions, including therapists will fill 40.5 FTEs in year one increasing to 55.5 FTE positions in year two. The applicant states that it has a resource base of staff that has already been recruited in place at Sarasota Memorial that will be available for the proposed project.

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

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

Comparative data were derived from hospitals in peer groups that reported data in 2003. The applicant stated that the new hospital will serve the patient population in the following zip codes: 34229, 34275, 34285, 34292, 34293, 34286, 34287, 34288, and 34233. We tested the case mix data, using the 17,301 patients discharged from the indicated zip codes during 2003, excluding DRG's for services not provided. The computed case mix index for these cases was 1.2984. Therefore, based on the range of services offered, number of beds and estimated patient days, as well as the computed case mix index; the applicant will be compared to the hospitals in Group 5. Per diem rates are projected to increase by an average of 3.4 percent per year. Inflation adjustments were based on the New CMS Hospital Market Basket Index for the 2nd Quarter of 2004 as published in the Health Care Cost Review.

CON Action Number: 9808

Projected net revenue per adjusted patient day (NRAPD) of \$1,900 in year one and \$1,959 in year two is between the control group median and highest values of \$1,676 and \$2,418 in year one and \$1,729 and \$2,495 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 \$2,414 in year one is above the highest level of the group of \$2,010. However, this estimate is based upon an occupancy level of only 32 percent, skewing the results compared to the group whose median occupancy is 58.8 percent. Cost per adjusted patient day of \$1,955 in year two is between the group median and highest values of \$1,725 and \$2,074 in year two. Compared to the control group these costs are efficient. (See Comparative Table).

The year two operating profit for the hospital of \$95,523 computes to an operating margin per adjusted patient day of \$5 which is between the control group median and lowest values of \$18 and -\$155. The computed operating margin ratio is 0.2 percent.

This project appears to be financially feasible.

CON Action Number: 9808

Comparative Table

CON # 9808 Sarasota Memorial 2003 Data Peer Group 5	2010	YEAR 2	VALUES ADJUSTED		
	YEAR 2	ACTIVITY	FOR INFLATION		
	ACTIVITY	PER DAY	Highest	Median	Lowest
ROUTINE SERVICES	17,229,427	871	1,364	790	350
INPATIENT AMBULATORY	-	0	407	102	38
INPATIENT ANCILLARY SERVICES	68,917,708	3,483	6,147	2,974	1,312
OUTPATIENT SERVICES	34,458,854	1,741	3,735	2,245	1,267
OTHER OPERATING REVENUE	1,022,000	52	272	10	3
TOTAL REVENUE	121,627,989	6,146	11,021	6,053	3,700
DEDUCTIONS FROM REVENUE	82,855,046	4,187	*	*	*
NET REVENUES	38,772,943	1,959	2,495	1,729	1,371
EXPENSES					
ROUTINE	10,880,298	550	369	269	218
ANCILLARY	14,752,324	745	799	560	404
AMBULATORY		0			
OVERHEAD	13,044,798	659	1,018	749	605
OTHER		0			
TOTAL EXPENSES	38,677,420	1,955	2,074	1,725	1,419
OPERATING INCOME	95,523	5	355	18	-155
		0.2%			
PATIENT DAYS	14,016		VALUES NOT ADJUSTED		
ADJUSTED PATIENT DAYS	19,789		FOR INFLATION		
TOTAL BED DAYS AVAILABLE	29,200				
ADJ. FACTOR	0.7				
TOTAL NUMBER OF BEDS	80				
PERCENT OCCUPANCY	48%		75%	59%	34%
PAYER TYPE	PATIENT DAYS	% TOTAL			
MEDICARE	9,251	66.0%	78.2%	62.0%	49.7%
COMMERCIAL	1,037	7.4%			
MEDICAID	56	0.4%	17.9%	6.1%	0.9%
SELF-PAY	701	5.0%			
HMO/PPO	2,677	19.1%	38.2%	21.0%	2.7%
OTHER	294	2.1%			
TOTAL	14,016	100.0%			

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

The applicant forecasts managed care levels at 19.1 percent, between the lowest and median levels of the control group of 2.7 and 21.0 percent.

This level, if realized, will have limited positive impact on competition to promote quality assurance and cost-effectiveness. Sarasota Memorial Hospital reported managed care levels at 0.9 percent for 2003, the lowest level in their group.

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

The applicant proposes to build an acute care hospital in Sarasota County by transferring 80 beds from Sarasota Memorial Hospital. The AHCA Office of Plans and Construction will have to know the disposition of the bed spaces that will be vacated to create this facility if this application is approved.

