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Assessment of the Potential Impact of the Proposed Lee County Hospital on Dougherty County and its Residents

Prepared for the Dougherty County Board of Commissioners

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EXECUTIVE SUMMARY

Lee County Medical Center's ("LCMC's") proposed 60-bed hospital stands to disrupt the fragile healthcare delivery system centered in Albany, Dougherty County, Georgia and surrounding counties. The County's healthcare fortunes rely on four safety net hospitals that ensure access to all citizens regardless of ability to pay – Phoebe Putney Memorial Hospital ("PPMH"), Phoebe Sumter Medical Center ("Phoebe Sumter"), Phoebe Worth Medical Center ("Phoebe Worth"), and Crisp Regional Hospital ("Crisp Regional").

The citizens and its counties likely recognize PPMH as critical to the community's healthcare needs as it is the only regional tertiary referral center for several services in southwest Georgia. As such, the County's healthcare status is intricately entwined with PPMH. An impact on PPMH is an impact on Dougherty County as PPMH is the principal link in the county's, and indeed the southwest Georgia region's, healthcare delivery system.

Less recognized may be that the County's healthcare needs are also protected by the existence of Phoebe Sumter, Phoebe Worth, and Crisp Regional. These safety net hospitals insure that residents of surrounding counties, regardless of their ability to pay, are able to receive care in their communities. Without these providers, PPMH would be inundated with financially needy patients to the detriment of its financial well-being, as well as that of the County and its citizens.

Based on assumptions contained in LCMC's own Certificate of Need ("CON") application and historical demographic and utilization trends in Dougherty County and surrounding counties, ***the only conclusion possible is that the proposed LCMC hospital will significantly and adversely impact the existing healthcare delivery system, and thus Dougherty County and its citizens***.

As provided in detail in this report:

- The socioeconomic factors associated with Dougherty County and surrounding counties – Crisp, Lee, Sumter, Terrell, and Worth Counties – do not suggest that a new hospital is needed. In fact, they demonstrate that ***a new hospital is not needed and will merely constitute an unnecessary cost and duplication of existing services***.
- No new hospital is needed because the size of the population of Dougherty County and much of the surrounding area is decreasing, and such decreases are likely to continue.
- Further, while Lee County is projected to have an increase in population, that increase will amount to only approximately 200 residents per year for the next 5 years, which is not enough to support a new 60-bed hospital.
- Given the population decline in Dougherty County and much of the service area, and the nominal population growth in Lee County, it is not surprising that service area residents are being admitted to hospitals in ever decreasing numbers. Inpatient days are also declining for service area residents despite the aging of the population. All four existing safety net hospitals are also experiencing decreasing inpatient demand.
- Because of declining demand and a small population base, inpatient occupancy rates are low. In 2016, ***only approximately 36 percent of the 932 beds in the area were occupied***.
- Even considering the needs of Dougherty and Lee Counties alone, ***the Department of Community Health's ("DCH's") short stay bed need guidelines demonstrate that there is a surplus of 356 acute care hospital beds in the area.***
- Despite allegations to the contrary, the LCMC hospital also will not increase access for patients. The proposed LCMC hospital will be

located just outside the Dougherty County border, and just minutes from two existing hospital campuses.

- LCMC will provide only non-tertiary services, which it defines as excluding basic obstetrical care. Notably, though LCMC could have sought to provide basic obstetrical care, it did not, likely because such patients are largely covered by Medicaid.
- It is evident from LCMC's CON application and financial projections, that despite the general economic downturn in the area at large, ***LCMC targets Lee County's affluent, insured patients to the detriment of the financially needy in the area***.
- The area is one of the poorest in the entire state; Dougherty, Crisp, Terrell and Sumter Counties rank in the bottom 15% of counties statewide for percent of persons living in poverty and bottom 25% for median household income. Thus, not surprisingly, the area has a disproportionate number of residents who lack health insurance, as well as a high proportional enrollment for Medicaid.
- Lee County is the notable exception in that it has a relatively affluent, mostly white population that largely has healthcare insurance. Thus, not surprisingly, LCMC projects that it will attract insured patients at a rate more than double the experience of existing hospitals.
- The amount of indigent and charity care proposed to be provided by LCMC is insufficient to even meet the partial needs of Lee County residents despite their affluence, much less the needs of financially needy residents in the remainder of the proposed service area.
- Unlike the proposed LCMC hospital, which projects to provide minimal amounts of indigent and charity care while targeting desirable insured patients, the four existing safety net hospitals are truly safety nets for the communities they serve as they treat a disproportionate share of Medicaid, uninsured, and financially indigent patients. Together, they provide more than $100 million in indigent and charity care annually, which has been increasing annually. The largest portion of this indigent and charity care is provided by PPMH.
- These hospitals provide many other community benefits. Of importance to Dougherty County is free medical care to the County's inmates, as well as a school nurses program, which provided nurses in 35 schools in Dougherty and Sumter Counties.
- Even without LCMC's proposed new hospital, given decreasing inpatient demand and increasing numbers of uninsured and financially needy patients, ***the financial health of PPMH and other area hospitals has deteriorated.***
- Further, given the sociodemographic factors at play as well as declining inpatient admissions, there is a finite and decreasing number of patient admissions. Thus, ***for LCMC to obtain its volume projections and be financially successful, it must redirect insured non-tertiary patients from PPMH and other Safety Net Hospitals in the service area***. The redirection of the non-tertiary, insured patients from the four Safety Net Hospitals to LCMC will leave the existing hospitals with even greater amounts of financially needy patients relative to insured patients, placing the financial viability of the rural providers and PPMH at risk.
- The result is that the new for-profit hospital, in close proximity to the Dougherty County line, the PPMH North Campus, and the PPMH main campus, ***will not increase access but rather 'cherry-pick' the insured, non-tertiary patients from PPMH, Phoebe Sumter, Phoebe Worth, and Crisp Regional***. With decreasing admissions for service area residents, there will be fewer inpatients for the existing hospitals to serve in the future, not more. Thus, any redirection of insured patients from any of the four hospitals serving residents of Dougherty and surrounding counties will negatively impact the area's hospitals.
- Based on LCMC's own projections of patient origin and volume, under reasonable assumptions, ***LCMC's project will cannibalize***

the insured patients already served by existing hospitals and needed to support their provision of care to the financially needy.

