



STATE HEALTH PLANNING AND DEVELOPMENT AGENCY
100 NORTH UNION STREET, SUITE 870
MONTGOMERY, ALABAMA 36104

March 16, 2010

Colin H. Luke, Esquire
Balch & Bingham, LLP
150 Tallapoosa Street
Montgomery, Alabama 36104-3515

RE: State Health Plan Adjustment
410-2-4-.08
Inpatient Physical Rehabilitation

Dear Mr. Luke:

This is in response to the proposed Plan Adjustment you filed. This Plan Adjustment proposes to adjust the 410-2-4-.08 Inpatient Physical Rehabilitation section of the *2004-2007 Alabama State Health Plan* to add seventeen (17) inpatient physical rehabilitation beds to the Region III inventory specific to Shelby County. Enclosed you will find a Staff Fact Sheet with additional data regarding the utilization rates and other data related to inpatient physical rehabilitation.

Sincerely,

Alva M. Lambert
Executive Director

AML:mde

Enclosure: As Stated

Chapter 410-2-4-.08 Inpatient Physical Rehabilitation
(Staff Fact Sheet)

1. Nature of Adjustment Request

Colin Luke, Esquire, on behalf of HealthSouth of Alabama, LLC, has submitted a State Health Plan Adjustment Request to add seventeen (17) inpatient physical rehabilitation beds to the Region III inventory specific to Shelby County.

2. Alabama Population Projections

Year	Total	65 & Older
2010	4,838,810	670,057
2011	4,876,669	691,433
2012	4,914,508	712,813
2013	4,952,351	734,191
2014	4,990,194	755,574

3. Shelby County Population Projection

Year	Total	65 & Older
2010	191,495	20,562
2011	196,442	22,268
2012	201,390	23,979
2013	206,335	25,691
2014	211,282	27,411

4. Region III Data for Inpatient Physical Rehabilitation Beds (Marion, Winston, Cullman, Blount, Walker, Jefferson, Shelby, Chilton, Coosa, Talladega, and St. Clair)

All the beds are located in Jefferson County.

This data was obtained from published 2005-2007 annual report data submitted by providers.

Region III Totals	Total Beds	Discharges	Patient Days	Occupancy Rate
2005	265	4,983	69,139	71.3%
2006	265	4,487	63,008	65.0%
2007	289	4,419	62,072	58.7%

5. Statewide Data for Inpatient Physical Rehabilitation Beds

This data was obtained from published 2005-2007 annual report data submitted by providers.

State Totals	Total Beds	Discharges	Patient Days	Occupancy
2005	700	12,671	183,428	71.6%
2006	684	11,808	169,036	67.5%
2007	708	11,650	165,792	64.0%



BALCH & BINGHAM LLP

Alabama • Georgia • Mississippi • Washington, DC

Colin H. Luke
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www.balch.com

(205) 488-5697 (direct fax)
cluke@balch.com

March 11, 2010

BY HAND DELIVERY

Mr. Alva Lambert
Executive Director
State Health Planning and Development
Agency
100 North Union Street
RSA Union Building
Suite 870
Montgomery, AL 36130-3025

RECEIVED

MAR 11 2010

STATE HEALTH PLANNING
AND DEVELOPMENT AGENCY

Re: Plan Adjustment Application with Respect to 17 Inpatient Rehabilitative Beds in
Shelby County for HealthSouth of Alabama, L.L.C. ("HealthSouth")

Dear Alva:

Please find enclosed the original and 41 copies of the Letters of Support which should be
attached as Exhibit C to the Plan Adjustment that was filed on Monday, March 8, in this matter.

Please stamp one copy "Received" for our files.

Thank you for your assistance with this application.

Sincerely,

Colin H. Luke

CHL:rl
Enclosures

cc: Walter Smith



SHELBY COUNTY
LEGISLATIVE DELEGATION OFFICE



Stephen Frey
Legislative Director

Rep. Greg Canfield
Rep. Mike Hill
Rep. Jimmy Martin
Rep. Jim McClendon
Rep. Mary Sue McClurkin
Rep. Cam Ward

Sen. Hank Erwin
Sen. Steve French
Sen. J.T. (Jabo) Waggoner

March 10, 2010

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MAR 11 2010

STATE HEALTH PLANNING
AND DEVELOPMENT AGENCY

The Honorable John P. Rochester
Chairman
Statewide Health Coordinating Council
100 N. Union Street, Suite 870
Montgomery, Alabama 36104

Re: State Health Plan Adjustment: Shelby County Inpatient Rehabilitation Beds

Dear Judge Rochester:

We are writing to express our strong support for the proposed adjustment to the State Health Plan submitted by HealthSouth of Alabama, LLC regarding the addition of 17 inpatient rehabilitation beds to the Region III inventory specific to Shelby County. Shelby County is the fastest growing county in Alabama, and has the largest population of any county in the state that cannot offer inpatient rehabilitation services. Despite Shelby County's large population and rapid growth, the current State Health Plan does not afford its citizens access to a full continuum of health care, including inpatient rehabilitation services.

We represent the citizens of Shelby County in the Alabama House of Representatives. We are very familiar with Lakeshore Rehabilitation Hospital, which is operated by HealthSouth, and believe that the hospital provides outstanding rehabilitation services to its patients and is an asset to the community. If the State Health Plan adjustment is approved, and Lakeshore Rehabilitation Hospital obtains a certificate of need to open a Shelby County facility, a major gap in health care access available to Shelby County residents will be filled. In addition, the construction of a new rehabilitation hospital in Shelby County by HealthSouth would add approximately 100 high paying jobs and inject up to \$20 million in construction and equipment expenditures into the local economy. In the midst of this prolonged economic recession, nobody can afford to turn down significant economic development opportunities presented by companies ready, willing, and able to establish new businesses.

While some of us have undergone inpatient rehabilitation and had positive outcomes, not everyone will need inpatient rehabilitation services. However, if we or family members need to receive inpatient rehabilitation treatment, we would want to have the health care provided within

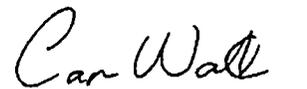
a reasonable distance of our homes. Currently, Shelby County residents and their family members are forced to travel long distances to receive inpatient rehabilitation or to visit their loved ones undergoing treatment. Family members and friends of rehabilitation inpatients visit their loved ones and friends at rehabilitation hospitals frequently, and often daily. The lack of inpatient rehabilitation beds in Shelby County imposes an unnecessary burden of time and expense on severely injured patients, their families and friends. This burden is due to a regulatory obstacle that the SHCC can remove by approving HealthSouth of Alabama, LLC's application.

We believe it is in the best interest of Shelby County citizens to be able to choose to undergo inpatient rehabilitation in a hospital close to their homes, where they feel most comfortable, and that is most convenient for them and their loved ones.

We urge the SHCC to adopt the adjustment so that people like us and our families can make the best hospital choices for inpatient rehabilitation.

Sincerely,


Representative Mike Hill


Representative Cam Ward

HEALTHSOUTH
Lakeshore Rehabilitation Hospital

RECEIVED

MAR 11 2010

STATE HEALTH PLANNING
AND DEVELOPMENT AGENCY

March 9, 2010

Honorable Alva M. Lambert, Esq.
Executive Director
State Health Planning & Development Agency
RSA Union Building
100 North Union Street, Suite 870
Montgomery, AL 36104

Dear Mr. Lambert:

As the Medical Director of HealthSouth Lakeshore Rehabilitation Hospital, I am writing to express my support of HealthSouth in their attempt to bring a Rehabilitation Hospital to the citizens of Shelby County.

The type of care we provide in a Rehabilitation Hospital requires a lot of family involvement. Families play a critical role in encouraging patients and actively participating in Therapy. Family members are also instructed throughout the rehabilitative process on how to serve as caregivers once the patient is discharged home. Therefore, as you can see, it is very important for families to have reasonable access from their communities to the hospital. With the drive time from Shelby and Chilton counties, I am confident you will agree that residents from these areas do not have the type of access that lends itself to making multiple trips each week into central Jefferson County.