There are 1/16" = 1'-0" overall plans of the hospital and large-scale plans of typical patient rooms and an ICU room. All the patient rooms appear to meet code requirements. The overall plans are single-line schematic drawings and this is all that must be submitted. There are also plans of the detached central energy plant.

The facility is planned to have five stories with provisions for adding 34 beds on the fourth floor in a shelled space. All functions are well organized which is to be expected since the design professional has considerable health care experience.

The facility will have 60 general medical/surgical beds, 10 critical care beds and 10 LDRP rooms. There will also be eight 23-hour beds. The medical/surgical beds will be in two 30-bed units with four observation beds each. All patient rooms will be private and they all have the requisite hand washing station just inside the room near the door.

The large emergency department will have 27 spaces for patients. There is a decontamination space in the emergency department which is required by The Guidelines, 7.9.D.25.

There is a list of applicable codes and it is current. The information from Schedule 10 indicates that sufficient time has been allowed for construction. The projected cost appears to be reasonable for this type of facility and the extent of the construction.

CON Action Number: 9808

There are several things that are unique about this facility. The first is that the kitchen and dining spaces are located on the 3rd floor. There was no readily apparent reason for this unless it was to locate these spaces in the center of the five-floor building. This concept is unique since almost all of the hospitals that are reviewed by the AHCA Office of Plans and Construction have these functions on the ground floor.

There is nothing wrong with this concept, but the service/staff elevators are adjacent to the dietary unit, and they are quite remote from the large loading dock at grade. Evidently the owner has approved this situation or schematic drawings would not have been developed this far if the distance were perceived to be a problem.

Another comment must be made about the configuration of the building. The main building has two large curved elements on the front facade and there is a circular waiting room on the first floor. There are also several more curved elements of the design. This makes for an interesting appearance, but there will be some costs involved to realize these features, since curved walls are more expensive. Any additional costs would most likely have an impact on the budget, but not excessively so.

The site for the new hospital has not been selected and its elevation and the flood plain and hurricane issues related to disaster preparedness should be key factors in the site selection. New hospital construction must meet the requirements of disaster preparedness in the Florida Building Code, Section 419.4 and the narrative indicates that the applicant is aware of this.

Most of the isolation rooms are located at the end of the patient wings, whereas they are usually placed closer to the nurse station where the staff can more easily observe them. There is no specific requirement for their location, but it does not conform to the norm.

The surgical suite has four operating rooms and a cysto room on the 2nd floor. The ORs must have a minimum of 400 square feet and it appears that they meet this requirement. There is the preferred path that the staff must take through the toilet/shower/lounge area before entering the semi-restricted area. The suite is well planned and appears to have all the required support spaces.

The morgue must have an exterior door as required by The Guidelines, Paragraph 7.16.

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

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

The following chart compared the applicant and the subdistricts other providers with the subdistrict and district averages for Medicaid and charity care patients based on FY 2003 data.

District 8 Subdistrict 6 Acute Care Facilities Medicaid and Charity Care FY 2003		
Hospital	% Medicaid	% Charity Care
Englewood Community Hospital	1.8%	0.9%
Doctors Hospital of Sarasota	3.7%	0.7%
Sarasota Memorial Hospital	10.8%	2.3%
Bon Secours- Venice Hospital	3.2%	1.4%
Average-Dist 8/Subdistrict 6	4.9%	1.3%
Total-District 8	10.8%	2.0%
Total State of Florida	12.5%	2.6%

Source: Agency for Health Care Administration Actual Budget Data for CY 2003

The applicant is the highest provider of Medicaid and charity care services in District 8, Subdistrict 6. The applicant meets the District 8 average for Medicaid services at 10.8 percent and exceeds the District 8 average of charity care by 0.3 percent. The applicant is proposing in this application to provide five percent of its total annual patient days to Medicaid/Medicaid HMO/charity patients.

According to the applicant, in addition to the Medicaid and charity care, it also provided more than 3.97 million in community benefits, including the provision of 17.4 million in unreimbursed costs to Medicaid and county welfare patients, \$5.1 million in indigent care fund payments and \$1.7 million in unbilled services.