- ***PPMH and Phoebe Worth can be expected to lose more than 10% of their patient volume, and be financially impacted by as much as $32 million in Year 2.***
- Further, if the LCMC project is approved, ***staffing shortages at existing area hospitals, which are worse than anywhere in Georgia, will be exacerbated and have profound effect on operational readiness and quality of care at PPMH, the rural hospitals, and on LCMC itself.***
- Dougherty County and its citizens should expect to be negatively impacted by potentially higher property tax millage rates to cover indigent and charity care and increased funding to cover medical care for county inmates. The Dougherty County School System may expect to contribute more to cover school nurses, which are currently funded by Phoebe Putney.
- Costly tertiary services at PPMH, which is a regional referral center, could be eliminated or curtailed.
- The cost of healthcare could ultimately increase as LCMC represents an unnecessary duplication of healthcare resources. To recoup the $124 million cost of the project, ***LCMC proposes to charge residents more for inpatient services than charged by existing providers***.

Thus, for all of these reasons and for others provided in detail in this report, LCMC's proposed hospital will have detrimental impacts on the fragile healthcare delivery system in Dougherty County and beyond.

PURPOSE OF THIS ASSESSMENT

The purpose of this document is to evaluate the potential impact on Dougherty County (and the healthcare delivery system on which its citizens rely) of the nearly $124 million, 60-bed non-tertiary acute care hospital – Lee County Medical Center ("LCMC") – proposed to be established in Lee County, only approximately ½ mile north of the Dougherty County border. This assessment was completed at the request of the Dougherty County Board of Commissioners in order to assess the impact on the County and its citizens.

Inherent in the assessment of the impact of the proposed new hospital is detailed analyses of sociodemographic factors, existing healthcare providers, and the assumptions upon which the Certificate of Need ("CON") application of the proposed hospital is based. In addition to assessing publicly available socioeconomic and healthcare delivery data, the following analyses rely on the projections made by LCMC in its CON application, and when applicable, compares those forecasts and assumptions to reasonable expectations based on available market information.

PART 1: SOCIOECONOMIC CONSIDERATIONS AFFECTING HEALTHCARE IN AND AROUND DOUGHERTY COUNTY

SUMMARY

- The socioeconomic factors associated with Dougherty County and surrounding counties – Crisp, Lee, Sumter, Terrell, and Worth Counties – do not suggest that a new hospital is needed.
- The size of the population of Dougherty County and much of the surrounding area is decreasing, and such decreases are likely to continue.
- The area is one of the poorest in the entire state; Dougherty, Crisp, Terrell and Sumter Counties rank in the bottom 15% of counties statewide for percent of persons living in poverty and bottom 25% for median household income.
- Thus, not surprisingly, the area has a disproportionate number of residents who lack health insurance, as well as a high proportional enrollment for Medicaid.
- Dougherty County and most surrounding counties also have a proportionately high percentage of non-white residents, which impacts healthcare outcomes.
- Lee County is the notable exception in that it has a relatively affluent, mostly white population that largely has healthcare insurance.
- Further, while Lee County is projected to have an increase in population, that increase will amount to only approximately 200 residents per year for the next 5 years.

To analyze the potential impact of the proposed hospital, it is necessary to first understand the prevailing socioeconomic factors that affect the delivery of and access to healthcare services in and around Dougherty County.

Critically, the size of the population of Dougherty County and the LCMC service area counties as a whole is decreasing. In fact, as demonstrated in Table 1.1, the total population of Dougherty County has decreased by nearly 5% since 2010. And the remainder of the area proposed to be served by LCMC also has stagnant to decreasing population growth.

TABLE 1.1
TOTAL POPULATION
Dougherty County & Other LCMC Service Area Counties

	Total Population			
County	**2010**	**2016**	**Population Change**	**% Change**
Dougherty	94,565	90,017	-4,548	-4.8%
Remainder of LCMC Service Area				
Crisp	23,439	22,721	-718	-3.1%
Lee	28,298	29,337	1,039	3.7%
Sumter	32,817	30,389	-2,428	-7.4%
Terrell	9,507	8,967	-540	-5.7%
Worth	21,679	20,748	-931	-4.3%
Total	**210,305**	**202,179**	**-8,126**	**-3.9%**
Georgia	9,688,680	10,310,371	621,691	6.4%

Sources: U.S. Census Bureau and GA Department of Community Health.

Though Lee County, unlike Dougherty County and the rest of the proposed serviced area, experienced a slight increase in population, that growth amounts to only 173 additional residents per year over the past 6 years. More importantly, that small growth is more than offset by the population decrease experienced in surrounding counties. The overall declining population in the service area (-3.9%) contrasts with a statewide population growth of more than 6%.

The stagnancy of the population is not projected to change in the foreseeable future. In fact, population decreases are projected at least through 2022 as evidenced by LCMC's own CON application:

- LCMC's own projections, which are from a reputable source, show the population in Dougherty County and all other counties in the proposed service area other than Lee County declining between 2017 and 2022. (*See* Exhibit 3, CON application p. 11.7.)
- The only county projected to have any population growth in the future is Lee County, and that growth will only be just over 200 total residents per year over the next 5 years. (*Id.*)

Not only is the service area population stagnant, but the population of Dougherty County and surrounding counties is relatively poor, with almost one-third (1/3) of individuals living in poverty. Notably, Dougherty County, which is ranked 143 out of 159 Georgia counties, as well as Terrell, Crisp, and Sumter counties are in the bottom 15% of Georgia counties in terms of the percentage of residents living in poverty. (The notable exception is Lee County, the home of the proposed new hospital, which has the ninth lowest percentage of residents living in poverty in 2014.)