Furthermore, I hope the State Health Planning and Development Agency will take into consideration that other area providers have licensed beds that are not in operation. This causes an artificial surplus of beds and furthers the problem that all of our region's Rehabilitation beds are clustered in Jefferson County. Please take advantage of this opportunity to improve the quality of healthcare for the residents of Shelby and Chilton counties.

Sincerely,


Paula JB Stewart M.D.
Medical Director

HEALTHSOUTH
Lakeshore Rehabilitation Hospital

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MAR 11 2010

STATE HEALTH PLANNING
AND DEVELOPMENT AGENCY

March 9, 2010

Honorable Alva M. Lambert, Esq.
Executive Director
State Health Planning & Development Agency
RSA Union Building
100 North Union Street, Suite 870
Montgomery, AL 36104

Dear Mr. Lambert:

As the President of the medical staff of HealthSouth Lakeshore Rehabilitation Hospital, I am writing to express my support of HealthSouth's efforts to provide inpatient rehabilitative services to Alabama's fastest growing county and its surrounding communities.

Patients admitted to an inpatient rehabilitation hospital go through an intensive therapy program in which the support of family is crucial. Since there are currently no rehabilitation beds located in Shelby or Chilton counties, the patients and families from these communities are faced with the additional stress that comes from having to travel through heavily-trafficked areas for rehabilitation services. These residents deserve local access to rehabilitative care, and I support HealthSouth's proposal to provide such services.

HealthSouth's proposed hospital would provide a full array of inpatient rehabilitative services and include 34 inpatient rehabilitation beds (17 transferred from Carraway Medical Center and 17 new beds). The hospital would be located outside of the 280 corridor in Shelby County and also would be easily accessible to Chilton County residents.

I understand that other providers have licensed beds in the area, but have chosen not to staff them. This causes an artificial surplus of beds in the region, but does not provide the residents of these communities with the rehabilitative services they need. Please consider this opportunity to improve the quality of healthcare for the residents of southern Shelby and Chilton counties. I would ask that the additional beds in Shelby County be approved.

Sincerely,



Martin Salmon M.D.
President Medical Staff



RECEIVED

MAR 11 2010

STATE HEALTH PLANNING
AND DEVELOPMENT AGENCY

March 9, 2010

Honorable Alva M. Lambert, Esq.
Executive Director
State Health Planning & Development Agency
RSA Union Building
100 North Union Street, Suite 870
Montgomery, AL 36104

Dear Mr. Lambert:

I am a Neurologist and admitting physician at Healthsouth Lakeshore Rehabilitation Hospital. It is my understanding that Healthsouth has requested an amendment to the state health plan that would assign 17 new beds to Shelby County, and I would like to support them in their effort.

I have been associated with Healthsouth since 1997 and can personally attest to the difference a Rehabilitation Hospital stay can make in a patient's life. Our patients go through a very rigorous rehabilitation program that sets us apart from other levels of care. An extremely important part of the rehabilitation process is educating patient families on how to take care of the patient in their home environment. This education involves numerous disciplines and may be spread over several days. Furthermore, it is vitally important that family members are able to frequently attend Therapy sessions to see firsthand any limitations or special needs their loved one may have. The importance of family involvement cannot be overstated and is exactly why I am in favor of Healthsouth's request.

Since the State Health Planning and Development Agency will largely base your decision on the number of Rehabilitation Beds allocated to our region, I think it is important to mention the fact that several local providers have licensed beds that they do not have in operation. This creates a skewed image of the Rehabilitation market. There is a definite need, in my opinion, for the residents of Shelby and Chilton counties to have access to receive all necessary medical care close to home. They already have a great Acute Care provider, and the addition of a Rehabilitation Hospital would complete their continuum.

With all the above considered, I would like to officially offer my support and ask the members of the State Health Planning and Development Agency to approve Healthsouth's application.

Sincerely,

Emily Riser M.D.

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MAR 11 2010

STATE HEALTH PLANNING
AND DEVELOPMENT AGENCY

Honorable Alva M. Lambert, Esq.
Executive Director
State Health Planning & Development Agency
RSA Union Building
100 North Union Street, Suite 870
Montgomery, AL 36104

Dear Mr. Lambert:

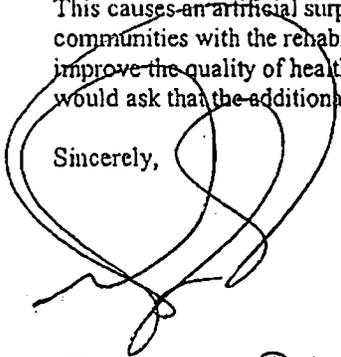
As a practicing physician of Shelby County, I am writing to express my support of HealthSouth's efforts to provide inpatient rehabilitative services to Alabama's fastest growing county and its surrounding communities.

Patients admitted to an inpatient rehabilitation facility go through an intensive, somewhat lengthy process in which the support of family is crucial. Since there are currently no rehabilitation beds located in Shelby or Chilton counties, the patients and families from our communities are faced with the additional stress that comes from having to travel through heavily-trafficked areas for these services. Our residents deserve local access to rehabilitative care, and I support HealthSouth's proposal to provide those services to this area.

HealthSouth's proposed facility would provide a full array of inpatient rehabilitative services and include 34 inpatient rehabilitation beds (17 transferred from Carraway Medical Center and 17 new beds). The facility would be located outside of the 280 corridor in Shelby County and also would be easily accessible to Chilton County residents.

I understand that other providers have licensed beds in the area, but have chosen not to staff them. This causes an artificial surplus of beds in the region, but does not provide the residents of our communities with the rehabilitative services they need. Please consider this opportunity to improve the quality of healthcare for the residents of southern Shelby and Chilton counties. I would ask that the additional beds in Shelby County be approved.

Sincerely,



Daryl G. Dykes, MD

RECEIVED

MAR 11 2010

STATE HEALTH PLANNING
AND DEVELOPMENT AGENCY

Nasrollah Eslami, M.D., FAAN

Board Certified Neurologist – Neurodiagnostic Lab

1004 1st Street North • Suite 330
Alabaster, Alabama 35007
(205) 664-2967/Ph
(205) 664-9689/Fax

UAB Medical West Professional Office Building
985 9th Avenue S.W. • Suite 405
Bessemer, Alabama 35023
(205) 481-8800/Ph

October 16, 2009

Honorable Alva M. Lambert, Esq.
State Health Planning & Development Agency
RSA Union Building
100 North Union Street, Suite 870
Montgomery, AL 36104

Dear Mr. Lambert:

As a practicing physician of Shelby County, I am writing to express my support of HealthSouth's efforts to provide inpatient rehabilitative services to Alabama's fastest growing county and its surrounding communities.

Patients admitted to an inpatient rehabilitation facility go through an intensive, somewhat lengthy process in which the support of family is crucial. Since there are currently no rehabilitation beds located in Shelby or Chilton counties, the patients and families from our communities are faced with the additional stress that comes from having to travel through heavily trafficked areas for these services. Our residents deserve local access to rehabilitative care, and I support HealthSouth's proposal to provide those services to this area.

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I understand that other providers have licensed beds in the area, but have chosen not to staff them. This causes an artificial surplus of beds in the region, but does not provide the residents of our communities with the rehabilitative services they need. Please consider this opportunity to improve the quality of healthcare for the residents of southern Shelby and Chilton counties. I would ask that the additional beds in Shelby County be approved.

Sincerely,



Nasrollah Eslami MD, FAAN
NE/cs

RECEIVED

MAR 11 2010

STATE HEALTH PLANNING
AND DEVELOPMENT AGENCY

Honorable Alva M. Lambert, Esq.
Executive Director
State Health Planning & Development Agency
RSA Union Building
100 North Union Street, Suite 870
Montgomery, AL 36104

Dear Mr. Lambert:

As a practicing physician of Shelby County, I am writing to express my support of HealthSouth's efforts to provide inpatient rehabilitative services to Alabama's fastest growing county and its surrounding communities.

Patients admitted to an inpatient rehabilitation facility go through an intensive, somewhat lengthy process in which the support of family is crucial. Since there are currently no rehabilitation beds located in Shelby or Chilton counties, the patients and families from our communities are faced with the additional stress that comes from having to travel through heavily-trafficked areas for these services. Our residents deserve local access to rehabilitative care, and I support HealthSouth's proposal to provide those services to this area.

