

STATE AGENCY ACTION REPORT
CON APPLICATION FOR CERTIFICATE OF NEED

A. PROJECT IDENTIFICATION

1. Applicant/CON Action Number:

Osceola Regional Hospital, Inc./CON #9994

700 West Oak Street
Kissimmee, Florida 34741

Authorized Representative: Mr. E. Timothy Cook
(407) 846-2266

2. Service District/Subdistrict

District 7/Subdistrict 3 (Osceola County)

B. PUBLIC HEARING

A public hearing was not held or requested regarding the establishment of the proposed acute care hospital of 60 beds in District 7, Subdistrict 7-3.

Twenty letters of support for the proposed project were submitted by the applicant including letters from Senator Paula Dockery, 15th District, and Representative Frank Attkisson, District 79, various health care providers, the Poinciana Area Council, the Osceola County Property Appraiser, and the Hispanic Business Council. The applicant also included a resolution of support signed by all members of the Osceola Board of County Commissioners. Senator Dockery's letter provided insight into Poinciana population demographics, existing hospital driving distances and travel times involved to access the closest three existing hospitals in the area. Her letter concludes that a hospital in this community is imperative and the resident needs are such that the facility would be an incredible asset to the community within Poinciana and the surrounding areas. The letters of support from area health care providers and the others focused on the community of Poinciana's growing population and its need for more convenient medical care for its residents. The letters of support also state that Osceola Regional Medical

Center is the provider of choice for the residents of Poinciana and is therefore the most appropriate provider to develop the new hospital. These letters also state that the Poinciana area is in immediate need for access to emergency services, as well as other outpatient, diagnostic and physical therapy services in order to improve the opportunities for high quality care for residents of this region.

There were no letters of opposition submitted to the Agency. However, an in-depth analysis conducted by National Health Care Associates (NHA), Inc., which examined the need for the proposed project, was submitted to the Agency on behalf of Heath Management Associates (HMA) and its subsidiary Poinciana HMA, LLC. HMA states that it is evident there is insufficient incremental census to support a new acute care hospital within Subdistrict 7-3, Osceola County and there are no access or availability problems sufficient to support the viability of such a hospital. HMA goes on to state that given the decision to withdraw its application and underlying determination as to the lack of need to support a new acute care hospital in the Poinciana area, it also opposes the proposed project by Osceola Regional Hospital, Inc. NHA's analysis included driving distance maps, population statistics, utilization trends, projected effect on existing providers, discharge use rates, average length of stay, and average daily census. HMA also provided comments in opposition to the Osceola Regional project from Dr. Michael S. McHale, Medical Director, Emergency Department at Heart of Florida Regional Medical Center and Mark Aanonson, CEO, St. Cloud Hospital. NHA concludes there is no need for a new hospital in Poinciana.

C. PROJECT SUMMARY

Osceola Regional Hospital, Inc. d/b/a as Osceola Regional Medical Center (the applicant) proposes to establish a 60-bed acute care hospital in Poinciana, Osceola County, District 7, Subdistrict 3. The proposed project, Poinciana Hospital Medical Center (PHMC) will be located on a 40-acre property on the west side of Marigold Avenue, north of Cypress Parkway.

Osceola Regional Medical Center (Osceola Regional) is a 235-bed Class I acute care hospital in Osceola County. The facility's bed complement consists of 225 acute care and 10 Level II NICU beds. Osceola Regional

is wholly owned and operated by Hospital Corporation of America (HCA) which operates 39 acute care hospitals, one long-term care hospital and 29 surgery centers in Florida with facilities located in each district¹.

The construction cost is estimated at \$52,000,000 and will involve 143,996 GSF of new construction. Total project costs are \$113,960,509.

The applicant agrees to condition the approval of this project on the provision of at least 10 percent of its annual inpatient days to Medicaid, Medicaid HMO, and charity patients. Osceola Regional Medical Center, Inc. also proposes to condition approval to the facility location being at the above address and to the development of a special Hispanic Outreach Program that will target the Hispanic populations in the PHMC service area. This outreach effort will include:

- Provision of health screening programs on quarterly basis in the Hispanic community
- Community health education classes at PHMC with bilingual staff targeting the needs of Hispanic patients
- An occupational medicine program targeting Hispanic worker needs with at least one FTE registered nurse who is bilingual providing services on a sliding scale fees based on ability to pay
- Conformity with this condition will be measured by an annual report to the Agency detailing the specific activities undertaken and staff assigned to this program

D. REVIEW PROCEDURE

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

¹ <http://www.hcahealthcare.com/>

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

Rule 59C-1.010(3)(b), Florida Administrative Code, prohibits any amendments once an application has been deemed complete. The burden of proof to entitlement of a certificate rests with the applicant. As such, the applicant is responsible for the representations in the application. This is attested to as part of the application in the Certification of the Applicant.

As part of the fact-finding, the consultant Cheslyn Green analyzed the application with consultation from the financial analyst Melody Miller, who reviewed the financial data, and architect Scott Waltz who evaluated the architecturals and the schematic drawings.

E. CONFORMITY OF PROJECT WITH REVIEW CRITERIA

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

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.**

Chapter 59C-1.038, acute care bed need methodology rule, was repealed April 21, 2005. Section 408.036 (5), Florida Statutes, allows hospitals to add acute care beds at existing facilities upon notification to the Agency for Health Care Administration (AHCA) except in counties defined as “low-growth” per s. 408.036(1)(g), Florida Statutes. As a result, AHCA does not publish need for acute care beds.

- b. If no Agency policy exists, the applicant is responsible for demonstrating need through 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:**

- **Population demographics and dynamics;**
- **Availability, utilization and quality of like services in the district, subdistrict or both;**
- **Medical treatment trends; and**
- **Market conditions².**

The existence of unmet need is not determined solely on the absence of a health service, health care facility, or beds in the district, subdistrict, region or proposed service area. Current and likely future levels of utilization are better indicators of need than bed-to-population ratios, and, as such, the following table illustrates bed utilization levels in District 7, Subdistrict 3 for calendar year 2006.

Osceola County Acute Care Hospitals Utilization CY 2006		
Hospital	Beds	Utilization
Florida Hospital - Celebration Health	112	64.88%
Florida Hospital – Kissimmee	60	82.18%
St. Cloud Regional Medical Center	84	53.22%
Osceola Regional Medical Center	225	68.19%
Subdistrict 3	481	66.56%

Source: Florida Hospital Bed and Service Utilization by District, published 07/27/07.

As of July 27, 2007, District 7, Subdistrict 3 had a total of 481 licensed acute care beds with an occupancy rate of 66.56 percent for the January 2006 through December 2006 reporting period. Florida Hospital Kissimmee licensed five and nine acute care beds effective April 17 and August 14, 2007, respectively. There are nine acute care beds pending licensure at Florida Hospital Kissimmee per Notification #0600025.

Utilization levels during calendar years 2002 through 2006 are shown below. District 7, Subdistrict 3, Osceola County facilities experienced utilization rates ranging from a low of 52.44 percent at St. Cloud Regional Medical Center to a high of 114.68 percent at Florida Hospital-Kissimmee. The applicant's average occupancy is the second highest in the subdistrict for 2006.

² Rule 59C-1.008 (2)(a) Florida Administrative Code.

Osceola County Acute Care Hospitals Utilization CY 2002 through CY 2006					
	2002	2003	2004	2005	2006
Osceola Regional Medical Center	76.92%	71.33%	64.86%	65.42%	68.19%
Florida Hospital Kissimmee	114.68%	105.70%	104.86%	84.86%	82.18%
St. Cloud Regional Medical Center	55.52%	52.44%	58.23%	62.92%	53.22%
Florida Hospital Celebration	85.22%	70.39%	61.76%	68.73%	64.88%
Subdistrict 3	77.94%	71.46%	67.59%	68.09%	66.56%

Source: AHCA Florida Hospital Bed Need and Utilization by District Publications July 2003 – July 2007.