TABLE 1.2
2014 PERSONS & PERCENT IN POVERTY
Dougherty County & Other LCMC Service Area Counties

State Rank ***(of 159 counties)***	**County**	**Total Persons Living in Poverty**	**Percent of Total Population**
143	Dougherty	28,119	31.7%
Remainder of LCMC Service Area			
9	Lee	3,331	11.8%
77	Worth	4,692	22.6%
135	Terrell	2,632	29.8%
146	Crisp	7,327	32.5%
150	Sumter	9,996	33.9%
--	Georgia	1,802,783	18.4%

Source: Carl Vinson Institute of Government, University of Georgia.

Similarly, Dougherty County and the majority of the LCMC service area rank poorly in terms of median household income. In 2015, Dougherty, Sumter, Terrell, and Crisp ranked in the bottom quartile of Georgia counties in terms of household income. Lee County, on the other hand, has the 8th highest median household income in Georgia.

TABLE 1.3 2015 MEDIAN HOUSEHOLD INCOME *Dougherty County & Other LCMC Service Area Counties*		
State Rank ***(of 159 counties)***	**County**	**Median Household Income**
120	Dougherty	$34,799
Remainder of LCMC Service Area		
8	Lee	$68,636
81	Worth	$39,560
130	Sumter	$33,802
137	Terrell	$32,342
147	Crisp	$31,095
--	Georgia	$51,225
Source: Carl Vinson Institute of Government, University of Georgia.		

Given these facts, it is not surprising that Dougherty County and the majority of counties proposed to be served by LCMC have proportionately higher percentages of residents who have no health insurance. As demonstrated in Table 1.4 below, in 2013, 16.8% of Dougherty County residents were uninsured, placing the county in the bottom half of Georgia counties. Lee County, on the other hand, has a higher percentage of residents who have health insurance than all but 6 Georgia counties.

TABLE 1.4 2013 UNINSURED POPULATION BY COUNTY *Dougherty County & Other LCMC Service Area Counties*		
State Rank ***(of 159 counties)***	**County**	**% Uninsured** **(Healthcare Insurance)**
81	Dougherty	16.8%
Remainder of LCMC Service Area		
7	Lee	12.2%
39	Crisp	15.0%
70	Sumter	16.3%
99	Worth	17.3%
100	Terrell	17.4%
--	Georgia	15.8%
Source: Carl Vinson Institute of Government, University of Georgia. Note: data is for persons under 65 years of age.		

Moreover, in Dougherty County and most surrounding counties, a higher percentage of those that are insured are solely covered by Medicaid than Georgia on average. Dougherty County, for example, is ranked 148 out of 159 counties (meaning that only 11 counties in Georgia have a higher percentage of their population covered by Medicaid).

TABLE 1.5 2013 MEDICAID ENROLLMENT Population 64 Years and Younger *Dougherty County & Other LCMC Service Area Counties*			
State Rank ***(of 159 counties)***	**County**	**Medicaid Beneficiaries**	**% of Population Aged Under 65**
148	Dougherty	28,948	35.8%
Remainder of LCMC Service Area			
15	Lee	4,020	15.4%
86	Worth	4,876	27.4%
137	Crisp	6,661	33.7%
138	Sumter	9,141	34.0%
155	Terrell	2,944	39.4%
Source: DCH Office of Planning and Fiscal Analysis.			

TABLE 1.6 2017 POPULATION BY RACE *Dougherty County & Other LCMC Service Area Counties*		
County	**White**	**Non-White**
Dougherty	27%	73%
Remainder of LCMC Service Area		
Crisp	52%	48%
Lee	73%	27%
Sumter	41%	59%
Terrell	36%	64%
Worth	68%	32%
Total	43%	57%
Source: CON Application p. 11.7.		

Again, Lee County is the notable exception. Only 14 Georgia counties have fewer residents proportionately who are Medicaid beneficiaries.

Finally, in considering the healthcare needs of a community and the potential impact of a new hospital on the community, the racial profile of the community is an important factor. Certain races have higher incidence of disease and are more frequent users of healthcare services. Notably, 73% of Dougherty County residents are non-white, while in Lee County, the site of the proposed new hospital, 73% of residents are white.