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I understand that other providers have licensed beds in the area, but have chosen not to staff them. This causes an artificial surplus of beds in the region, but does not provide the residents of our communities with the rehabilitative services they need. Please consider this opportunity to improve the quality of healthcare for the residents of southern Shelby and Chilton counties. I would ask that you and the other members of the Certificate of Need Review Board approve Healthsouth's application.

Sincerely,

Chad Mertes MD




STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

100 NORTH UNION STREET, SUITE 870
MONTGOMERY, ALABAMA 36104

March 9, 2010

Colin H. Luke, Esquire
Balch & Bingham, LP
1901 Sixth Avenue North
Suite 1500
Birmingham, Alabama 35203-4642

RE: Filing Fee for HealthSouth of Alabama, LLC

Dear Mr. Luke:

This is in response to your letter dated March 8, 2010 and check number 25723. According to Section 22-21-271.1, Code of Alabama, 1975, the State Health Planning and Development Agency cannot accept a fee for the filing of a Plan Adjustment. Therefore, this office is returning to you check number 25723, in the amount of \$2,000.00.

Should you have any questions, please call the Agency at (334) 242-4103.

Sincerely,

A handwritten signature in cursive script that reads "Alva M. Lambert".

Alva M. Lambert
Executive Director

AML/nh
Enclosures: as stated



BALCH & BINGHAM LLP

Alabama • Georgia • Mississippi • Washington, DC

Colin H. Luke
(205) 226-8729

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March 8, 2010

Mr. Alva Lambert
Executive Director
State Health Planning and Development
Agency
100 North Union Street
RSA Union Building
Suite 870
Montgomery, AL 36130-3025

RECEIVED
MAR 08 2010
STATE HEALTH PLANNING
AND DEVELOPMENT AGENCY

Re: Plan Adjustment Application with Respect to 17 Inpatient Rehabilitative Beds in
Shelby County for HealthSouth of Alabama, L.L.C. ("HealthSouth")

Dear Mr. Lambert:

Please find enclosed the original and 41 copies of HealthSouth's Plan Adjustment Application for Shelby County. Our check in the amount of \$2000 is also enclosed for the filing fee.

Thank you for your assistance with this application.

Sincerely,

Colin H. Luke

CHL:rl
Enclosures

cc: Walter Smith

RECEIVED

MAR 08 2010

Application for State Health Plan Adjustment
STATE HEALTH PLANNING
AND DEVELOPMENT AGENCY

Name of applicant, address, telephone number, contact person, fee, and proof of publication of a notice of the proposed adjustment and the SHCC hearing or meeting scheduled to consider the adjustment in a newspaper having general circulation in the county in which the proposed adjustment is requested as well as any other county in the service area for which the adjustment is proposed.

Name of Applicant:
HealthSouth of Alabama, L.L.C
3660 Grandview Parkway
Suite 200
Birmingham, Alabama 35243

Name of Facility/Organization:
HealthSouth of Alabama, L.L.C
3660 Grandview Parkway
Suite 200
Birmingham, Alabama 35243

Name of Legal Owner:
HealthSouth of Alabama, L.L.C
3660 Grandview Parkway
Suite 200
Birmingham, Alabama 35243

Contact Person:
Walter Smith
Director of State Regulatory Affairs
HealthSouth Corporation
3660 Grandview Parkway
Suite 200
Birmingham, Alabama 35243

Proof of publication of a notice of the proposed adjustment and the SHCC meeting scheduled for March 25, 2010, to consider the adjustment is forthcoming.

Provide a narrative statement explaining the nature of the request, with details of the plan adjustment desired. (If the request is for additional beds, indicate the number and type, i.e., Psychiatric, Rehabilitation, Pediatric, Nursing Home, etc.) The narrative should address availability, accessibility, cost, and quality of the health care in question.

Shelby County is the fastest growing county within Alabama and expects to add another 50,000 residents during the next decade, more than any other county and more than the total population of thirty-nine (39) Alabama counties. The most populous county within Alabama lacking inpatient physical rehabilitation services, Shelby County contains five times more people than Covington County, the smallest county offering this service. Shelby County is by far the most populous county in Alabama unable to offer the full continuum of care to its residents. Failure to act now merely postpones the inevitable, while approval will shorten the time needed to offer Shelby County citizens convenient access to the full continuum of efficient, patient-centered health care services.

Shelby County is the fastest-growing county in Alabama, growing from a population of 66,298 in 1980 to an estimated 191,474 persons in 2010, a 188.8% percentage growth. Currently, Shelby County is Alabama's fifth largest county and could surpass Montgomery County by 2020. Over the next decade, Shelby County is projected to add more citizens and grow faster than any other Alabama County, but Shelby County has no inpatient physical rehabilitation beds. The SHCC should remedy this imbalance.

Table 1 - Region III Projected Growth

	Beds	2010 Est. Pop.	2015 Est. Pop.	2020 Est. Pop.	Projected 10 Year Growth
Jefferson	289	673,771	682,336	692,065	2.7%
Mobile	74	417,520	426,288	435,084	4.2%
Madison	70	309,616	324,153	337,471	9.0%
Montgomery	80	237,378	244,849	252,348	6.3%
Shelby	0	191,474	216,308	241,030	25.9%
Baldwin	25	184,375	206,251	227,727	23.5%
Tuscaloosa	50	175,547	180,779	185,813	5.8%
Etowah	44	105,907	106,945	107,844	1.8%
Houston	39	94,214	96,409	98,293	4.3%
Colbert	26	57,311	58,208	58,934	2.8%
Russell	38	52,066	53,147	54,203	4.1%
Covington	12	38,150	38,262	38,315	0.4%

Region III is an eleven (11) county area encompassing 8,252 square miles, approximately 16.3% of Alabama's total area. Shelby County is the second largest county by area in Region III, trailing Jefferson County and slightly larger than Walker County.¹ All of the inpatient physical rehabilitation beds in Region III are within Jefferson County, but not all available beds are currently utilized, resulting in an incorrect assessment of inpatient physical rehabilitation beds in Region III. Current providers are concentrated geographically, with the farthest distance between any two existing providers twenty-eight (28) miles.

HealthSouth Corporation, through its subsidiary, HealthSouth of Alabama, LLC, requests the Statewide Health Coordinating Council (SHCC) to approve a State Health Plan (SHP) adjustment adding seventeen (17) inpatient physical rehabilitation beds to the Region III inventory specific to Shelby County in order to address the unequal distribution of beds within Region III. At present, all inpatient physical rehabilitation beds in Region III are located in Jefferson County. Shelby County is Alabama's fifth largest county, its fastest growing county, and the most populous county without inpatient physical rehabilitation beds.

HealthSouth Corporation intends to file a Letter of Intent and a subsequent Certificate of Need (CON) application to be reviewed in tandem with another CON application (Project AL2010-13) filed with SHPDA on October 20, 2009, seeking approval "to relocate seventeen (17) inpatient rehabilitation beds previously in service at Physicians-Carraway Medical Center f/k/a Carraway Methodist Medical Center and place them in a thirty-four bed facility to be constructed in Shelby County" in proximity to Shelby Medical Center in Alabaster, Alabama. This project is currently subject to a contested case filed by providers of an unrelated health service whose need is established in a separate section of the SHP. The proposed new facility will serve the residents of the southern portion of Region III, primarily Shelby and Chilton Counties.

Prior to submitting this request, HealthSouth Corporation approached other Region III providers and offered to enter into an arrangement to transfer beds in accordance with applicable laws, but was unable to enter into any arrangement. HealthSouth seeks approval from the SHCC for the minimum number of beds necessary to construct an economically feasible freestanding facility within Shelby County. By seeking approval for a facility smaller than our typical freestanding model, HealthSouth seeks to achieve the dual goals of demonstrating fiscal prudence and minimizing the effect on existing providers. When complete, the proposed facility will have the most effect on Lakeshore

¹ U.S. Census Bureau, State and County Quick Facts. <http://quickfacts.census.gov>

Rehabilitation Hospital, a nationally acclaimed facility that HealthSouth leases from the Lakeshore Foundation. Currently, Lakeshore Rehabilitation Hospital operates at full capacity, cannot meet the demand for its inpatient physical rehabilitation services, and frequently experiences a waiting list for beds. The proposed new facility will have its own administrator, but will operate as an adjunct facility to Lakeshore, offering the same type of care and serving a similar patient population. Adding additional beds to Lakeshore is not a feasible option due to design constraints and the physical plant's age.