It is noted that North Port HMA, Inc. through its CON approved 80-bed hospital, if ultimately awarded, as agreed to provide 6.9 percent of the total annual patient days in the 80-bed facility to Medicaid patients and 2.9 percent of the facility's gross annual revenue to charity patients. Although not at the level of Sarasota Memorial Hospital, North Port HMA

has agreed to serve the medically indigent at a relatively high percentage compared to other district and subdistrict providers. Because a large percentage of the patients North Port HMA's new hospital will likely serve are currently going to Bon Secours – Venice hospital in Charlotte County and 1.4 percent of Bon Secours' adjusted patient days were charity days and 3.2 percent were Medicaid patient days in Fiscal Year 2003, this most likely represents an improvement in access to the medically indigent.

F. SUMMARY

Sarasota County Public Hospital Board (CON #9808) proposes to build an 80-bed satellite facility in the southern portion of Sarasota County, District 8, Subdistrict 6.

The applicant proposes to condition CON approval upon providing five percent of its total annual patient days to Medicaid/Medicaid HMO/charity patients and delicensing 80 general acute care beds at Sarasota Memorial Hospital.

The total project cost is estimated at \$150,618,211. Construction costs are projected at \$85,392,825 and the project will involve 354,800 gross square feet (GSF) of new construction.

Need/Other Special Circumstances:

The project is not in response to projected need.

- This project will establish a new 80-bed acute care hospital in the southern portion of Sarasota County in the same location as a recently approved 80-bed hospital assuming the agency's decision to grant the CON is upheld at the Division of Administrative Hearings.
- Although the applicant claims that certain services, particularly obstetrics, will not be present once the existing hospitals in the area are sold, North Port HMA, Inc. has approval via CON #9768 to build an 80-bed facility in North Port and will offer obstetric services .

- The applicant contends that population growth justifies the need for services in this part of the county and this was determined by the agency during the review of CON #s 9767 and 9768. The applicant was not prohibited from competing with those CON applicants and rather than compete, has challenged the agency's approval of CON #9768 and submitted this application in the next available CON review batching cycle after that approval.
- The application claims area facilities will not be negatively impacted but appears not to consider North Port HMA, Inc.'s approved new hospital. As that hospital has not yet been established, impact cannot be fully determined. However, as the applicant plans to provide services to largely the same patient population and need projections show that it intends to increase its market through expansion as well as population increases if approved, it will impact the not-yet-established facility.

Quality of Care:

The applicant is an existing provider of acute care hospital services and JCAHO accredited. The applicant provides a discussion of its awards for quality care and presents a brief discussion of its plan to provide quality care at the proposed project. AHCA licensure records reveal that the applicant had five confirmed complaints in the last three years.

Medicaid/Charity Care:

The applicant proposes to condition CON approval upon providing five percent of its total annual patient days to Medicaid/Medicaid HMO/charity patients.

The applicant contends that if this project is not approved, its ability to act as the area's safety net hospital is in jeopardy, suggesting that expanding its market is necessary to ensure its continued ability to ensure care to the medically indigent population in Sarasota County. This is not however clear. It is clear that this project will impact a CON approved, not yet established hospital that has agreed to provide care to the medically indigent at a relatively high percentage compared to the subdistrict average and in relation to the hospital from which the majority of the area's patients are currently being served. Should the new hospital provide expanded access to the medically indigent, then the applicant's role in providing these services to patients it does not currently serve may be diminished, accomplishing essentially the same goal, which should help it to continue as the county's safety net provider.

Financial Feasibility:

Sarasota Memorial Hospital is a division of the Sarasota County Public Hospital Board, a special taxing district authorized to levy property taxes. Overall the applicant has an acceptable short-term and long-term position. Citigroup provided a letter of interest indicating that and will come from the issuance of tax-exempt bonds. Funding for this project and all capital projects is likely to be available as needed

The applicant forecasts managed care levels at 19.1 percent, between the lowest and median levels of the control group of 2.7 and 21.0 percent. This level, if realized, will have limited positive impact on competition to promote quality assurance and cost-effectiveness. Sarasota Memorial Hospital reported managed care levels at 0.9 percent for 2003, the lowest level in their group.

Architectural Analysis:

The specific site for the building has not been selected, but the facility is planned to have five stories with all patient rooms being private. The kitchen and dining space are to be located on the third floor, a unique concept as most are located on the ground floor. The main building has two large curved elements on the front facade and a circular waiting room on the first floor, a cost that most likely impact the budget, but not excessively. The isolation rooms are located at the end of patient wings, though not the norm, are acceptable locations. The surgical suite is well planned and appears to have all of the required support spaces. The morgue must have an exterior door as required. Site selection should consider flood plain and hurricane issues related to disaster preparedness.

There was a list of current applicable building codes. The estimated project budget and schedule appear to be reasonable based on the scope of the project.

G. RECOMMENDATION

Deny CON #9808.

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