PART 2: THE HEALTHCARE DELIVERY SYSTEM IN DOUGHERTY AND SURROUNDING COUNTIES

SUMMARY

- The existing healthcare delivery system in and around Dougherty and Lee Counties is comprised of four safety net hospitals – PPMH, Crisp Regional, Phoebe Sumter, and Phoebe Worth. Together these hospitals are licensed for 932 beds.
- These hospitals treat the majority of inpatients in the six-county region that forms the proposed LCMC service area. PPMH is especially the dominant provider of inpatient services for residents of Dougherty and Lee Counties.
- PPMH is the only hospital of the four that offers tertiary services, such as open heart surgery, advanced cancer services, and neonatal intensive care. As such, PPMH is the regional referral center for southwest Georgia.
- Given the population decline in the area, it is not surprising that service area residents are being admitted to hospitals in ever decreasing numbers. Inpatient days are also declining for service area residents despite the aging of the population.
- Regardless of patient residency, all four existing safety net hospitals are also experiencing decreasing inpatient demand.
- Because of declining demand and a small population base, inpatient occupancy rates are low. In 2016, only approximately 36 percent of the 932 beds in the area were occupied.
- Even considering the needs of Dougherty and Lee Counties alone, the DCH short stay bed need guidelines demonstrate that there is a surplus of 356 acute care hospital beds in the area.
- The four existing safety net hospitals are truly safety nets for the communities they serve as they treat a disproportionate share of Medicaid, uninsured, and financially indigent patients.
- Together, the four hospitals comprising the existing healthcare delivery system in the area provide more than $100 million in indigent and charity care annually, which has been increasing annually. The largest portion of this indigent and charity care is provided by PPMH.
- The vast majority of all residents of Dougherty and Lee Counties who obtained indigent and charity care from a general hospital obtained such free care at PPMH.
- These hospitals provide many other community benefits. Of importance to Dougherty County is free medical care to the County's inmates, as well as a school nurses program, which provided nurses in 35 schools in Dougherty and Sumter Counties.
- Given decreasing inpatient demand and increasing numbers of uninsured and financially needy patients, the financial health of PPMH and other area hospitals has deteriorated.
- In times of financial concern, historically the amount and types of community benefits provided by PPMH and these other safety net hospitals has decreased.
- PPMH and the other area hospitals are negatively impacted by critical nursing shortages, which are worse in southwest Georgia than the rest of the state. The service area is also designated by the federal government as a primary care physician shortage area.

To analyze the impact of the proposed new LCMC hospital on Dougherty County and its citizens, it is important to consider the existing healthcare delivery system in the county and surrounding areas, as well as trends in healthcare utilization occurring in the existing healthcare delivery system.

A. Overview of Existing Providers

The map depicted on the following page depicts the existing hospital providers that constitute the healthcare delivery system in and around Dougherty County and the LCMC proposed service area. Also depicted on the map (by a red star) is the proposed location of the LCMC hospital.

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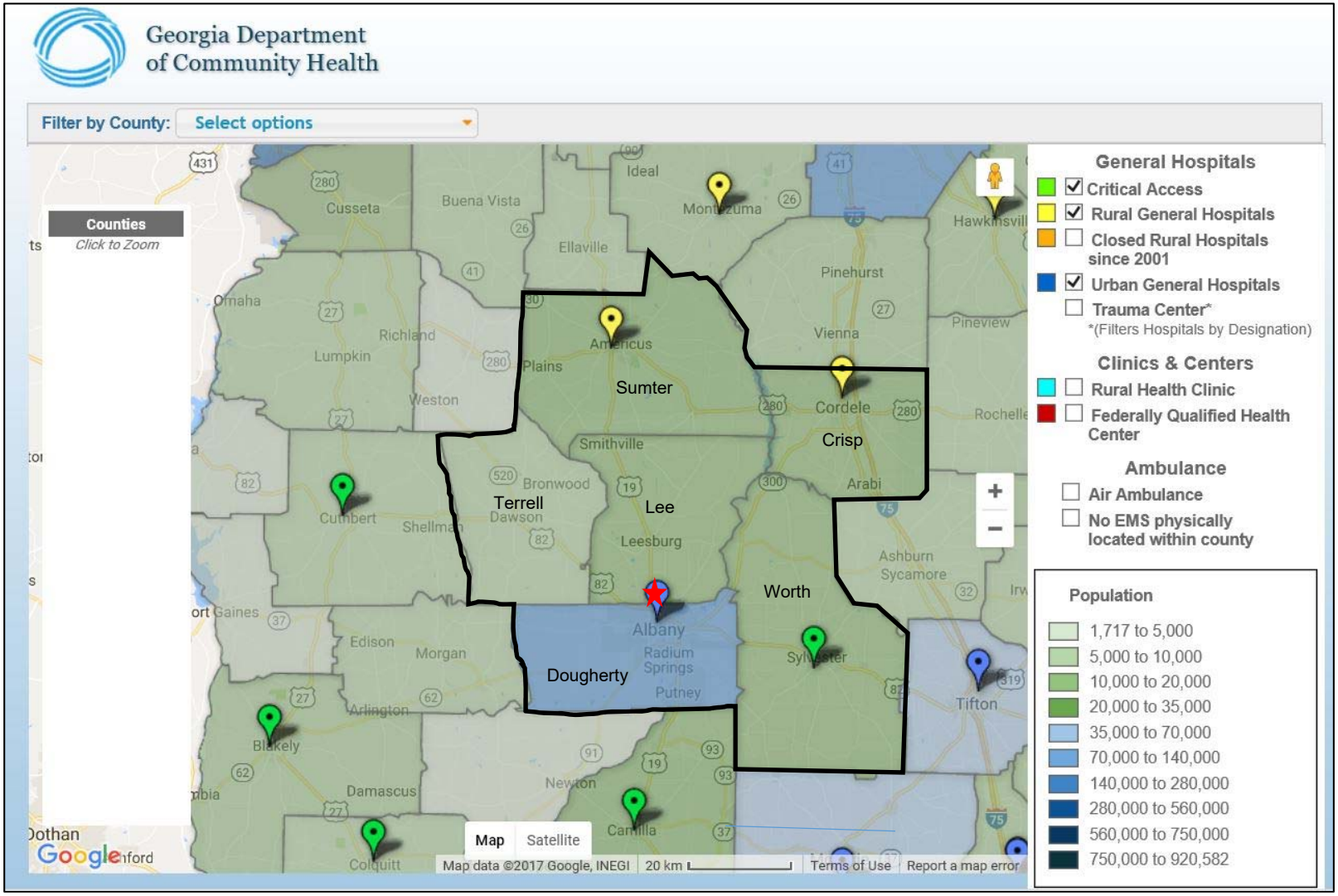
FIGURE 2.1
THE EXISTING HEALTHCARE DELIVERY SYSTEM
Dougherty County & Other LCMC Service Area Counties



Source: http://georgiahealthdata.info/RHC_Map.html; 10.05.17.