Osceola County Acute Care Hospital Utilization by Quarter CY 2005 through CY 2006										
	2005 Utilization by Quarter					2006 Utilization by Quarter				
	Q1	Q2	Q3	Q4	2005	Q1	Q2	Q3	Q4	2006
Osceola Regional Medical Center	59.07%	67.02%	70.72%	64.73%	65.42%	69.70%	70.27%	64.72%	68.12%	68.19%
Florida Hospital Kissimmee	97.11%	78.72%	81.51%	81.88%	84.86%	91.43%	78.68%	76.07%	82.70%	82.18%
St. Cloud Regional Medical Center	74.95%	63.75%	57.00%	56.24%	62.92%	63.45%	52.46%	53.53%	43.65%	53.22%
Florida Hospital Celebration	81.22%	65.92%	62.52%	65.48%	68.73%	78.68%	58.24%	61.00%	63.10%	64.88%
Subdistrict 3	71.50%	67.70%	67.67%	65.57%	68.09%	73.27%	65.45%	63.31%	64.49%	66.56%

Source: AHCA Florida Hospital Bed Need and Utilization by District Publications July 2006 – July 2007

It should be noted that Florida Hospital Kissimmee's average utilization rates for 2002-2004 are above 100 percent and that the facility added 10 beds in December of 2004.

The population estimates for Osceola County, District 7, and the state show continued growth from 2006 through 2012.

AHCA Population Estimates							
	2006	2007	2008	2009	2010	2011	2012
County	259,521	268,595	281,140	297,505	312,838	326,371	339,044
District	2,314,441	2,362,887	2,424,248	2,503,315	2,574,551	2,637,318	2,697,491
State	18,440,700	18,762,014	19,153,676	19,636,625	20,076,875	20,460,813	20,835,257

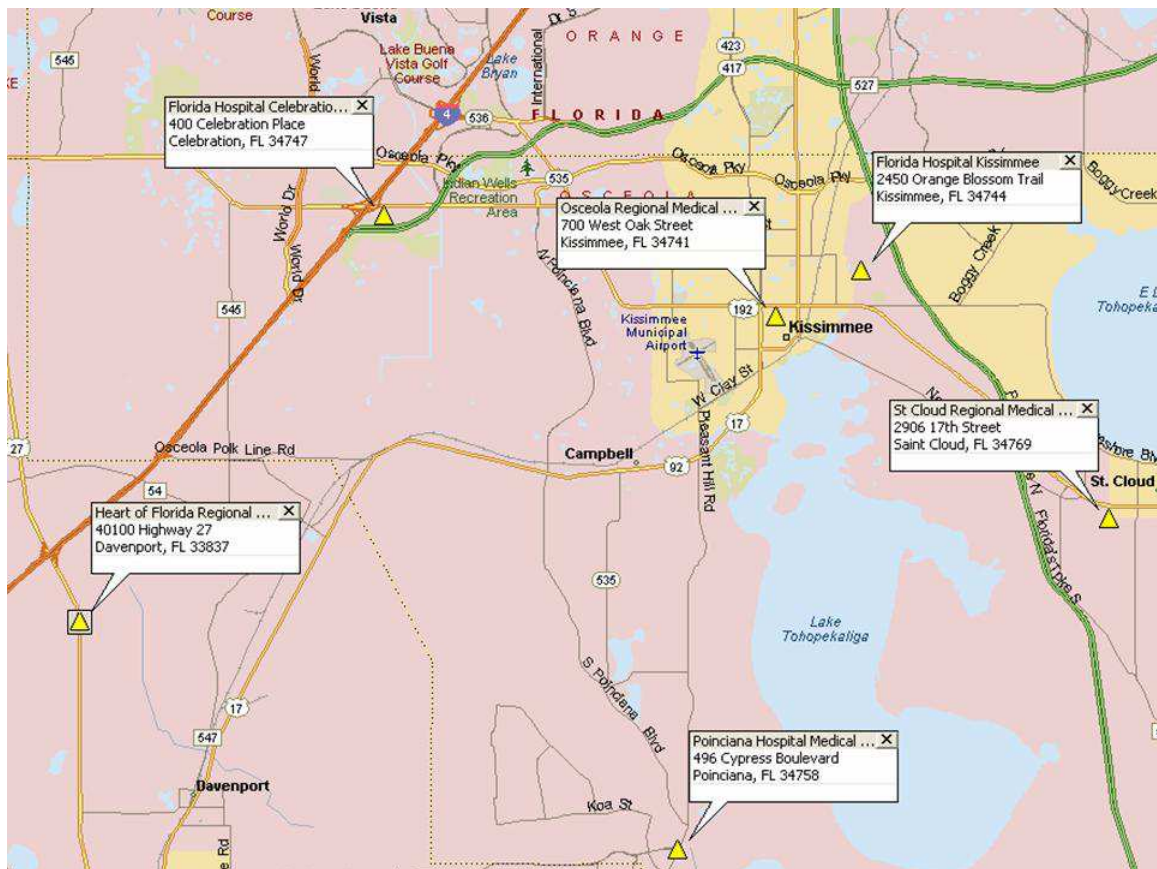
Source: AHCA Population Estimates, published September 2007.

The projected county growth rate shows a steady increase until 2008 where it peaks at 5.82 percent after which the growth rate decreases to 3.88 percent in 2011. As shown above, Osceola County population growth from 2007 to 2012 (year two of the project) is projected to increase by 70,449 persons or by 26.23 percent. This compares to the District at 14.16 percent and state at 11.05 percent.

Population Growth Rates						
	2007	2008	2009	2010	2011	2012
County	3.49%	4.67%	5.82%	5.15%	4.32%	3.88%
District	2.09%	2.59%	3.26%	2.84%	2.43%	2.28%
State	1.74%	2.08%	2.52%	2.24%	1.91%	1.83%

Source: AHCA Population Estimates, published September 2007.