Lakeshore is truly a facility serving all Alabamians, specializing in the treatment of clinically complex patients and focusing on two primary goals: 1) to restore each patient to their highest achievable possible functional level; and, 2) to return each patient home to their loved ones. Unfortunately, Lakeshore often must turn away patients because of the lack of beds and often maintains a waiting list, resulting in these patients possibly seeking treatment at another, less desirable venue. The new Shelby County facility will share Lakeshore's primary goals and will be designed to treat those clinically complex patients from the proposed service area who currently must travel to Lakeshore for treatment.

HealthSouth is not burdened by competing priorities; inpatient physical rehabilitation is our primary business, our specialty. As a result, Lakeshore and other HealthSouth facilities possess the ability to treat more clinically complex patients than most other providers, many of which are units within acute care hospitals whose primary focus is not inpatient physical rehabilitation. Our single concentration permits us to develop expertise in treating debilitating illnesses and produce better outcomes for our patients.

Lakeshore differs from the other inpatient physical rehabilitation providers in Region III because it occupies its own campus, a common characteristic with the proposed new Shelby County facility. Each of the other Region III providers is a unit within an acute care facility, though it is technically correct to consider UAB-Spain a separate facility even though its location is on the sprawling UAB urban complex in downtown Birmingham. While HealthSouth does operate inpatient physical rehabilitation units within acute care hospitals, most of our hospitals across America are freestanding facilities with their own campus. Not only do freestanding facilities provide ease of access; our experience is that they provide a friendly atmosphere and caring environment where our patients are restored to health.

Lakeshore serves patients throughout Alabama. A review of Lakeshore's inpatient patient data for 2009 reveals that residents of fifty-one (51) of Alabama's sixty-seven (67) counties received treatment at Lakeshore. The

complexity of the patients receiving Lakeshore's services is unquestioned. In 2009, Lakeshore treated 202 brain injury patients, 128 spinal cord injury patients, and 486 stroke patients. Together, brain injury and spinal cord patients received 4,474 days of care at Lakeshore during 2009, more days than the total number of patient care days reported by either Brookwood, Trinity, or St. Vincent's East in their 2008 cost reports and just slightly lower than the total days for UAB-West. The 7,539 days of care provided stroke patients at Lakeshore during 2009 equals 51.8% total number of patient care days reported by UAB-Spain in their most recent cost report.

Table 2 - Patient Care Days Comparison

	Brookwood	Trinity	St. Vincent's East	UAB-West
Total Days	3,019	3,237	3,850	4,563
Lakeshore Brain/Spinal Cord Days	4,474	4,474	4,474	4,474
Difference	1,455	1,237	624	(89)
Lakeshore as %	148.2%	138.2%	116.2%	98.1%

Lakeshore treats a higher percentage of stroke, brain injury, and spinal cord injury than a typical HealthSouth hospital and also exceeds national averages.² The proposed new facility for Shelby County will serve as an adjunct facility to Lakeshore hospital and expects to treat the same types of complex cases. A comparative table is provided below:

Table 3 - Comparison of Percentage of Patients

	HealthSouth	Lakeshore	Δ	National	Lakeshore	Δ
Stroke	17.5%	21.4%	+3.9%	20.5%	21.4%	+0.9%
Brain Injury	7.4%	9.0%	+1.6%	6.9%	9.0%	+2.1%
Spinal Cord Injury	3.6%	5.6%	+2.0%	4.6%	5.6%	+1.0%

Approving this request provides other benefits. First, relieving the bed shortage at Lakeshore should free up additional beds at for clinically complex patients from other areas across Alabama. The proposed facility's location close to the population growth in Shelby County completes the medical care continuum for Alabama's fastest growing county and provides easier access for patients needing inpatient physical rehabilitation services. The burden on caregivers and family members who travel daily to participate in the patient's therapy will lessen. Many patients will be closer to their primary care physician. Additionally, the proposed new facility will provide Chilton County with all the benefits previously listed, especially reducing their considerable travel burdens. At present, Chilton County residents have to travel long distances to either Birmingham or Montgomery for inpatient physical rehabilitation services.

² A Data Book: Healthcare spending and the Medicare program. (June 2009) Medpac.

Region III falls short of the suggested 75% regional occupancy guideline at first glance. The latest statistical update to the inpatient physical rehabilitation section of the SHP shows a surplus of one hundred twenty-five (125) beds in Region III, but this provides an incomplete picture of Region III's need for this service.³ An essential component of preparing this adjustment request was conducting a careful analysis of existing providers utilizing both SHPDA and commercially available sources, including data from the latest American Hospital Directory (AHD), which contains authoritative information from annual Medicare cost reports submitted to Center for Medicare and Medicaid Services (CMS). Utilizing Medicare Cost Reports is advantageous because of their recency and accuracy. Examining them revealed discrepancies between the two sources in the number of inpatient physical rehabilitation beds.⁴ Medicare Cost Reports reveal a lower number of inpatient physical rehabilitation beds than SHPDA for two providers, resulting in a lower SHPDA regional occupancy percentage. SHPDA lists seventy-eight (78) inpatient physical rehabilitation beds for UAB-Spain; its latest available cost report lists fifty-two (52) beds. SHPDA lists thirty (30) beds for the Brookwood unit; its latest available cost report lists twenty-five (25) beds.⁵ The SHPDA report also contains the Carraway beds, which are currently not operating, but are the subject of the previously mentioned CON application. Region III currently contains two hundred forty-one (241) operating inpatient physical rehabilitation beds, not two hundred eighty-nine (289) as listed in the latest statistical update from SHPDA.

Table 4 - Operational Beds

	AHD	SHPDA	Difference
Lakeshore	100	100	0
Brookwood	25	30	+5
STV/MCE	20	20	0
UAB West	27	27	0
UAB Spain	52	78	+26
Trinity	17	17	0
Carraway	0	17	+17
TOTAL	241	289	+48

Two providers, Lakeshore and UAB-Spain, dominate Region III, accounting for 75.1% of the total patient days while operating only 63.1% of the available beds. As expected, Lakeshore and UAB-Spain operate at a higher percentage

³ Statistical Update to the 2004-2007 Alabama State Health Plan. (November 2, 2009). State Health Planning and Development Agency. State of Alabama.

⁴ American Hospital Directory. www.ahd.com. The cost reports date from 2008; the SHPDA data from 2007.

⁵ Since 2008 was a leap year, a 366-day year was used in calculating occupancy percentages.

occupancy rate than other regional providers.⁶ The occupancy percentage for Lakeshore would have been higher, but this facility suffers from a lack of private rooms that limits the availability of space for needy patients. Room assignments must, of course, be for patients of the same sex and private rooms are often reserved for patients requiring isolation because of the possible presence of infectious agents. The following table reflects Region III's occupancy percentage based upon operating beds. If all other items are held constant and the number of 2009 days provided by Lakeshore Hospital (32,282) added, the regional occupancy would have been 69.6% based on 61,263 patient days. During 2009, the Lakeshore occupancy percentage was 88.4% and would have been higher if not for the constraints previously mentioned that limit the number of available beds and prevent patients from receiving needed care.

Table 5 - Region III Occupancy Percentage

	Beds	Patient Days	Occupancy (AHD 2008)
UAB Medical West	27	4,563	46.2%
Trinity Medical Center	17	2,987	48.0%
Brookwood Medical Center	25	3,019	33.0%
St. Vincent's East	20	3,850	52.6%
HealthSouth Lakeshore	100	28,959	79.1%
University of Alabama Hospital	52	14,562	76.5%
Physicians Medical Center Carraway	0	0	0.0%
TOTAL	241	57,940	65.7%

There are other possible explanatory factors, including the fact that three providers have changed ownership. On the SHPDA website, a document dated June 30, 2006, amending the SHP section for inpatient physical rehabilitation refers to UAB Medical West as Bessemer Carraway; Trinity Medical Center is referred to as Baptist Montclair; while St. Vincent's East is referred to as Medical Center East. The new leadership of these hospitals may have simply chosen to emphasize health care services other than inpatient physical rehabilitation.