★ LCMC Proposed Location

There are 4 hospitals in the area proposed to be served by the new LCMC hospital -- PPMH (and its North campus) in Dougherty County (691 beds), Phoebe Sumter Medical Center ("Phoebe Sumter") in Sumter County (143 beds), Phoebe Worth Medical Center ("Phoebe Worth") (25 beds), and Crisp Regional Hospital ("Crisp Regional") (73 beds).

PPMH is the only one of these four hospitals that provides true tertiary services,[1] such as open heart surgery and neonatal intensive care, which makes Dougherty County the region's healthcare (and economic) hub for southwest Georgia. As such, PPMH is the regional referral center for southwest Georgia. For example, PPMH is:

- the only hospital in west Georgia south of Columbus that offers neonatal intensive care services for critically ill newborns;
- one of only two western Georgia hospitals south of Columbus that offer radiation therapy services for cancer patients; and
- the only hospital south of Columbus and west of Valdosta that offers open heart surgery services.

Thus, PPMH is not only critical to the health of Dougherty County, but also to all of southwest Georgia.

Beyond tertiary services, PPMH (including the North campus), Phoebe Sumter, Phoebe Worth, and Crisp Regional constitute the existing healthcare delivery system in and around Dougherty County. PPMH, Phoebe Sumter, and Crisp Regional also offer obstetrical and perinatal services.

As demonstrated in the following table, the vast majority of residents of Dougherty County and the proposed LCMC service area receive hospital services from these four hospitals. Notably, outside Crisp County, almost all residents of this area receive care through the Phoebe Putney Health System ("Phoebe Putney").

TABLE 2.1
EXISTING HEALTHCARE DELIVERY SYSTEM (2016)
All Inpatient Admissions

	% of County Inpatients Obtaining Care at Hospital					
Hospital	**Dougherty**	**Crisp**	**Lee**	**Sumter**	**Terrell**	**Worth**
PPMH	87.5%	11.7%	83.9%	24.4%	87.0%	57.2%
Crisp Regional	0.1%	62.0%	0.1%	2.2%	0.0%	2.5%
Phoebe Sumter	0.2%	0.8%	2.4%	54.4%	1.8%	0.6%
Phoebe Worth	1.1%	0.1%	0.8%	0.3%	0.4%	7.9%
TOTAL	88.9%	74.6%	87.2%	81.3%	89.2%	68.2%

Source: DCH Annual Hospital Questionnaire.

As depicted above, anywhere from 68.2% to 89.2% of the residents of the proposed LCMC service area obtain inpatient hospital services at one of the four hospitals that comprise the existing healthcare delivery system.

B. Declining Inpatient Utilization

The current trend in healthcare is for services generally to move from the inpatient setting to outpatient-based services. This trend holds true for Dougherty County residents and those in the surrounding counties that the new LCMC hospital proposes to serve. The result is a decreasing number of patient discharges for the existing hospitals to serve, with those patients who are admitted being generally sicker and

[1] In its CON application, LCMC implies that basic obstetrical care is a tertiary service. Obstetrical care is not a true tertiary service, rather it is primary care.

requiring more intensive resources over a longer length of stay now compared to earlier years.

Thus, as demonstrated in Table 2.2 below, the healthcare needs of the residents of every single county in the six-county area result in increasingly fewer inpatient discharges. Notably, Dougherty County residents generated 12.7% fewer discharges in 2016 than 2012.

TABLE 2.2
INPATIENT DISCHARGES FROM AREA COUNTIES ARE DECREASING

County	CY2012	CY2013	CY2014	CY2015	CY2016	4-Year Trend
Dougherty	12,050	12,822	11,680	11,522	10,524	-12.7%
Remainder of LCMC Service Area						
Crisp	3,635	3,089	3,127	3,188	3,011	-17.2%
Lee	2,835	2,904	2,744	2,841	2,602	-8.2%
Sumter	3,868	3,493	3,517	3,347	3,528	-8.8%
Terrell	1,298	1,364	1,232	1,213	1,019	-21.5%
Worth	2,952	2,797	2,647	2,687	2,539	-14.0%
Total Discharges	**26,638**	**26,469**	**24,947**	**24,798**	**23,223**	**-12.8%**
Total Patient Days	**126,733**	**129,556**	**128,243**	**127,240**	**119,838**	**-5.4%**
ALOS ***(average length of stay)***	**4.8**	**4.9**	**5.1**	**5.1**	**5.2**	**8.5%**

Source: GHA, Analytic Advantage.
Note: includes all discharges.

Similarly, as demonstrated in the following table, the four hospitals that comprise the existing healthcare delivery system discharge fewer and fewer patients each year.

TABLE 2.3
HOSPITALS IN SERVICE AREA ARE EXPERIENCING DECLINING VOLUMES AND HAVE AMPLE AVAILABLE CAPACITY

Calendar Year	Discharges	Change from Prior Year	Patient Days	Change from Prior Year	ALOS *(average length of stay)*
2011	26,967	N/A	135,149	N/A	5.0
2012	29,030	7.7%	140,232	3.8%	4.8
2013	27,556	-5.1%	135,231	-3.6%	4.9
2014	25,723	-6.7%	129,419	-4.3%	5.0
2015	25,704	-0.1%	124,146	-4.1%	4.8
2016	25,056	-2.5%	122,884	-1.0%	4.9

Source: DCH Annual Hospital Questionnaire.

The decreasing number of discharges should not come as a surprise as the overall population size is small and decreasing. Declining discharge volume has not been offset by substantial increases in average length of stay and resulting increases in patient days.

Notably, patient days and inpatient discharges are decreasing even as the population ages. Thus, despite the aging of the population, inpatient demand continues to decrease.

With decreasing inpatient demand, occupancy rates have declined. In 2016, the 932 licensed beds for the four existing hospitals in the healthcare delivery system was only 36.1% as depicted in Table 2.4 below.