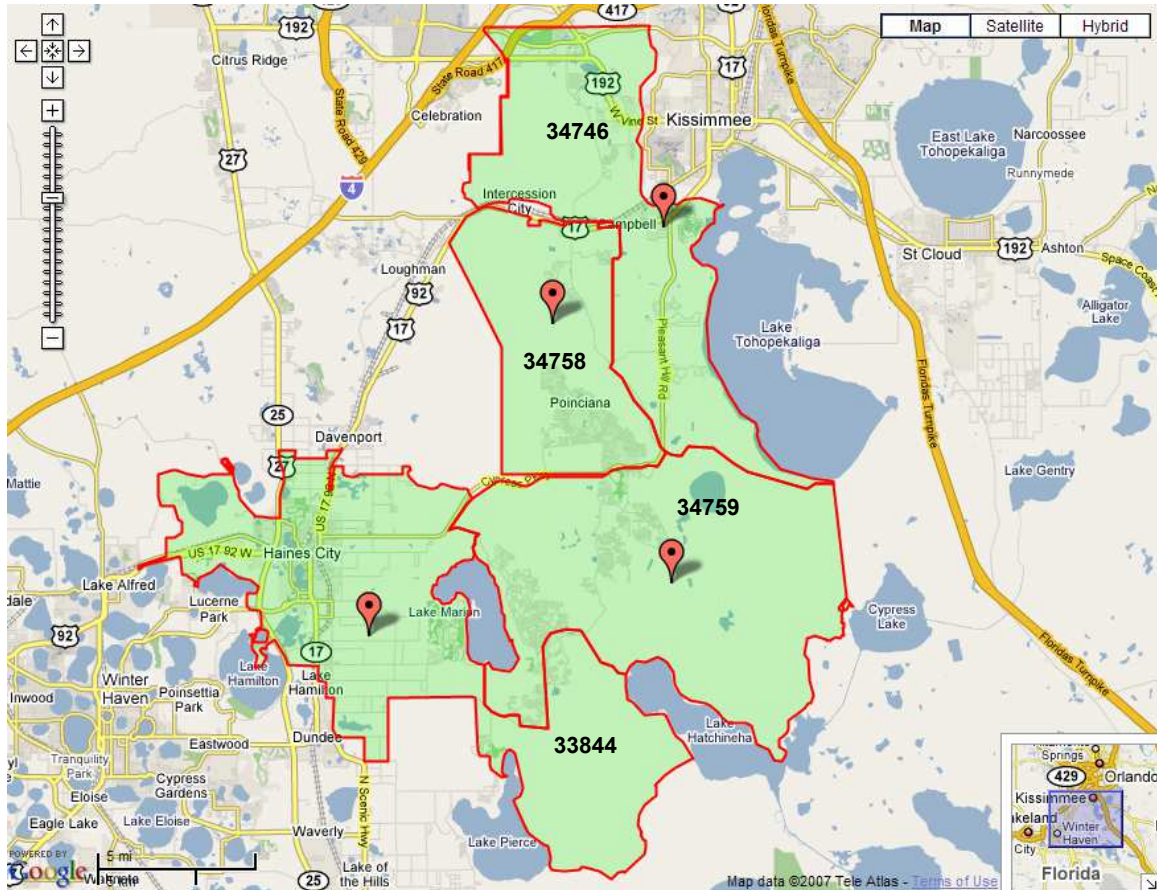
The proposed project, PHMC, will be located in Poinciana in Osceola County, Florida, District 7, Subdistrict 7-3. District 7 consists of Seminole, Orange, Brevard, and Osceola Counties. The proposed service area is defined as the area the applicant expects to draw the largest percentage of patients and have its greatest market share.



Source: Microsoft MapPoint

- 1. Osceola Regional Medical Center**
- 2. Florida Hospital Celebration Health**
- 3. Florida Hospital Kissimmee**
- 4. St. Cloud Regional Medical Center**
- 5. Poinciana Hospital Medical Center (Proposed Site)**
- 6. Heart of Florida Regional Medical Center**

The service area, which includes parts of Osceola and Polk Counties, is defined as the following zip codes; 34746, 34758, 34759, and 33844³. The following map shows the applicant's proposed service area divided by zip code regions. A significant portion of zip code 33844 is located in Polk County. The applicant asserts its service area within the 33844 zip code will be the portion within close proximity to the proposed facility.



Source: Microsoft MapPoint

There are three hospitals in close proximity to the proposed service area, Florida Hospital-Kissimmee, a 74-bed acute care hospital, the applicant's Osceola Regional and Heart of Florida Regional Medical Center, a 142-bed acute care hospital located in District 6. As previously discussed, occupancy rates during the last reporting period for the Osceola County hospitals, with the exception of Florida Hospital-Kissimmee, were low on average. Occupancy at Heart of Florida which is located in Polk County and serves a large portion of zip code 33844⁴ is included in the chart below and reflects relatively higher occupancy at 72.28 percent.

³ A chart illustrating the population associated with each zip code is included in CON #9994 as Attachment D.

⁴ Heart of Florida serves 64.9 percent of the acute care patients (587 of 905 total) discharged who reside in this zip code based on AHCA hospital discharge data presented on page 33 of the application. Osceola Regional had six discharges from this zip code.

Acute Care Hospitals Utilization Calendar Year 2006	
Osceola Regional Medical Center	68.19%
Florida Hospital Kissimmee	82.18%
St. Cloud Regional Medical Center	53.22%
Florida Hospital Celebration	64.88%
Heart of Florida Regional Medical Center	72.28%

Source: AHCA Florida Hospital Bed Need and Utilization by District published July 2007.

The driving distance chart indicates that both Osceola Regional Medical Center and Heart of Florida are equidistant from the proposed site for the Poinciana Hospital and the three other facilities within the county are within 15 miles from the proposed site.

Driving Distances						
	Florida Hospital Celebration Health	Florida Hospital- Kissimmee	Osceola Regional Medical Center	St. Cloud Regional Medical Center	Proposed Site Poinciana	Heart of Florida
Florida Hosp. Celebration Health		9.6	8.0	15.4	13.5	10.6
Florida Hospital- Kissimmee	9.6		2.3	7.2	12.6	17.2
Osceola Regional Medical Center	8.0	2.3		7.9	11.1	15.1
St. Cloud Regional Medical Ctr.	15.4	7.2	7.9		12.1	20.8
Proposed Site Poinciana	13.5	12.6	11.1	12.1		11.1
Heart of Florida Reg. Med. Ctr.	10.6	17.2	15.1	20.8	11.1	

Source: Microsoft MapPoint

The applicant alleges that population growth, driving distances, and crowded roadways are making it increasingly difficult for the Poinciana residents to access health care services.

The applicant states population growth and growth in the number of households in the area are reflected in the increasing traffic counts measured by the Osceola County Transportation Department. The 2007 Traffic Count Report explains how the county maintains 200 traffic count stations and gathers traffic volume information from a single weekday each spring. The applicant states the roads in Poinciana and between Poinciana and Kissimmee have experienced a tremendous increase in traffic between 2003 and 2007. Exhibit 22 included a comparison between 2003 and 2007 traffic counts for major intersections in the Poinciana area which showed an overall increase of 43.2 percent from 209,182 hits in 2003 to 299,621 in 2007. Review of Osceola County Traffic count data confirmed the applicant's Exhibit 22 with the exception that 18 hits were left off the applicant's exhibit (Poinciana Boulevard north of Reedy Creek School actually had 22,342 hits instead of 22,324⁵). The applicant also states that there are few good east-west

⁵ Source: <http://www.osceola.org/Files/Department/Transportation/2007TrafficCountReport> as applicant left the pertinent Area 2 Poinciana/Campbell City portion out of its Osceola County 2007 Traffic Count in the application's Exhibit C.

or north-south roads from Poinciana, and there is not likely to be construction of roadways to ease the traffic congestion and the traffic counts will increase as the area's population grows. This was confirmed by the Urban Land Institute report and numerous letters of support.

The applicant claims the residents of Poinciana are underserved as a result of natural barriers and limited highway accessibility. Road construction and expansion are not keeping pace with the population growth contributing to the traffic congestion. The applicant provides a report from the Urban Land Institute that was commissioned by the Board of Commissioners in Osceola County regarding road access and transportation needs. The study notes within the northeast quadrant several of the adjacent roadways are currently at or near capacity, even without the additional traffic expected from the proposed new developments. The study concludes that significant growth is expected in Osceola County and the northern portion of the study area suffers from a lack of capacity and the southern portion of the study area lacks roadways altogether. If, the county population projections are realized, the regional transportation system needs more improvements⁶.

In addition, Osceola Regional states it is experiencing a growing occupancy, expanding the facility would disrupt operations, its ancillary and support departments are operating at full capacity, and it lacks space to enlarge. According to the applicant, these reasons would make it inefficient to add beds to Osceola Regional instead of building a new facility. The applicant claims that ancillary and support services would still be constrained and believes that even though it can build-out, the establishment of a new hospital in the Poinciana area is the better option and indicates expanding Osceola Regional would be a temporary fix given tremendous population growth expected in the Poinciana area.