On May 7, 2004, CMS issued what is commonly called the 75% Rule. The intricacies of this rule could fill volumes, but its practical effect was to reduce the number of patients eligible for inpatient physical rehabilitation services. Reimbursement was restricted to thirteen separate categories of cases, commonly referred to as the CMS-13. In simple terms, Medicare would not

⁶ Substituting the 2009 internal data from Lakeshore into the calculation. UAB and Lakeshore combined would have offered 46,844 days of care, or 76.5% of the region's days. Their combined occupancy percentage would have been 84.4% - over thirty percentage points higher than any other provider.

reimburse an inpatient physical rehabilitation facility unless 75% of their cases landed in one of the thirteen CMS-13 categories. The regulation provided for a gradual implementation, and the percentage requirement was eventually capped at 60% of all patients, retroactive to July 2007. Nationally, the number of rehabilitation cases dropped, although recent evidence indicates that case numbers are again rising after full implementation of the regulation. This regulation probably factored into the drop in occupancy percentages. Because of its high level of acuity, Lakeshore and its proposed satellite will be better able to comply with this regulatory development than most providers. As has been previously referenced, Lakeshore operates at its functional capacity despite this rule.

Some SHCC members may not be acquainted with the services offered at an inpatient physical rehabilitation hospital. Inpatient physical rehabilitation hospitals differ from acute care hospitals; they lack emergency rooms, operating rooms, medical laboratories, or imaging equipment. If a patient requires any additional services, they are usually coordinated through the nearest acute care hospital.

Inpatient physical rehabilitation hospitals are designed to protect the physician-patient relationship. Only a physician may admit a patient to an inpatient physical rehabilitation hospital. Roughly nineteen (19) of every twenty (20) admissions are physician referrals of a patient current hospitalized at an acute care hospital and most of the remaining admissions are direct referrals from a physician's office. Only about one percent of admissions are from a skilled nursing facility. If the patient is currently hospitalized in an acute care hospital, the patient's physician consults with the case managers at the acute care hospital and decides if the patient meets the specific criteria for admission to an inpatient physical rehabilitation hospital. All admitted patients must:

- Must be admitted by a physician
- All IRF patients must meet medical necessity criteria
- All IRF patients must be medically stable and have potential to tolerate a minimum of three hours of intensive therapy per day.

Once admitted, each patient receives an individualized treatment plan specifically designed for them. Every patient is different and requires an individualized plan of care designed to return them to the highest possible functional state. The entire treatment team at a HealthSouth hospital collaborates to design each patient's plan and set treatment goals.

Listed below are some of the major services offered at an inpatient physical rehabilitation hospital:

- **Rehabilitation Nursing:** oversees the treatment program for the patient
- **Physical Therapy:** addresses physical function, mobility, safety
- **Occupational Therapy:** promotes independence and re-integration into society
- **Case Managers:** coordinates care plan with physician, caregivers, and family
- **Post-Discharge Services:** outpatient therapy and home health

Hospital readmission rates are a vital component of health care cost containment efforts both in Alabama and across America. The following table compares various post acute care treatment venues by readmission rates and shows that inpatient physical rehabilitation compares favorably to other venues.⁷

Table 6 - Percentage Rehospitalizations by Post Acute Providers

Post-Acute Care (PAC) Setting	% of Discharges from Acute Care	% Re-hospitalized after PAC
Skilled Nursing Facility	17.3%	22.0%
Home Health	16.0%	18.1%
Long-Term Care Hospital	1.0%	10.0%
Inpatient Physical Rehabilitation	3.2%	9.4%
Inpatient Psychiatric	0.5%	8.7%
Hospice	2.1%	4.5%

HealthSouth as a company compares favorably to other providers of inpatient physical rehabilitation providers on a cost basis, both in terms of the payment for services rendered and in the cost of caring for each patient. The column for freestanding facilities contains the HealthSouth hospitals, so the actual costs for other freestanding facilities would have been higher if the HealthSouth facilities had not been included.⁸

⁷ A Data Book: Healthcare spending and the Medicare program. (June 2009) Medpac.

⁸ Ibid.

Table 7 - Cost Comparisons by Facility Type

	Freestanding	Units	Total	HealthSouth
Number	228	953	1,181	94
Average # Discharges	649	237	316	822
Outlier Payments as % Total Payments	1.32%	4.08%	3.00%	0.43%
2010 Av. Est. Payment per Discharge	\$16,452	\$16,741	\$16,626	\$15,996
2010 Av. Est. Cost per Discharge	\$14,021	\$17,207	\$15,945	\$12,633

The following table compares HealthSouth to other inpatient physical rehabilitation providers in America with respect to the number of facilities, beds, and discharges. As shown, HealthSouth facilities have on average a greater number of discharges than other providers, which permits specialization and development of efficient treatment protocols.⁹

Table 8 - Comparison of Bed Size and Discharges

	Number	Average Beds/IRF	Average Discharges/IRF
HealthSouth	93	68	1,151
Other Freestanding	135	54	531
Hospital Units	953	24	236
National	1,181	31	342

As mentioned previously, the proposed Shelby County facility will be smaller than a typical HealthSouth hospital but, as the following table shows, our smaller facilities normally operate at a higher occupancy percentage than our larger facilities.¹⁰

Table 9 - HealthSouth Occupancy Percentage by Size

	Number of Beds				
	< 40	40 - 60	61 - 80	81 - 90	91+
Number	3	40	29	10	11
Av. Occupancy %	90%	71%	65%	57%	68%

One final item that merits a brief mention is stroke rehabilitation. Stroke and its related illnesses are endemic and present one of the greatest health challenges to our state. HealthSouth belongs to an elite group of four hospital companies in America with Joint Commission Certified Stroke Rehabilitation programs. Nine of the thirteen hospitals possessing Stroke Rehabilitation Certification are HealthSouth Hospitals. All HealthSouth facilities in Alabama are fully accredited for stroke rehabilitation, and stroke patients make up a high percentage of the total patient population.

⁹ Ibid.

¹⁰ HealthSouth Presentation. RBC Capital Markets Healthcare Conference. (March 2, 2010).

Treating a stroke victim requires a team effort involving patients, families, hospital staff, and the patient's primary physician. The specialized treatment plan developed for each stroke patient may require specialized interventions depending upon the degree of disability. HealthSouth gathers a team of specialists with the ability to pinpoint specific needs and set specific goals to achieve the maximum recovery possible. The evaluation and goal setting process may include representatives from psychiatry, neurology, physical therapy, occupational therapy, speech and language pathology, social work, nutrition, rehabilitation nursing, and psychology.

Provide population projections for the service area. In the case of beds for a specific age group, such as pediatric beds or nursing home beds, be sure to document the existence of the affected population. An example for nursing home beds would be the number of persons 65 and older. The applicant must include the source of all information provided.

Population projections from the Center for Business and Economic Research (CBER) at the University of Alabama, Tuscaloosa, were used to prepare the following tables. Population projections from Claritas Corporation, a commercially available source, were used for the previously filed CON application because Claritas data forecasts growth to zip code levels, while the CBER projection are broader, county level projections. Claritas projections are limited to five years forward from the current year, so a proper matching of end years for both data sources was not possible.

Two presentations of the CBER projections for Region III for the period 2010 to 2020 follow. The first table projects the total population growth, while the second concentrates on the population over sixty-five (65) years in age, the population cohort providing approximately 65% to 75% of the patients treated at a typical inpatient physical rehabilitation hospital.