TABLE 2.4 2016 OCCUPANCY RATES ARE LOW	
Total Licensed Beds	932
Actual Bed Days	122,884
Available Bed Days	340,180
Hospital Occupancy in Six-County Area	**36.1%**
Source: DCH Annual Hospital Questionnaire.	

Thus, in 2016, the existing hospitals that comprise the healthcare delivery system had substantial available capacity to serve additional patients. In fact, on any average day in 2016, approximately 596 licensed beds were sitting empty. Based on this oversupply in a time of declining inpatient demand, there is no need for additional beds to serve the six-county area.

Even considering the supply and demand of inpatient hospital services in Dougherty and Lee Counties alone, the DCH short stay bed need calculation (which DCH applies to LCMC's application) shows a surplus of 356 acute care beds. ***See* Attachment A**.

C. Provision of Care to the Financially Needy

Given the socioeconomics of the area, residents rely heavily on the public sector and government programs to fund their healthcare needs. In fact as demonstrated on Table 2.5 below, residents of the service area who are discharged from general acute care hospital settings are covered by Medicaid much more often than residents of the state as a whole – 33.5% vs. 21.9% – and are also less likely to be covered by commercial insurance – 16.1% vs. 26.4%

TABLE 2.5 2015 INPATIENT PAYOR MIX FOR SERVICE AREA RESIDENTS		
Payer	**Service Area**	**State**
Commercial (Insured)	**16.1%**	**26.4%**
Government	2.3%	2.8%
Medicaid	**33.5%**	**21.9%**
Medicare	39.8%	38.0%
Self-Pay	**8.2%**	**7.7%**
Other Non-govt.	0.2%	3.2%
Source: GHA, Analytic Advantage. Note: Excludes Newborn, Psychiatric, Substance Abuse, and Rehabilitation Discharges.		

Thus, the payor mix of each of the hospitals in the existing healthcare delivery system also reflects substantial care to the financially needy.

TABLE 2.6 2016 INPATIENT PAYOR MIX OF EXISTING HOSPITALS					
Payer	**PPMH**	**Phoebe Sumter**	**Phoebe Worth**	**Crisp Regional**	**State**
Commercial (Insured)	**20.0%**	**16.0%**	**14.0%**	**16.3%**	**28.8%**
Other	1.6%	2.3%	3.4%	0.1%	2.1%
Medicaid	**22.0%**	**24.1%**	**4.5%**	**18.0%**	**18.4%**
Medicare	47.6%	49.3%	69.8%	52.3%	42.5%
Self-Pay	**8.7%**	**8.2%**	**8.4%**	**13.3%**	**7.4%**
Source: DCH Annual Hospital Questionnaire. Note: All services included.					

Each of the four hospitals comprising the existing healthcare delivery system is a Safety Net Hospital (*i.e.*, they are a teaching or children's hospital or treat a disproportionate share of financially needy patients), which is not surprising given the socioeconomics of the area discussed in ***Part 1*** above.

TABLE 2.7
EXISTING HOSPITALS ARE SAFETY NET PROVIDERS

County	Hospital	Teaching or Children's Hospital	Medicaid & Peachcare Admits >20%	Uncomp. Indigent Care >6%	Uncomp. Indigent & Charity >10%
Dougherty	PPMH	✓	✓	✓	✓
Crisp	Crisp Regional		✓	✓	✓
Sumter	Phoebe Sumter		✓	✓	✓
Worth	Phoebe Worth			✓	✓

Source: General Hospitals Meeting Safety Net Hospital Criteria, DCH; Prepared 5/23/2013.

As Safety Net Hospitals, each of the existing service area hospitals serve a significantly high percentage of indigent and charity care patients.

TABLE 2.8
UNCOMPENSATED INDIGENT AND CHARITY CARE BY HOSPITAL

County	Hospital	FY2015 Uncompensated Indigent and Charity Care	
		% of Adjusted Gross Revenue	Dollar Amount
Dougherty	PPMH	12.8%	$84,517,780
Crisp	Crisp Regional*	17.4%	$12,707,758
Sumter	Phoebe Sumter*	5.1%	$3,803,995
Worth	Phoebe Worth*	18.5%	$1,563,436

Sources & Notes: DCH Hospital Financial Survey database, release date 1/19/2017.
*A qualified rural hospital organization that has been identified by DCH to be in financial need, thus, is a participant in the Georgia Rural Hospital Organization Expense tax credit program (Georgia Helps Enhance Access to Rural Healthcare Program, or "HEART").

Furthermore, as demonstrated in the following table, the total amount of indigent and charity care provided by the four hospitals comprising the existing healthcare delivery system has been increasing annually, with PPMH increasingly carrying a larger share of the burden.

TABLE 2.9
UNCOMPENSATED INDIGENT AND CHARITY CARE (FISCAL YEAR)
Area Safety Net Hospitals

Hospital	2012	2013	2014	2015	3-Year Growth
PPMH	$61,586,120	$67,631,889	$70,083,521	$84,517,780	37.3%
Phoebe Sumter	$6,014,771	$8,421,719	$4,761,189	$3,803,995	(36.8%)
Phoebe Worth	$2,642,341	$2,167,797	$1,891,118	$1,563,436	(40.8%)
Crisp Regional	$10,442,626	$11,529,912	$11,437,641	$12,707,758	21.7%
TOTAL	**$80,687,870**	**$89,753,330**	**$88,175,483**	**$102,594,984**	**27.1%**

Source: Georgia Department of Community Health, Hospital Financial Survey Database.