Appendix N to the application contained an analysis by Gresham, Smith & Partners, of the impact of an 80-bed addition to Osceola Regional Medical Center. This report notes that the facility, which was constructed in 1995, is currently experiencing constraints on six support departments as a result of 1999, 2001 and 2004 additions. The report concludes that it could cost as much as \$90,000,000 for upgrades needed to support the 80-bed addition. While \$90,000,000 is projected

⁶ CON Application #9994, Appendix C, pages 24-28.

as needed for upgrading the 12-year old facility, this project is to construct a three-story state-of-the-art facility consisting of 143,996 GSF and designed for two more future floors at a construction cost of \$52,000,000.

The applicant states it will address the special needs of the Hispanic population who make up 35.3 percent of the population of Osceola County. The applicant also asserts that a significant portion of its service area, 38.7 percent, is Hispanic. According to the Agency's Population Estimates and the Florida Statistical Abstract 2006, Hispanics make up 34.67 percent of Osceola County⁷. Hispanics are expected to make up 47.3 percent of the service area's population by 2012. The applicant states that this segment of the population is drawn to the area by the relative affordability of the housing market, as well as the plentiful service sector. The applicant states it will offer services that address the needs of the Hispanic patients by employing bilingual staff to communicate effectively with patients and their families; providing hospital materials in English and in Spanish; and in addition, plans outreach activities that will have a particular focus on education and screening programs for the Hispanic community.

The applicant states it will provide a full-range of general inpatient and outpatient medical and surgical services, including an intensive care unit, an emergency services department, diagnostic services and rehabilitation services. It does not propose to offer tertiary services, obstetrics, or pediatrics.

The applicant concluded from need analysis the following factors:

- The proposed service area has a need for an acute care hospital due to population growth and demand for acute care services.
- Residents of Poinciana have barriers to access.
- Osceola Regional is the best applicant to meet the needs of the service area.
- Availability, utilization and quality of like services in the district, subdistrict or both.

Population growth and demand

Osceola Regional states the population in the service area will increase from 69,115 in 2007 to 91,109 in 2012⁸ a difference of 21,994 representing a 31.82 percent increase. Using AHCA published data, for the same time frame, the population in Osceola

⁷ Florida Statistical Abstract 2006, University of Florida, Bureau of Economic and Business Research, Florida Population Studies, June 2006, Volume 39, Bulletin No. 145.

⁸ Based on Claritas, Inc. population data per CON Application #9994, page 23.

County will increase by 70,449 residents from 268,595 in 2007 to 339,044 in 2012 or by 26.23 percent. Claritas, Inc. data provided by the applicant indicates that Osceola County is projected to increase from 251,103 in 2007 to 308,498 in 2012 or by 22.86 percent. The applicant's projections indicate that it expects significant population growth in its proposed service area. It is noted that the applicant's Claritas projections for Osceola County are actually lower than the Agency's Population Estimates. With the applicant's Osceola County population zip code projections based on lower overall Osceola County numbers than AHCA's projections, it appears that the projected PSA population growth is reasonable.

The applicant expects demand for services to be 43.61 patients per average each day in the proposed 60-bed facility by 2013, the third year of operation and submits the projected utilization at PHMC as follows:

PHMC Projected Utilization

	2011	2012	2013	2014	2015
Projected Non-Tertiary Discharges	7,658	8,169	8,681	9,227	9,810
Projected PHMC Market Share	24.3%	33.6%	35.6%	36.5%	36.5%
PHMC Discharges	1,862	2,742	3,086	3,369	3,581
In-migration%	10%	10%	10%	10%	10%
Total PHMC Projected Discharges	2,069	3,047	3,429	3,743	3,979
PHMC Projected ALOS	4.65	4.65	4.65	4.65	4.65
Total PHMC Projected Patient Days	9,611	14,150	15,925	17,381	18,477
Total PHMC Projected ADC	26.3	38.8	43.6	47.6	50.6
PHMC Projected Occupancy Rate (60 beds)	43.9%	64.6%	72.7%	79.4%	84.4%

Source: CON #9994, page 44.

The applicant states that its existing facility currently serves 36.6 percent of this market and is projected to have an occupancy rate of 83.7 percent and an ALOS of 4.61 during CY 2012 without the project. The applicant's Exhibit 20 shows a projected ALOS of 4.56 for non-tertiary/non-OB bed need in the proposed service area, while the applicant uses 4.65 in its projections above (Exhibit 21). AHCA hospital non-tertiary/non-obstetric discharge data for CY 2006, shows the ALOS for the projected PHMC PSA is 4.57 days making a slight difference in the projections above.

The chart below is a revised calculation of the applicant's utilization based on mathematical corrections and using the applicant's Exhibit 20 Projected ALOS for the Service Area of 4.56 days. Projected discharges for the service area for 2010 through 2014 are consistent in Exhibit 20, 'Projected Non-Tertiary/Non-

OB Bed Need in the Proposed Service Area' on page 42 and Exhibit 21, 'PHMC Projected Utilization' on page 44 of the application. Exhibit 20 does not include 2015 in its projections.

PHMC Projected Utilization

	2011	2012	2013	2014	2015
Projected Non-Tertiary Discharges	7,658	8,169	8,681	9,227	9,810
Projected PHMC Market Share	24.3%	33.6%	35.6%	36.5%	36.5%
PHMC Discharges	1,860	2,744	3,090	3,368	3,581
In-migration%	10%	10%	10%	10%	10%
Total PHMC Projected Discharges	2,046	3,018	3,399	3,705	3,939
PHMC Projected ALOS	4.56	4.56	4.56	4.56	4.56
Total PHMC Projected Patient Days	9,329	13,762	15,499	16,894	17,962
Total PHMC Projected ADC	25.5	37.7	42.5	46.3	49.2
PHMC Projected Occupancy Rate (60 beds)	42.59%	62.84%	70.77%	77.14%	82.01%

Source: CON #9994, page 42 for ALOS for Proposed Service Area.

Exhibit 27 on page 58 of the application closely mirrors Schedule 7A in terms of patient days and percentage occupancy for PHMC. The section specific to PHMC is included in the table below.

**Projected Overall Utilization Following PHMC Implementation
PHMC Utilization**

	2011	2012	2013	2014	2015
Admissions	2,069	3,047	3,429	3,743	3,979
ALOS	4.46	4.46	4.46	4.46	4.46
Days	9,611	14,150	15,925	17,381	18,477
ADC	26.3	38.8	43.6	47.6	50.6
Occupancy Rate (60 beds)	43.9%	64.6%	72.7%	79.4%	84.4%

Source: CON #9994, page 58.

As with the applicant's table on page 44, the calculations do not compute to the number of patient days shown. For instance, 2,069 admissions times 4.46 average length of stay computes to 9,227 days, an ADC of 25.3 and a 42.1 percent occupancy. 3,979 admits times 4.46 is 17,746 patient days, an ADC of 48.6 and an occupancy of 81 percent.

The applicant states it will capture 35.6 percent of the market share within the proposed service area by 2013, the third year of operation. The applicant assumes in its first year of operation that 70 percent of the patients utilizing PHMC would other wise have utilized Osceola Regional Medical Center with this percentage declining to 60 percent by the third year of operation. The applicant states that the impact of this project will be primarily on Osceola Regional Medical Center. However, it should be noted that Heart of Florida Regional Medical Center captures 38.91 percent of the market share within the proposed service area⁹. HMA indicates that more than 18 percent of Heart of Florida's total non-

⁹ AHCA Hospital Discharge Data for CY 2006.

tertiary/non obstetric patient volume comes from the proposed service area¹⁰. HMA also states that including obstetric discharges, 17.7 percent of Heart of Florida's admissions are from the service area¹¹. Therefore, competitors as well as its own facility will be impacted should the applicant obtain this percentage of the market share. It is noted that projections beyond a five-year period become increasingly speculative due to changes and advances in health care delivery and the health care industry. Based on all of the above, the facility's impact on existing providers would be primarily effect Osceola Regional and Heart of Florida.