Table 10 - Region III Total Population

	2010	2015	2020	Change	% Change
Bount	63,715	70,005	76,031	12,316	19.3%
Chilton	47,398	51,347	55,242	7,844	16.5%
Coosa	13,127	13,478	13,727	600	4.6%
Cullman	86,982	91,341	95,358	8,376	9.6%
Jefferson	673,771	682,336	692,065	18,294	2.7%
Marion	32,283	32,593	32,739	456	1.4%
Shelby	191,474	216,308	241,030	49,556	25.9%
St. Clair	80,009	87,614	95,007	14,998	18.7%
Talladega	85,524	87,518	89,027	3,503	4.1%
Walker	72,891	73,529	73,894	1,003	1.4%
Winston	27,555	28,744	29,808	2,253	8.2%
TOTAL	1,374,729	1,434,813	1,493,928	119,199	8.7%

Table 11 - Region III Population 65 and Older

	2010	2015	2020	Change	% Change
Blount	8,885	10,577	12,387	3,502	39.4%
Chilton	6,465	7,677	9,071	2,606	40.3%
Coosa	2,008	2,262	2,639	631	31.4%
Cullman	13,404	15,305	17,174	3,770	28.1%
Jefferson	86,260	93,828	106,201	19,941	23.1%
Marion	5,787	6,416	6,887	1,100	19.0%
Shelby	20,248	28,372	38,206	17,958	88.7%
St. Clair	10,543	13,080	15,835	5,292	50.2%
Talladega	12,039	13,828	15,860	3,821	31.7%
Walker	11,777	13,190	14,456	2,679	22.7%
Winston	4,353	5,024	5,504	1,151	26.4%
TOTAL	181,769	209,559	244,220	62,451	34.4%

The percentage growth expected for Shelby County is highest in both projections. The most striking statistic is that expected growth in the number of persons over 65 in Shelby County will be 90% of that expected growth in Jefferson County, which is truly remarkable considering that Shelby County starts from a 2010 population less than one quarter the size of the over 65 population of Jefferson County.

Table 12 - Expected Growth in Over 65 Population 2010-2020: Shelby and Jefferson Counties

	Growth in 65+ Population	Shelby as %
Jefferson	19,941	
Shelby	17,958	90.1%

Another striking trend is that according to the Census Bureau, since 2000, Jefferson County has actually lost 2,517 persons, while Shelby County has gained 44,491 residents, a net movement of 47,008 persons. This translates to an annual gain of 5,876 persons for Shelby County. Nothing indicates this trend stopping or reversing in the future.

Describe the geographical area to be served. (Provide a 8 ½" x 11" map of the service area. The map should indicate the location of other like health care facilities in the area.

Two maps are included. The first is a map of Planning Region III, with the location of all current inpatient rehabilitation providers indicated. The second map is a map of the proposed service area for the planned facility with a five-mile radius drawn from Shelby Medical Center in Alabaster to indicate where the proposed new facility's location. While numerous sites have been investigated, final site selection has not occurred.

If the application is to increase beds or services in a planning area, give evidence that those beds or services have not been available and/or accessible to the population of the area. Provide names of individuals denied services.

Internal demand forecasts indicate that if approved, the proposed facility would treat approximately seven hundred (700) patients by the third year of operation. Internal data from HealthSouth Lakeshore Rehabilitation Hospital indicates that during calendar year 2009, there were over two hundred (200) patients from Shelby County and another seventy-five (75) from the remaining portion of the primary service area delineated in the CON application.

Accessibility/Availability

Despite Shelby County's rapid population growth, its residents lack access to the full continuum of medical services needed to fulfill their health care needs. There are currently no inpatient physical rehabilitation beds within Shelby County. All of the inpatient physical rehabilitation beds within Region III are located in Jefferson County. This project is designed to complete the continuum through construction of a freestanding inpatient rehabilitation facility near Shelby Baptist Medical Center, a facility dedicated to serving the central and southern portions of Shelby County, most of Chilton County, and small portions of Bibb and Autauga Counties.

Family involvement is a crucial component of the inpatient physical rehabilitation patient's treatment. Most patients treated at an inpatient rehabilitation hospital are over the age of sixty-five and at least partially dependent upon others for daily support. Family participation in the patient's treatment is an essential component in the patient's recovery. Spouses or family members who live in Shelby or Chilton Counties typically drive back and forth into Jefferson County each day the patient is hospitalized through the most heavily congested traffic area in Alabama .

All SHCC members who have driven on I-65 through Shelby County can attest to the traffic problems. There are three main routes to access Jefferson County and Birmingham from the south: Interstate 65, Highway 31, and Highway 280. Interstate 65 is a major north-south route providing access to ports on the Gulf of Mexico for industries located in the Mid-West and in the Great Lakes region and has a heavy volume of truck traffic. A recent study by the Office for Freight, Logistics, and Transportation at the University of Alabama in Huntsville predicts explosive growth in the heavy truck traffic on I-65 because of recent expansions at the Port of Mobile shipping facility. The study predicts an increase in the port's annual shipping volume from 350,000

containers to 800,000 containers, an increase of almost 130%. Most of this volume will arrive on trucks via I-65.

Data obtained from the Alabama Department of Transportation website shows that traffic counts on I-65 double from the southern part of Shelby County to the Jefferson County line. At the latter, the average daily volume is over one hundred thousand vehicles each day, with over ten thousand heavy trucks. That translated to over 4,500 vehicles per hour, but this is an average that includes the middle of each night when traffic is very low. Traffic counts during peak traffic hours are much higher and constitute a safety hazard for families and elderly spouses traveling to visit their loved ones. Travel expenses can also be a burden for families living on fixed incomes. Building a new facility in Shelby County closer to the homes of patients within the primary service area mitigates these problems. After discharge, patients usually do not go to another facility. At Lakeshore Rehabilitation Hospital, over 70% of discharged patients return home to their families.

The other access route is Highway 31, a four-lane road passing through some of the most congested areas of Shelby and Jefferson Counties. There are numerous traffic lights on Highway 31, frequent accidents, and heavy congestion, particularly during peak hours.

The proposed location also benefits Chilton County residents who need inpatient physical rehabilitation services and face the dilemma of traveling long distances in either direction to obtain care. Shelby Baptist Medical Center considers Chilton County as part of its medical service area. The proposed facility may attract a limited number of patients from Chilton Medical Center, a twenty-seven-bed acute care facility in Clanton, Alabama. The following table provides approximate driving distances from Shelby Medical Center to other Region III Providers:

Table 13 - Distance from Shelby Medical Center to Region III Providers

Facility	Distance
Lakeshore	19.5 miles
Brookwood	19.5 miles
UAB-Spain	21.0 miles
Trinity	23.3 miles
UAB West	27.8 miles
St. Vincent's East	30.5 miles

Address the impact this plan adjustment will have on other facilities in the area both in occupancy and manpower areas.

The effect on other Region III providers should be slight because for most patients the closest facility will be Lakeshore Hospital, which HealthSouth operates. Any adverse impact will affect a HealthSouth facility. The nearest inpatient physical rehabilitation south of Alabaster is in Montgomery County, approximately seventy (70) miles away. As noted previously, some of the existing providers are not fully utilizing their inventory of beds and the care they provide is generally less complex than that provided by Lakeshore Rehabilitation Hospital.

Cost

The expected cost of a patient day of care will mirror that charged at the HealthSouth Lakeshore hospital, currently \$1,673 per patient day. This amount includes all components such as room, meals, and at least three hours of active therapy per day.

Quality

HealthSouth Corporation is recognized as the nation's leader in the delivery of inpatient physical rehabilitation services, with a legacy in the delivery of efficient, innovative, patient-centered care to those in need. All HealthSouth facilities in the United States possess accreditation from the Joint Commission for Accreditation in Healthcare (JCAHO). Within Alabama, each HealthSouth hospital has earned additional certification as a Joint Commission Disease-Specific Care Certified facility for stroke rehabilitation. The proposed facility will seek the same accreditation and certification.

HealthSouth's company-wide mission is to provide our patients with the finest clinicians, technology, facilities, and treatment programs available. HealthSouth's Quality Standards Program rests upon four pillars: clinical outcomes, patient centered care, technology and innovation, and safety. HealthSouth sets high performance standards and continuously strives to improve its excellent reputation. HealthSouth hospitals consistently meet or exceed national averages for functional outcomes, while typically ranking lower for length of stay and charges. For more than a decade, HealthSouth rehabilitation hospitals have ranked consistently above the national average in patient satisfaction.