TABLE 2.10
2015 RESIDENTS' INDIGENT AND CHARITY CARE VISITS
by Resident's Home County and Hospital Provider

	Resident's Home County							
Hospital	Lee	Dougherty	Crisp	Sumter	Terrell	Worth	All Others	Total
PPMH	3,878	24,028	331	1,019	1,995	1,849	4,411	37,511
Phoebe Sumter	43	5	6	1,306	5	0	489	1,854
Phoebe Worth	3	114	0	0	0	1,248	68	1,433
Crisp Regional	18	75	6,618	160	5	190	3,424	10,490
All Others	132	804	508	276	242	636	0	2,598
Total	**4,074**	**25,026**	**7,463**	**2,761**	**2,247**	**3,923**	8.392	53,886

Source: Georgia Department of Community Health, Hospital Financial Survey Database.

As shown in Table 2.10 above, the vast majority of all residents of Dougherty County that obtained indigent and charity care from a general hospital obtained such free care at PPMH. The same holds true for the residents of Lee County who needed hospital care and were indigent or qualified for charity care.

D. Community Outreach

Each of the hospitals in the existing healthcare delivery system is a non-profit organization and as part of its tax exempt status offers benefits to its respective community.

Of primary importance to Dougherty and Lee Counties are the community benefits offered by PPMH at its main and north campuses.

Phoebe Putney provides extensive community outreach and a comprehensive array of tertiary-level services at PPMH without any financial support from Dougherty County and its citizens.

PPMH provides the following programs and services to residents of Dougherty and Lee Counties, and those in surrounding counties, to ensure access (with the FY2016 costs to the Phoebe Putney Health System referenced):

TABLE 2.11
PPMH COMMUNITY OUTREACH PROGRAMS

Benefit	FY 2016 Cost
Unreimbursed Indigent/ Charity Care	$23,000,000
Community Health Improvement Services	$1,661,609
Health Professional Education	$1,353,563
Subsidized Health Services	$571,290
Free Care for County Inmates	$356,475
School Nurses Program	$331,749
Financial and In-Kind Support	$203,422
Community Benefit Operations	$225,712

Sources: FY2016 Audited Financial Statements (Community Benefit Section); FY2016 PPMH Form 990.

E. Financial Health of Existing Healthcare Delivery System

Given declining admissions and waning demand for inpatient services in Dougherty County and the proposed LCMC service area, it comes as no surprise that the financial performance of the four hospitals that comprise the healthcare delivery system has been affected.

As demonstrated in the following tables, over the past few years, the financial performance of PPMH and its affiliated hospitals has materially worsened as the hospitals provide increasing amounts of indigent and charity care.

TABLE 2.12
OPERATING MARGIN (DOLLARS) AT AREA HOSPITALS (FISCAL YEAR)

Hospital	2012	2013	2014	2015
Crisp Regional	$4,339,342	$1,414,771	$4,849,450	$8,019,014
PPMH	$31,998,180	$13,329,332	($10,467,838)	($16,624,082)
Phoebe Sumter	($5,087,585)	($4,690,147)	($5,024,672)	($5,850,357)
Phoebe Worth	$215,131	($2,679,973)	($2,674,365)	($2,338,177)

Source: DCH Hospital Financial Surveys.

TABLE 2.13
OPERATING MARGIN (PERCENT) AT AREA HOSPITALS (FISCAL YEAR)

Hospital	2013	2014	2015	2016
Crisp Regional	10.1%	3.4%	10.3%	14.9%
PPMH	7.1%	2.7%	(2.3%)	(3.6%)
Phoebe Sumter	(10.2%)	(9.3%)	(9.9%)	(10.8%)
Phoebe Worth	2.6%	(41.9%)	(48.2%)	(42.6%)

Source: DCH Hospital Financial Surveys.

The deteriorating financial performance of the healthcare delivery system in and around Dougherty County is concerning.

As discussed previously, PPMH is relied upon by not only Dougherty and Lee County residents, but also by residents of all of southwest Georgia as PPMH is a regional referral center for southwest Georgia. Thus, PPMH's financial well-being is critical to the healthcare of southwest Georgians.

Moreover, the other three hospitals – Phoebe Sumter, Phoebe Worth, and Crisp Regional – are rural hospitals. These hospitals play a vital role in providing local, geographically accessible acute care services to their communities. The difficulty for these hospitals of remaining financially viable in the face of industry-wide declining admissions, decreasing reimbursement, and higher operating costs is exacerbated by the small home county population of each provider. The respective home counties' total population for Crisp Regional, Phoebe Sumter, and Phoebe Worth's is each 30,000 residents or less, which is far below the 40,000 population threshold[2] needed to support a rural hospital.

Thus, these hospitals are struggling, and have been identified by DCH as rural hospitals in financial need. In fact, the importance of these rural hospitals to the residents in the area is illustrated by Gov. Nathan Deal's creation of the *Rural Hospital Stabilization Committee* in April 2014. In particular, Crisp Regional was one of the four (4) "hub & spoke" pilot programs of the Georgia Rural Hospital Stabilization Committee. (*See* Final Report to the Governor, Rural Hospital Stabilization Committee, February 23, 2015.)

Further, as part of the Governor's focus on the financial viability of rural hospitals such as Crisp Regional, Phoebe Sumter, and Phoebe Worth, the Georgia General Assembly passed, and Gov. Deal signed into law, Senate Bill ("SB") 258, that awards Georgia income tax credits to individual and corporate taxpayers who contribute to qualified rural hospital organizations ("RHOs") in Georgia. On May 8, 2017, Gov. Deal signed SB 180, an amendment to SB 258 Georgia Rural Hospital Organization Expense tax credit, which made the tax credit retroactive to January 1, 2017.