Residents of Poinciana have barriers to access

According to the applicant, Poinciana is experiencing population growth and development, an expanding job market, and an increasing housing market. The applicant is concerned that the population growth and development has had a significant impact on traffic congestion along the roadways within the service area that extend to other acute care providers. As previously noted, the applicant provided, in Exhibit 22, a comparison between 2003 and 2007 traffic counts for major intersections in the Poinciana area which showed an overall increase of 43.2 percent from 209,182 hits in 2003 to 299,621 in 2007. Attachment C included the Osceola County Transportation Department's 200 count stations reporting data from CY 2000 through 2007. Jeffrey L. Garringer, EMS Division Chief with the Osceola County Emergency Services provided a memorandum dated September 12, 2007, which provided the average ambulance response times (non-peak hours) from the Poinciana Response District to Osceola Regional as 26 minutes, Florida Hospital Kissimmee 28.5 minutes, Florida Hospital Celebration 33 minutes, and Heart of Florida 38 minutes. There were 670 EMS transports for the previous six months. Osceola Regional received 602 (89.85 percent), Florida Hospital Kissimmee 40 (5.97 percent), Florida Hospital Celebration 17 (2.53 percent), Heart of Florida three (0.44 percent) and other hospitals eight (1.19 percent). This data confirms the applicant's estimates that 90 percent of patients requiring transportation from Poinciana to an emergency department are taken to Osceola Regional, which is the closest facility to Poinciana, although Heart of Florida appears to be equidistant (some 11.1 miles). However, EMS says it takes almost 10 minutes longer to get to Heart of Florida and they transport few patients there. The applicant also states that travel times even at off-peak hours are still 26 minutes which is a considerable time in an

¹⁰ HMA Opposition to CON #9994 document, page 32. AHCA Hospital data indicates it is 31.36 percent, as the opposition document included zip code 33837 but the applicant did not but included zip code 33844.

¹¹ HMA Opposition to CON #9994 document, page 32.

emergency situation. Osceola County EMS indicates that during the winter months as many as three delayed off loads (30 minutes or greater) occurred per day. The applicant states that there is not an acute care provider within a 10-mile radius of its proposed location in Poinciana, and that residents in this area must travel outside of the proposed service area to gain access to their acute care needs.

PHMC provided information that indicates that the proposed site will improve access within its proposed service area.

Osceola Regional is the best applicant to meet the needs of the service area

The applicant states it has the largest market share of non-tertiary/non-OB discharges among all hospitals serving the proposed service area. It is noted that no other applicant has applied and that the applicant claims there are special circumstances in the area that demonstrate need for a new hospital. The applicant's projections show that Osceola Regional will be the hospital most affected by the new hospital. Projected occupancy during CY 2013 for Osceola Regional (75.0 percent) and Poinciana Hospital Medical Center (72.7 percent) appears to be reasonable.

Population demographics and dynamics

The applicant states its demographic need analysis was based on the number of discharges originating from the service area, zip codes with a significant population base, no accessible existing acute care facilities, historic utilization, utilization trends and market share.

The applicant projects that the service area population will increase from 69,115 in 2007 to 91,109 in 2012¹² a difference of 21,994 representing a 31.82 percent increase. As previously stated, AHCA is not able to verify population figures based on zip code regions so a comparison was made for county, district and state. Using AHCA published data, for the same time frame, the population in Osceola County will increase by 70,449 residents from 268,595 in 2007 to 339,044 or by 26.23 percent. Claritas, Inc. data provided by the applicant indicates that Osceola County is projected to increase from 251,103 in 2007 to 308,498 or by 22.86 percent. The applicant's service area population is projected to increase at a greater rate than Osceola County.

Availability, utilization and quality of like services in the district, subdistrict or both

¹² Based on Claritas, Inc. population data per CON Application #9994, page 23.

As stated earlier, Section 408.036(5)(e), Florida Statutes allows for the unlimited addition of beds upon notification to Agency for Health Care Administration (AHCA). According to the applicant, this change has resulted in making traditional bed need analysis focusing on net need is no longer meaningful and proposes a need determination based on other factors discussed below.

The application included the following table based on discharges sorted by patient's residential zip code¹³.

Non-tertiary Non OB Discharges sorted by Zip Codes						
	33844*	34746	34758	34759	Total	Market Share
Osceola Regional Medical Center	8	752	733	587	2,080	35.4%
Florida Hospital- Kissimmee	2	245	151	145	543	9.2%
Florida Hospital Celebration Health	12	397	192	152	753	12.8%
Orlando Regional Medical Center	6	93	86	59	224	4.2%
Heart of Florida	587	8	49	127	771	13.1%
Winter Haven Hospital	150	6	7	41	204	3.5%

Source: CON Application #9994, page 33

*** Zip code is located in both Polk and Osceola Counties and the applicant indicates that it utilizes only 24 percent of the total discharges from this zip code for its projections.**

AHCA's data for discharges sorted by DRG groups, obtained from the State Center for Health Statistics, yielded different information.

Non Tertiary Non OB Discharges sorted by Zip Codes					
	33844*	34746	34758	34759	Total
Osceola Regional Medical Center	35	804	754	608	2,201
Florida Hospital- Kissimmee	7	257	160	156	580
Florida Hospital Celebration Health	51	424	203	168	846
St. Cloud Regional Medical Center	35	25	21	14	95
Heart of Florida	2,566	8	49	130	2,753
Winter Haven Hospital	571	2	5	22	600

Source: State Center Data Non-Tertiary/Non-OB Discharges 2006

*** Zip code is located in both Polk and Osceola Counties**

¹³ CON #9994, Appendix 0, List of excluded DRG's

The following table provides the PSA non-tertiary, non-OB discharges as a percentage of the hospitals total non-tertiary, non-OB discharges during CY 2006.

Non Tertiary Non OB Discharges 2006			
	PSA* Discharges	Total Discharges	% Total Discharges
Florida Hospital Celebration Health	846	5,970	14.17%
Florida Hospital Kissimmee	580	3,745	15.00%
Heart of Florida Regional Medical Center	2,753	8,778	31.36%
Osceola Regional Medical Center	2,201	7,687	28.63%
St. Cloud Regional Medical Center	61	2,988	2.04%
Winter Haven Hospital	600	11,199	5.35%

Source: State Center Data Non-Tertiary/Non-OB Discharges 2006

***PSA Zip Codes 33844, 34746, 34758, and 34759**

According to AHCA Hospital Discharge Data, the applicant had 2,201 non-tertiary/non-OB discharges originating from these zip codes. Heart of Florida had 2,753 non-tertiary/non-OB discharges. Zip Code 33844 accounted for 2,566 or 93.20 percent of Heart of Florida's discharges from these zip codes. The proposed service area appears to be utilizing primarily both Osceola Regional Medical Center and Heart of Florida Regional Medical Center.

The applicant states that total admissions at Osceola Regional Medical Center grew by 10.9 percent from 12,949 in 2002 to 14,361 in 2006. Osceola Regional patient days for the same period indicate the facility had 46,324 patient days or a 76.92 percent occupancy with 165 acute care beds in CY 2002. Beds were added to the facility in 2004. Osceola Regional reported 55,998 patient days or a 68.19 percent occupancy with 225 acute care beds during CY 2006. Osceola Regional inpatient days increased by 9,674 or by 20.88 percent between CY 2002 and CY 2006. Osceola County's total inpatient days increased by 15,553 from 100,402 in CY 2002 to 115,955 in CY 2006 or by 15.49 percent. Osceola County population increased by 62,007 from 197,514 in July 1, 2002 to 259,521 in July 1, 2006 or by 31.39 percent.