If additional staffing will be required to support the additional need, indicate the availability of such staffing.

No problems are expected in attracting staff to the proposed facility, and HealthSouth expects to fill the newly created jobs with qualified employees from Shelby County and the surrounding area. HealthSouth hospital employees are trained, qualified professionals who usually live and pay taxes near where they work. The consistent staffing policies and procedures for HealthSouth facilities ensure that patients and their families receive high quality care. HealthSouth does not discriminate in hiring and staffing its facilities. HealthSouth also understands the need to attract quality staff and employs many innovative approaches to recruit and retain staff.

Present a Summary of industry currently existing that anticipates major expansion and new industries projected for the area. Include names of industries and the estimated number of people projected to be employed.

By completing the continuum of care, the proposed new facility will help keep and attract new industries to Shelby County. When fully operational, the new facility will create approximately one hundred (100) new jobs for the Alabaster area in addition to the approximately three hundred fifty HealthSouth employees who currently live and pay taxes in Shelby County. Most of the newly created jobs will be professional jobs such as rehabilitation nurses, therapists, social workers, and case managers. The most immediate impact of the new facility will be through the employment of construction workers.

Give the names and specialties of all physicians committed to practice in the area, their location, and if possible their opinion of the proposed adjustment.

Lakeshore Physicians

Dr. Paula Stewart	Physical Medicine and Rehabilitation
Dr. Michael Rosemore	Family Practice
Dr. Martin Salmon	Physical Medicine and Rehabilitation
Dr. Emily Riser	Neurology
Dr. John Riser	Neurology
Dr. Barry McClain	Internal Medicine
Dr. Frank Rudeseal	Internal Medicine

Shelby County Physicians

Dr. Rita Goyal	Hospitalist
Dr. Jennifer Hale	Hospitalist
Dr. Ruth Lee	Hospitalist
Dr. Carlos Aristizbal	Hospitalist
Dr. Raybia Zieman	Hospitalist
Dr. Michael Gerhardt	Orthopedic Surgeon
Dr. Daryl Dykes	Orthopedic Surgeon
Dr. Chris Mathis	Orthopedic Surgeon
Dr. Nasollah Eslami	Neurology

Provide any other information or data you so desire in justification of your plan adjustment request.

The proposed new facility in Shelby County is not proposed Medicaid patients. Control of Medicaid expenditures is of vital importance in today's economic climate. Since senior citizens account for the vast majority of inpatient physical rehabilitation patients, Medicare, not Medicaid, covers most patients. The table below presents data from Region III providers taken from the most recent cost reports available, breaking down the total number of days by three categories: Medicare, Medicaid, and Other. Medicaid accounts for only 6.1% of the total number of patient days for Region III, with UAB-Spain accounting for 85.4% of that amount.¹¹

Table 14 - Region III Patients by Type

	HS/LKSR	BRKWD	STV/E	UAB/SP	UAB/W	TMC	Total	%
Medicare	20,051	1,084	2,345	4,435	2,646	1,737	32,298	55.5%
Medicaid	193	41	78	3,038	84	125	3,559	6.1%
Other	8,715	1,894	1,427	7,089	1,833	1,375	22,333	38.4%
TOTAL	28,959	3,019	3,850	14,562	4,563	3,237	58,190	100.0%

Jefferson County contains 50.4% of Region III's Medicaid eligible population, while Shelby County ranks last on a percentage basis. Shelby County represents 13.9% of the total Region III population, but only 5.5% of the total number of Medicaid eligible persons. The following table ranks the Region III counties by percentage of Medicaid eligible adults within the county.¹²

¹¹ American Hospital Directory. www.ahd.com.

¹² Sources: Alabama Department of Public Health, Provider Services (2.16.10) and Alabama Medicaid Statistics. County level data on the number of Medicaid eligible adults came from the Alabama Medicaid Agency. The number of adults was calculated by taking the total number of eligibles for the entire county and subtracting the number of eligible children.

Table 15 - Region III Percentage of Medicaid Eligibles

	CBER Est. Pop. 2010	Medicaid Eligible Adults 2008	Medicaid Eligible Adults %
Taladega	85,524	9,837	11.5%
Winston	27,555	3,017	10.9%
Walker	72,891	7,649	10.5%
Marion	32,283	3,357	10.4%
Coosa	13,127	1,225	9.3%
Cullman	86,982	7,034	8.1%
Chilton	47,398	3,838	8.1%
Jefferson	673,771	51,677	7.7%
St. Clair	80,009	5,261	6.6%
Blount	63,715	4,066	6.4%
Shelby	191,474	5,598	2.9%
TOTAL	1,374,729	102,559	7.5%

SHCC members are given the statutory duty to develop a State Health Plan (SHP), a constantly evolving document subject to amendment or adjustment that provides “for the development of health programs and resources to assure that quality health services will be available and accessible in a manner which assures continuity of care, at reasonable costs, for all residents of the state.”¹³

Approval of this request will fulfill the SHCC’s mission to determine the need for inpatient physical rehabilitation services, but directs the SHCC to limit its objective assessment to “only the need and inventory of inpatient rehabilitation facilities.”¹⁴ (Emphasis supplied) Inpatient physical rehabilitation services may only be provided in “a distinct part unit of a hospital, as defined in the Medicare and Medicaid Guidelines, or in a free-standing rehabilitation hospital.”¹⁵

The authorizing statute for the State Health Planning and Development Agency (SHPDA) designates inpatient physical rehabilitation as a separate health care service throughout its text. For example, the statutory definition of reviewable health care services includes inpatient rehabilitation beds, requiring SHPDA to review “A change in the existing bed capacity of a health care facility or health maintenance organization through the addition of new beds, the relocation of one or more beds from one physical facility to another, or reallocation among services of existing beds through the conversion of one or

¹³ 22-21-260(13). The regulatory authorization for SHP adjustments is at 410-2-5-.04(2)(a).

¹⁴ 410-2-4-.08

¹⁵ Ibid.

more beds from one category to another within the following bed categories: general medical surgical, inpatient psychiatric, inpatient/residential alcohol and drug abuse or inpatient rehabilitation beds, or long-term care beds including skilled nursing care, intermediate care, transitional care, and swing beds”.¹⁶ (Emphasis supplied)

The SHP by statute must contain updated bed inventories and separate sections for inpatient rehabilitation beds, inpatient psychiatric beds, and inpatient/residential alcohol and drug abuse beds, with the exact language reading: “Consistency with the appropriate State Health Facility and service plans effective at the time the application was received by the State Agency, which shall include the latest approved revisions of the following plans: a. The most recent Alabama State Health Plan which shall include updated inventories and separate bed need methodologies for inpatient rehabilitation beds, inpatient psychiatric beds and inpatient/residential alcohol and drug abuse beds.”¹⁷ (Emphasis supplied) Other statutory language reemphasizes this point, charging SHPDA to “maintain the Alabama State Health Plan to include separate bed need methodologies for inpatient psychiatric services, inpatient rehabilitation services, and inpatient/residential alcohol and drug abuse services. The SHPDA shall utilize these methodologies in considering all certificate of need applications.”¹⁸ (Emphasis supplied)

The SHP document defines policy as “a definite course or method of action selected from among alternatives and in light of given conditions to guide and determine present and future actions.” Thus, policy is not static, but must accommodate the conditions that exist at any given time. Policy can be written or implied through action or commitment. This adjustment request involves written policy and asks the SHCC to grant the adjustment “in light of given conditions.”