In addition, Osceola Regional states that the increase in outpatient visits to its emergency room from 40,043 in 2002 to 57,969 in 2006, indicate that additional capacity is needed. Increased outpatient visits to the emergency department at Osceola Regional may be the result of multiple factors including lack of access to primary care resources not necessarily due to the absence of a hospital within a specific area. The data did not identify how many of these visits were from residents of the proposed service area.

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The applicant states its utilization will continue to increase as a result of the population growth and has estimated the projected bed need at its existing facility using the data for the proposed service area.

Utilization Projections at Osceola Regional without the Approval of CON # 9994									
	2007	2008	2009	2010	2011	2012	2013	2014	2015
Total discharges	12,966	13,514	14,063	14,611	15,160	15,566	15,974	16,716	17,495
Total Osceola Regional days	59,377	62,010	64,642	67,275	69,908	71,789	73,676	77,253	81,019
ALOS	4.58	4.59	4.60	4.60	4.61	4.61	4.61	4.62	4.63
ADC	162.7	169.9	177.1	184.3	191.5	196.7	201.9	211.7	222.0
Percent Occupancy	69.2%	72.3%	75.4%	78.4%	81.5%	83.7%	85.9%	90.1%	94.5%

Source: CON Application #9994, page 40

The applicant states its projections for its existing facility are for the zip codes in its proposed service area and based only on population growth. AHCA published data indicates that the population in Osceola County will increase by 70,449 residents from 268,595 in 2007 to 339,044 in 2012 or by 26.23. The table above shows a consistent slight increase in average length of stay (ALOS) without an explanation.

The projected utilization rates provided by the applicant, access issues and population growth support the need for the project. The project would increase access for the Poinciana community.

2. Agency Rule Criteria

The Agency does not currently have adopted preferences or Rule criteria relating to acute care beds. The acute care rule was repealed as a result of statutory changes made on July 1, 2004 which became effective April 21, 2005.

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.**

See discussion in 1b.

- 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.**

Osceola Regional is JCAHO accredited through 2009. The applicant included a copy of its performance improvement, patient safety, and risk management plans.

The applicant states it will seek JCAHO accreditation and maintain quality standards of its parent, Hospital Corporation of America by sharing its quality and performance standards.

A review of Osceola Regional Medical Center's complaint history as of November 5, 2007 indicates a combined listing of five confirmed complaints for the past three years. The five confirmed allegations involve: emergency access (one), medicine problem/errors/formulary (one), medical records (one), and Emergency Medical Treatment and Active Labor Act, EMTALA (two).

- 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 financial impact of the project will include the project cost of \$113,960,509 and year two operating costs of \$60,443,558.

The audited financial statements of the applicant for the period ending December 31, 2006, were analyzed for the purpose of evaluating the applicant's ability to provide the capital and operational funding necessary to implement the project. Schedule 3 of the application indicates that HCA, Inc., (Parent) will provide funding for this project. Therefore, the audited financial statements of the parent for the period ending December 31, 2006, were analyzed for the purpose of evaluating the parent's ability to provide the operational funding, development and start-up costs necessary to implement this project.

Short-Term Position:

Applicant: The applicant's short-term position is affected by cash being swept daily into HCA's central cash management account. As a result, a minimal cash balance is shown on the applicant's books for the year ending December 31, 2006. The applicant's current ratio of 2.5 is above average indicating current assets are two and one-half times current liabilities, a good position. The ratio of cash flows to current liabilities of

1.0 is above average and an acceptable position. The working capital (current assets less current liabilities) of \$18.9 million is a measure of excess liquidity that could be used to fund capital projects. Overall, the applicant has a good short-term position.

Parent: The parent's current ratio of 1.7 is below average and indicates current assets are slightly less than two times current liabilities, an adequate position. The ratio of cash flows to current liabilities of 0.5 is also below average and a moderately weak position. The working capital (current assets less current liabilities) of \$2.5 billion is a measure of excess liquidity that could be used to fund capital projects. Overall, the parent has an adequate short-term position.

Long-Term Position:

Applicant: The ratio of long-term debt to net assets of 3.0 indicates long-term debt is three times equity. This is well above average and a weak position. Long-term debt consists largely of amounts due to an HCA affiliate, which represents the net excess of funds transferred to or paid on behalf of the applicant. These amounts are paid down as earned. The ratio of cash flow to assets of 11.5 percent is above average and an adequate position. The most recent year had excess revenues over expenses of \$837,955 which resulted in a margin of 0.4 percent. Overall, the applicant has a weak but adequate long-term position.

Parent: The long-term debt to equity ratio of a negative 2.8 indicates that the parent has negative equity, a weak position. In addition, the parent's total long-term debt increased by approximately 18.2 billion or 184 percent. The increase in long-term debt and negative equity position appears to be directly tied to HCA, Inc.'s merger and recapitalization in which HCA is now privately held and no longer traded on a national securities exchange. The cash flow to assets ratio of 7.8 percent is slightly below average and an adequate position. The most recent year had excess revenues over expenses of \$1.9 billion, which resulted in a margin of 7.3 percent. Overall, the parent has an adequate long-term operating position; however, the additional debt incurred by HCA may restrict the parent's ability to obtain funds for material capital projects in the future. (See Table below).

CON #9994 - Osceola Regional Hospital, Inc.		
	Applicant	Parent - HCA
	12/31/2006	12/31/2006
Current Assets	\$31,425,693	\$6,078,000,000
Cash and Current Investment	\$52,086	\$634,000,000
Total Assets	\$106,466,472	\$23,675,000,000
Current Liabilities	\$12,505,848	\$3,576,000,000
Total Liabilities	\$83,049,891	\$35,049,000,000
Net Assets	\$23,416,581	(\$11,374,000,000)
Total Revenues	\$197,774,296	\$25,477,000,000
Interest Expense	\$7,178,615	\$955,000,000
Excess of Revenues Over Expenses	\$837,955	\$1,862,000,000
Cash Flow from Operations	\$12,206,585	\$1,845,000,000
Working Capital	\$18,919,845	\$2,502,000,000
FINANCIAL RATIOS		
	12/31/2006	12/31/2006
Current Ratio (CA/CL)	2.5	1.7
Cash Flow to Current Liabilities (CFO/CL)	1.0	0.5
Long-Term Debt to Net Assets (TL-CL/NA)	3.0	-2.8
Times Interest Earned (NPO+Int/Int)	1.1	2.9
Net Assets to Total Assets (TE/TA)	22.0%	-48.0%
Operating Margin (ER/TR)	0.4%	7.3%
Return on Assets (ER/TA)	0.8%	7.9%
Operating Cash Flow to Assets (CFO/TA)	11.5%	7.8%

Capital Requirements:

Including the cost of this project, Schedule 2 indicates the applicant has \$145,361,156 in capital projects. In addition to capital projects, the applicant is projecting operating losses of \$10,101,327, over the first two years of operations. The parent, HCA, Inc., has provided a commitment letter from the vice president of finance, committing funds for this project through an inter-company loan. The commitment includes additional funding to cover operating losses during the start-up of operations. Schedule 2 also indicates that the applicant will fund from operations the routine capital expenditure of \$1,050,000 for the FY 2007 capital budget, and also intends to fund the FY 2008 capital budget of \$1,300,000. It is further indicated on the Notes to Schedule 2, that HCA will supplement any shortfalls, if needed.

Available Capital:

As previously stated, the funding for this project will come from the parent company, HCA, Inc. In this batching cycle, HCA is funding directly or through its subsidiaries the capital budgets for three other CON applicants. The table directly below illustrates the combined capital budgets and projected operating losses for the three CON applicants under review in this cycle.

Capital Budget and Projected Operating Losses of HCA, Inc. CON Applicants			
Applicant	Capital Budget	Projected Operating Loss	Total
CON #9990	\$3,659,267	\$914,930	\$4,574,197
CON #9992	\$220,091,472	\$1,194,718	\$221,286,190
CON #9994	\$145,361,156	\$10,101,327	\$155,462,483
Total	\$369,111,895	\$12,210,975	\$381,322,870

The audited financial statements of the parent for the most recent year show a cash and current investment balance of \$634 million and \$2.5 billion in working capital with a current ratio of 1.7. The audit also indicated that operating cash flow was \$1.8 billion with revenues in excess of expenses of \$1.9 billion with a margin of 7.3 percent. The total capital budget and operating losses represent approximately 15 percent of HCA's available working capital and 21 percent of HCA's operating cash flow. It appears that HCA has current funds available to cover the capital budgets for all three CON projects above.

Staffing:

Schedule 6A shows 286.01 FTEs for the hospital project by the end of year two (12/31/2011). In year two, the proposed hospital is projected to employ 66.49 FTEs of RNs, 14.24 FTEs of LPNs, and 5.54 FTEs of nurses' aides.

The applicant states that some managerial and ancillary resources for the proposed facility would be shared with the applicant facility which will increase efficiency.

The application contained a copy of PHMC proposed physician recruitment plan¹⁴. The applicant states it believes in a positive work environment, competitive wages and benefits and providing opportunities for professional achievement and recognition for its employees. Retention factors include: Extensive free educational offerings; active staff committee participation; tuition reimbursement; management style fostering trust; in-house promotions; 401 (k) plan; ESOP (Employee Stock Option Plan); retirement benefits; interdisciplinary working; health and dental benefits; PTO plans; scholarship program for employee

¹⁴ CON Application #9994, Appendix G

dependents; employee recreational activities; and discounted child care (HCA benefit).

Conclusion: Based on the liquidity of the parent company, funding for this project and all capital projects should be available as needed.

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.

The applicant has stated that the new hospital will serve the patient population in the following zip codes: 34746, 34758, 34759, and 33844. We tested the case mix data, using the patients discharged from short-term acute care hospitals in the indicated zip codes during 2005, excluding DRG's for services not provided. The computed case mix index for these cases was 1.1119. 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 2. Per diem rates are projected to increase by an average of 3.5 percent per year. Inflation adjustments were based on the new CMS Market Basket, 2nd Quarter, 2007.

Gross revenues, net revenues, and costs were obtained from Schedules 7 and 8 in the financial portion of the application. These were compared to the control group as a calculated amount per adjusted patient day.

Projected net revenue per adjusted patient day (NRAPD) of \$2,010 in year one and \$2,069 in year two is between the control group median and highest values of \$1,565 and \$2,318 in year one and \$1,609 and \$2,384

in year two. With net revenues falling between the median and highest level, the facility is expected to consume health care resources in proportion to the services provided.

The applicant proposed a condition that ten percent of its patient days will be provided to Medicaid, Medicaid HMO, and charity patients. The payer mix in the service area appears sufficient to support the proposed condition with approximately 15 percent of patient days falling into the Medicaid, Medicaid HMO, and charity categories. All other payer mix assumptions are consistent with the payer mix in the service area.

Anticipated costs per adjusted patient day (CAPD) of \$2,445 in year one exceeds the highest value in the peer group of \$2,247. The highest level is generally viewed as the practical upper limit on efficiency. Anticipated CAPD in year two of \$2,113 is between the control group median and highest values of \$1,495 and \$2,311. With anticipated costs between the median and highest value in the control group, the year two costs appear reasonable. (See Table 2). The applicant is projecting a decrease in CAPD between year one and year two of approximately 13.6 percent. It should be noted that this application is for a new acute care hospital. The first year of operation has a below average occupancy rate. The low occupancy rate decreases economies of scale and as the occupancy rate increases, CAPD would be expected to decrease.

The year two projected operating loss for the project of \$1.3 million computes to an operating margin per adjusted patient day of a negative \$44 which is between the control group median and lowest values of a positive \$86 and a negative \$263. The applicant is projecting a \$1.7 million gain or 2.4 percent operating margin by the end of the third year with both NRAPD and CAPD falling between the group median and highest values in year three.

CON Action Number: 9994

**Osceola Regional
CON # 9994
2005 DATA Peer Group 2**

	Jun-12 YEAR 2	YEAR 2 ACTIVITY	VALUES ADJUSTED FOR INFLATION		
	<u>ACTIVITY</u>	<u>PER DAY</u>	<u>Highest</u>	<u>Median</u>	<u>Lowest</u>
ROUTINE SERVICES	139,212,771	4,679	1,434	591	305
INPATIENT AMBULATORY	0	0	325	120	50
INPATIENT SURGERY	0	0	0	0	0
INPATIENT ANCILLARY SERVICES	0	0	5,484	2,851	1,309
OUTPATIENT SERVICES	153,282,498	5,152	6,082	2,460	1,382
TOTAL PATIENT SERVICES REV.	292,495,269	9,831	12,368	5,940	3,803
OTHER OPERATING REVENUE	252,557	8	92	7	1
TOTAL REVENUE	292,747,826	9,839	12,390	5,945	3,816
DEDUCTIONS FROM REVENUE	231,195,864	7,770	0	0	0
NET REVENUES	61,551,962	2,069	2,384	1,609	1,293

EXPENSES

ROUTINE	8,671,143	291	326	236	169
ANCILLARY	13,923,581	468	783	499	378
AMBULATORY	0	0	0	0	0
TOTAL PATIENT CARE COST	22,594,724	759	0	0	0
ADMIN. AND OVERHEAD	26,520,521	891	0	0	0
PROPERTY	13,747,658	462	0	0	0
TOTAL OVERHEAD EXPENSE	40,268,179	1,353	1,244	680	529
OTHER OPERATING EXPENSE	0	0	0	0	0
TOTAL EXPENSES	62,862,903	2,113	2,311	1,495	1,278

OPERATING INCOME	-1,310,941	-44 -2.1%	341	86	-263
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PATIENT DAYS	14,149				
ADJUSTED PATIENT DAYS	29,754				
TOTAL BED DAYS AVAILABLE	21,900				
ADJ. FACTOR	0.4755				
TOTAL NUMBER OF BEDS	60				
PERCENT OCCUPANCY	64.61%				
			VALUES NOT ADJUSTED FOR INFLATION		
			<u>Highest</u>	<u>Median</u>	<u>Lowest</u>
			98.8%	57.9%	35.3%

	<u>PATIENT DAYS</u>	<u>% TOTAL</u>			
PAYER TYPE					
SELF PAY	874	6.2%			
MEDICAID	996	7.0%	21.0%	7.2%	1.9%
MEDICAID HMO	596	4.2%			
MEDICARE	6,425	45.4%	81.4%	55.9%	45.1%
MEDICARE HMO	1,446	10.2%			
INSURANCE	487	3.4%			
HMO/PPO	2,922	20.7%	38.6%	23.9%	6.7%
OTHER	403	2.8%			
TOTAL	14,149	100%			

Assuming the applicant will be able to meet the assumptions for patient days and payer mix, this project appears to be financially feasible.

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

Competition to promote quality and cost effectiveness is driven primarily by the best combination of high quality and fair price. Competition forces health care facilities to increase quality and reduce charges/costs in order to remain viable in the market. The health care industry has several factors that limit the impact competition has on promoting quality and cost-effectiveness. These factors include a “disconnect” between the payer and the end user of health care services, and a lack of consumer friendly quality measures and information. These factors make it difficult to measure the impact this project will have on competition to promote quality and cost-effectiveness. However, we can measure the potential for competition to exist in a couple of areas.