The inpatient physical rehabilitation section of the SHP suggests that inpatient physical rehabilitation planning regions as a whole should maintain an overall 75% regional occupancy before considering the addition of new beds. This language is suggestive. The regulatory language cited above directs that policy decisions be guided “in light of given conditions,” which for this request means the placement and circumstances surrounding the utilization of inpatient physical rehabilitation beds within Region III as they are statutorily defined. The facts presented in this request justify an adjustment to the inpatient physical rehabilitation section of the SHP. To hold otherwise runs counter to

¹⁶ 22-21-263(a)(3)

¹⁷ 22-21-264 (1)

¹⁸ 22-21-265(d)

the SHCC's duty to "provide for the development of health programs and resources to assure that quality health services will be available and accessible in a manner which assure continuity of care, at reasonable costs, for all residents of the state."¹⁹

The phrase "medical care continuum" holds special significance to our argument. The SHP is unequivocal, stating, "rehabilitation... is the third phase of the medical care continuum".²⁰ Shelby County is the fifth most populous county within Alabama. It is projected that Shelby County will add more people in the next decade than any other county and also grow at a higher percentage rate, but Shelby County citizens lack access to the full medical care continuum. Approving this adjustment request for Shelby County represents sound public policy and health planning. The SHP cannot anticipate and plan for all eventualities, which is the very reason why adjustments and amendments are permitted, and the SHCC membership is provided specific authority to approve them. Since its inception, the SHCC has granted adjustments to meet changing conditions and should do so again in approving this worthy request that seeks to permit applications for additional inpatient physical rehabilitation beds in Shelby County.

¹⁹ 410-1-2-.04

²⁰ 410-2-4-.08

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MAR 09 2010

STATE HEALTH PLANNING
AND DEVELOPMENT AGENCY

Certification

The information contained in this application for an adjustment to the 2004-2009 State Health Plan is true and correct to the best of my knowledge and belief.

HealthSouth of Alabama, L.L.C.

By: Walter Smith
Signature of Applicant

Walter Smith
Director, State Regulatory Affairs
HealthSouth Corporation

8th day of March, 2010

[Signature]
Notary Public (Affix Seal on Original)

MY COMMISSION EXPIRES 5/3/2011

Certification

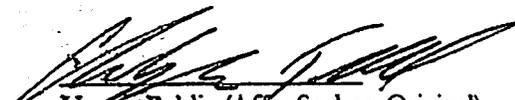
The information contained in this application for an adjustment to the 2004-2007 Alabama State Health Plan is true and correct to the best of my knowledge and belief.

HealthSouth of Alabama, L.L.C.

By: Walter Smith
Signature of Applicant

Walter Smith
Director, State Regulatory Affairs
HealthSouth Corporation

8th day of March, 2010


Notary Public (Affix Seal on Original)

MY COMMISSION EXPIRES 5/3/2011

Exhibit A – Proposed Adjustment Language

410-2-4-.08 Inpatient Physical Rehabilitation

(1) Definition. Inpatient physical rehabilitation services are those designed to be provided on an integrated basis by a multidisciplinary rehabilitation team to restore the disabled individual to the highest physical usefulness of which he is capable. These services may be provided in a distinct part unit of a hospital, as defined in the Medicare and Medicaid Guidelines, or in a free-standing rehabilitation hospital.

(2) General. Rehabilitation can be viewed as the third phase of the medical care continuum, with the first being the prevention of illness, the second, the actual treatment of disease, and the third, rehabilitation or a constructive system of treatment designed to enable individuals to attain their highest degree of functioning. In many cases, all three phases can occur simultaneously. For the purposes of this section of the State Health Plan, only the need and inventory of inpatient rehabilitation facilities will be addressed.

(3) Need Determination. The Statewide Health Coordinating Council (SHCC) has determined that there is a need for 12 rehabilitation beds per 100,000 population for each region (see Table 1).

(4) Planning Policies

(a) Planning Policy

Regional occupancy for the most recent reporting year should be at least 75% before the SHCC gives consideration to any requests for plan adjustments for additional bed capacity.

(b) Planning Policy

Conversion of existing hospital beds to rehabilitation beds should be given priority consideration over new construction when the conversion is significantly less costly and the existing structure can meet licensure and certification requirements.

(5) Accessibility-Distribution. Inpatient Rehabilitation services appear to be well distributed in the most populous regions of Alabama. The SHCC, through the adjustment process in July of 2009, recognized the need for 4 additional rehabilitation beds to be located in Region I. Future consideration should be given to locating a unit in Dallas County to serve the western counties of Region V. **Notwithstanding anything to the contrary, recognizing the need for an inpatient rehabilitation facility in Shelby County, the SHCC, through the adjustment process in March of 2010, adjusted the planning policy to recognize the need for 17 additional rehabilitation beds to be located in Shelby County.**

Author: Statewide Health Coordinating Council (SHCC).

Statutory Authority: § 22-21-260(4), Code of Alabama, 1975.

History: Effective November 22, 2004. Adjusted September 2, 2005, Amended August 4, 2006, Adjusted March __, 2010.

Statistical Update September 24, 2008. Adjusted August 10, 2009

Exhibit B – Map of Service Area, Location of Other Facilities, Region

Shelby Project Primary Service Area

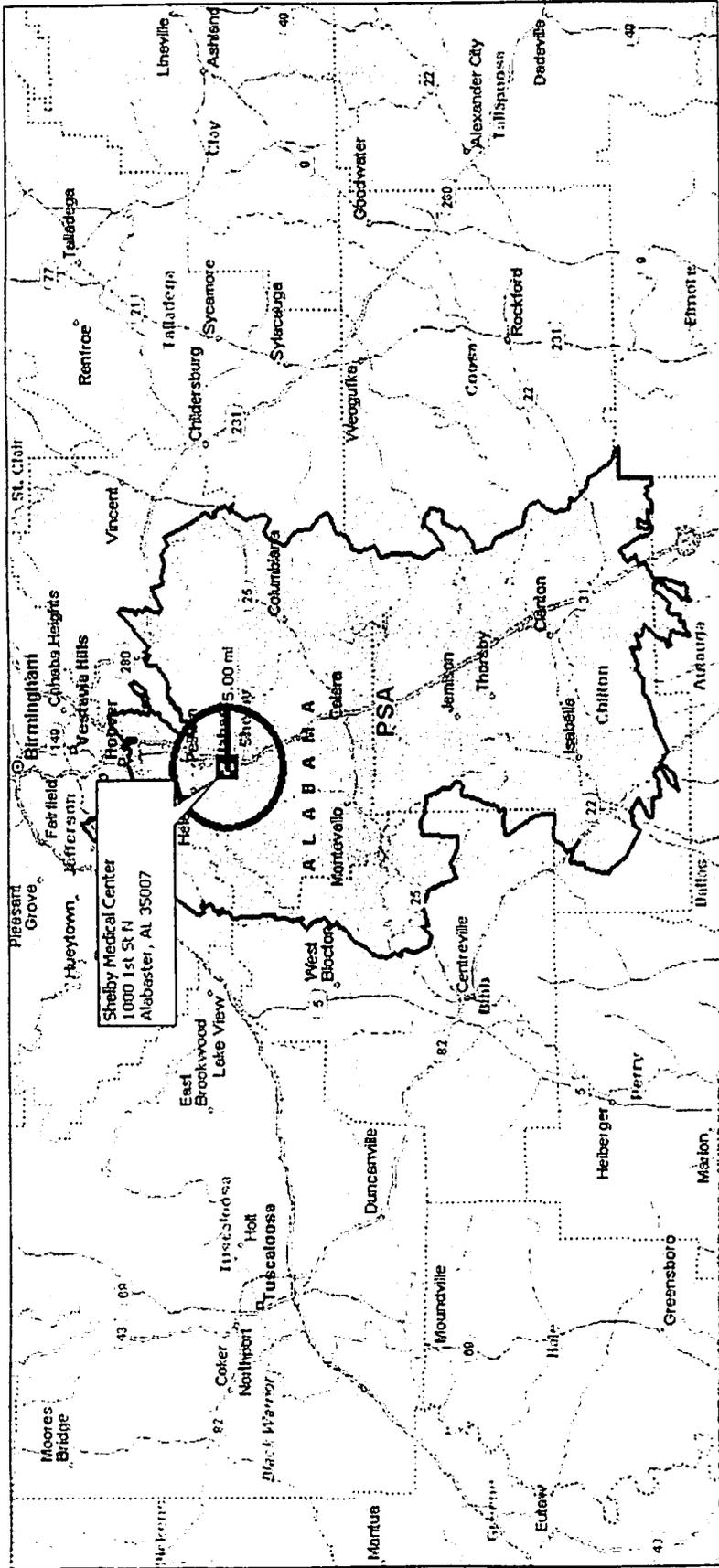


Exhibit C – Letters of Support

To Be Provided in a Separate Package