Provider-Based Competition:

In 2006 the applicant had an overall majority market share of 28.6 percent from the proposed four zip code service area. According to the applicant, it currently provides service to 36.6 percent of the total non-tertiary/non-OB patient discharges for this area. Therefore, this project will only increase the presence of the majority provider (HCA) in the service area.

Price-Based Competition:

The impact of the price of services on consumer choice is limited to the payer type. Most consumers do not pay directly for hospital services rather they are covered by a third-party payer. The impact of price-based competition would be limited to third-party payers that negotiate price for services, namely managed care organizations. Therefore, price competition is limited to the share of patient days that are under managed care plans. The applicant is projecting 35.1 percent of patient days from managed care payers, which is between the control group median and highest values of 23.9 and 38.6 percent. Being ranked near the highest level indicates a committed desire to increase the hospital's presence in the service area.

The opportunity for price-based competition exists among 35.1 percent of the applicant's projected patient days. An increase in provider-based competition will be limited by the applicant's existing presence in the market.

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 construct a new 60-bed acute care hospital consisting of 141,146 GSF situated on a 40-acre parcel of land. The proposed location is on the west side of Marigold Avenue north of Cypress Parkway in Osceola County. There will be parking on grade for 225 vehicles, a three-story main hospital building and a central energy plant planned as a separate building to serve the hospital.

The room complement will be made up of all private rooms and have a bed configuration of 48 medical/surgical beds and eight ICU beds and four step-down beds. There will be no pediatric or obstetric services provided at this location. The ICU rooms appear to be generously sized to meet the minimum 200 square feet of clear floor space requirement. The requirement to provide at least 10 percent of the bedrooms to be handicapped accessible has not been indicated on the plans, but because all of the rooms are over the minimum square footage required, this can easily be incorporated into the plan without any increase in construction cost.

The functions of the proposed hospital are to be located in a three-story facility of non-combustible construction that will be fully sprinklered and are defined as follows:

- First floor – emergency department with one trauma room, main entry/lobby, administration, chapel, gift shop, dietary, diagnostic/imaging, MRI, CT, fluoroscopy, mammography, X-ray, spaces for surgery/recovery, and a materials management area, kitchen and dining areas, medical records, and other required support spaces such as loading dock, materials management and central sterile supply.
- There is a separate central energy plant.
- Second Floor – twenty-four medical/surgical beds and eight critical care beds with four step-down beds.
- Third Floor – twenty-four medical/surgical beds with area for future expansion.

The arrangement of the first floor provides a good circulation flow that limits the amount of cross-traffic between staff, patients and the general public. There are service elevators to the rear of the building and the material management, kitchen and other functional support spaces are separated from the public spaces. Public toilet facilities for both male

and female visitor will need to be added in a location which is conveniently located near the public waiting space. The emergency department has a separate ambulance and walk-in entrance that is easily recognizable.

The emergency department does not appear to have benefited from an abundance of design time and consideration. As presently designed it has very little waiting area available, and seems to be an accumulation of disjointed programmatic requirements. Additionally, the decontamination shower will need to be relocated from its current position to meet the new requirements by the 2006 AIA Guidelines for Design and Construction of Health Care Facilities. However, it is reasonable to expect these problems can be solved during design development without adversely affecting the overall plan of the building.

The second floor contains the 24 medical/surgical beds and the ICU and step-down beds all arranged in a clear and functional design.

The third floor contains the remaining 24 medical surgical beds and is served by two separate nurse stations that have good visual control of a majority of the unit. All rooms are single patient rooms with showers and toilets. All the required service and support functions are adjacent to the nurse station for staff efficiency.

Overall, the proposed project, as submitted is well designed to be functional and efficient. It has also incorporated several patient safety design considerations such as locating the toilet rooms on the headwall of the bed and providing additional sub-nursing stations.

The applicant states the construction will conform to all current applicable building codes, including the National Fire Protection Association codes and the requirements of the Florida Building Code. The application asserts the site is not within the 100-year flood plain or the category 3 surge inundation areas.

The cost and schedule for the construction of the project appears to be appropriate.

The plans submitted with this application were very schematic in detail 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 indigent? Does the applicant propose to provide health services to Medicaid patients and the medically indigent? ss. 408.035(11), Florida Statutes.**

AHCA Hospital Financial data shows Osceola Regional provided 18.1 percent of its total patient days to Medicaid and 1.4 percent to charity care during Fiscal Year Ended December 31, 2005. District 7 facilities averaged 16.2 percent Medicaid and 4.3 percent charity care during FY 2005. According to the applicant, Osceola Regional Medical Center's care for self-pay/charity care patients increased from 5.5 percent of total discharges to 8.4 percent of total discharges from 2004 to 2006.

Schedule 7A indicates that Medicaid will account for 7.0 percent and Medicaid HMO 4.2 percent of projected patient days during years one and two of the project. The applicant proposes to condition CON approval to the new facility's provision of at least 10 of its total annual patient days to Medicaid, Medicaid HMO and charity patients.

F. SUMMARY

Osceola Regional Hospital, Inc. d/b/a as Osceola Regional Medical Center proposes to establish a 60-bed acute care hospital in the Poinciana, Osceola County, District 7, Subdistrict 3. The proposed project, Poinciana Hospital Medical Center (PHMC) will be located on a 40-acre property on the west side of Marigold Avenue, north of Cypress Parkway.

The construction cost is estimated at \$52,000,000 and will involve 143,996 GSF of new construction. Total project costs are \$113,960,509.

Need:

District 7, Subdistrict 3 experienced an occupancy rate of 66.56 percent during the most recent 12-month period ended December 2006. Overall occupancy rates in the subdistrict have fluctuated with the applicant showing the second highest average utilization rate during this period of 68.19 percent.

Osceola County population is expected to increase by 70,449 residents from 268,595 in 2007 to 339,044 in 2012 or by 26.23 percent. The applicant projects that the service area population will increase from

69,115 in 2007 to 91,109 in 2012 a difference of 21,994 representing a 31.82 percent increase. The applicant's service area population is projected to increase at a greater rate than Osceola County.

The applicant indicates that it believes growth in the area will outpace its ability to add beds to its existing facility and provides evidence that improvement at its existing facility could be more costly than constructing a new facility.

Osceola Regional indicates that the driving times, lack of roadways, and traffic congestion result in access problems for the residents of Poinciana. The applicant presents evidence to support this contention and its project should increase access to acute care hospital services to the Poinciana community.

Quality of Care:

The applicant states it will seek JACHO accreditation and submitted a detailed description of its quality improvement protocols. During the last three years, Osceola Regional had five confirmed complaints.

Medicaid/charity care:

The applicant proposes to condition the project to the provision of 10 percent of the facility's total patient days to Medicaid/Medicaid HMO and charity care patient.

Financial Feasibility:

Given the financial strength of the applicant's parent, financial feasibility appears likely.

Architectural Analysis:

The construction cost and schedule for the construction of the project appear to be appropriate.

G. RECOMMENDATION:

Approve CON #9994 to establish a 60-bed acute care hospital in Poinciana, Osceola County, District 7, Subdistrict 3. The total project cost is \$113,960,509. Construction costs are \$52,000,000 and the project will involve 143,996 GSF of new construction.

CONDITIONS:

- (1) The applicant will provide a minimum of 10 percent of its annual inpatient days to Medicaid, Medicaid HMO and charity patients.
- (2) The facility will be located on a 40-acre property on the west side of Marigold Avenue, north of Cypress Parkway.
- (3) The applicant will develop a special Hispanic Outreach Program.

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: _____

James B. McLemore
Health Services and Facilities Consultant Supervisor
Certificate of Need

Elizabeth Dudek
Deputy Secretary, Division of Health Quality Assurance