The Georgia RHO expense tax credit program makes available to Georgia taxpayers $60 million of income tax credits, with each qualified RHO having access to $4 million of tax credits (until the total annual $40 million cap is met). Notably, each of the three rural hospitals in LCMC's service area is a qualified RHO eligible for a portion of the tax credit program. DCH initially qualified 49 rural hospitals. Currently, the service area rural hospitals rank as follows, with the higher ranking indicating greater financial need:

TABLE 2.14
QUALIFIED RURAL HOSPITAL ORGANIZATIONS

Rank	Hospital	City
16	Phoebe Sumter	Americus
19	Phoebe Worth	Sylvester
28	Crisp Regional	Cordele

Source: Georgia HEART Hospital Program website, 10/5/17.

The financial viability of these surrounding rural hospitals is important to Dougherty County residents because if these rural hospitals no longer exist or cannot continue to serve their local residents, many of whom are financially needy, those residents will rely solely on Phoebe Putney in Dougherty County for care, which would further stress the

[2] Source: HomeTown Health CEO Jimmy Lewis' presentation to the House Rural Development Council in Bainbridge, July 2017, as part of the Rural Hospital Stabilization Committee.

region's tertiary-level provider already serving a significant amount of financially needy residents.

It is important to note that the declining financial health of hospitals in and around Dougherty County directly impacts the amount and types of benefits that are provided by area hospitals to the community. As demonstrated in Tables 2.12 and 2.13 above, PPMH's operating margin has steadily declined over the past 4 years. As a direct result, the community benefits provided by PPMH also declined. For example, according to PPMH's Form 900, from 2013 through 2016, the amount of free medical care provided by PPMH to county inmates decreased by 53.7% from $770,543 to $356,475. Even more dramatically, over this same time period, the amount of funds PPMH spent on its school nurses program decreased by 76.0% from $1,384,585 to $331,749.

F. Access to Healthcare Professionals

Dougherty County, Lee County, and each of the surrounding counties have been identified as Medically Underserved Areas ("MUAs") and Health Professional Shortage Areas ("Health Professional Shortage Areas") by the U.S. Department of Health and Human Services. Thus, there is a shortage of primary care physicians, including obstetricians and pediatricians, in the area.

Also, Georgia has a critical shortage of nurses, a problem that is fairly pronounced in Dougherty County and the surrounding area. In fact, the Registered Nurse ("RN") vacancy rate for the 4 area hospitals is18.7%, which is higher than the statewide rate of 11.1%. In fact, the State Service Delivery Region ("SSDR") that comprises Dougherty and Lee Counties has the highest RN vacancy rate of any other SSDR in the state.

TABLE 2.15
2016 REGISTERED NURSE VACANCY RATES

Hospital / Region	RN Vacancy Rate
PPMH	23.0%
Phoebe Sumter	5.2%
Phoebe Worth	14.2%
Crisp Regional	8.0%
6-County Region	18.7%
State of Georgia	11.1%

Source: DCH Annual Hospital Questionnaires.

Based on 2016 reports, the hospitals that comprise the healthcare delivery system in and around Dougherty County collectively have unfilled positions for 193 unfilled RN positions.

TABLE 2.16
2016 UNFILLED RN POSITIONS

Hospital	Unfilled RN Positions
PPMH	173
Phoebe Sumter	6
Phoebe Worth	3
Crisp Regional	11
TOTAL	**193**

Source: DCH Annual Hospital Questionnaires.

PART 3: THE PROPOSED LEE COUNTY MEDICAL CENTER PROJECT

SUMMARY

- The proposed LCMC hospital will be located just outside the Dougherty County border, and just minutes from two existing hospital campuses.
- LCMC will provide only non-tertiary services, which it defines as excluding basic obstetrical care.
- The project's location and the assumptions included in LCMC's CON proforma reveal that LCMC intends to target commercially insured patients and not carry its burden to care for the financially needy.
- The amount of indigent and charity care proposed to be provided by LCMC is insufficient to even meet the partial needs of Lee County residents, much less the needs of financially needy residents in the remainder of the proposed service area.
- LCMC's proposed inpatient charges are higher than existing area hospitals' charges. Thus, despite its claim that it will reduce costs, its proposal will actually increase costs in the area.
- LCMC will require 356.9 full-time equivalents in year 2, including 168 skilled nurses, which will only exacerbate the current critical nursing shortage in the area.

Lee County Medical Center proposes to develop a 60-bed general acute care hospital at a total project cost of approximately $124 million. The proposed hospital includes 60 beds, an emergency department, and surgical services comprised of three general operating rooms ("OR"), one dedicated orthopedic OR, 2 endoscopy procedure rooms, and pre- and post-operative areas that are clearly sized for future expansion.

LCMC proposes to provide only 'non-tertiary' services which noticeably *excludes* basic obstetrical ("OB") services, which is predominantly compromised of Medicaid patients in Dougherty and surrounding counties.

The targeted service area for the hospital includes Lee, Dougherty, Crisp, Sumter, Terrell, and Worth Counties, with the vast majority of patients expected to reside in Lee and Dougherty Counties as depicted below:

TABLE 3.1
LCMC PROJECTED PATIENT ORIGIN
Year 2 of Operations

County of Residence	*Projected Patient Days*	*% of Total Patient Days*
Lee	8,043	46.2%
Dougherty	7,618	43.7%
Sumter	576	3.3%
Crisp	548	3.1%
Worth	453	2.6%
Terrell	175	1.0%
TOTAL	**17,413**	**100.0%**

Source: LCMC Additional Information at pg. 30.

LCMC will be located less than one-half mile north of Dougherty County, only 2.9 driving miles and 7 minutes from PPMH's north campus, and 4.4 driving miles and 9 minutes from PPMH's main campus.

The following maps show the relative proximity of the proposed LCMC location to both PPMH's north and main campuses. In fact, measured by straight-line distance, the proposed hospital is only 2.36 and 3.68 miles, respectively, from PPMH's main and north campuses.

FIGURE 3.1
STRAIGHT-LINE DISTANCE TO PPMH NORTH CAMPUS

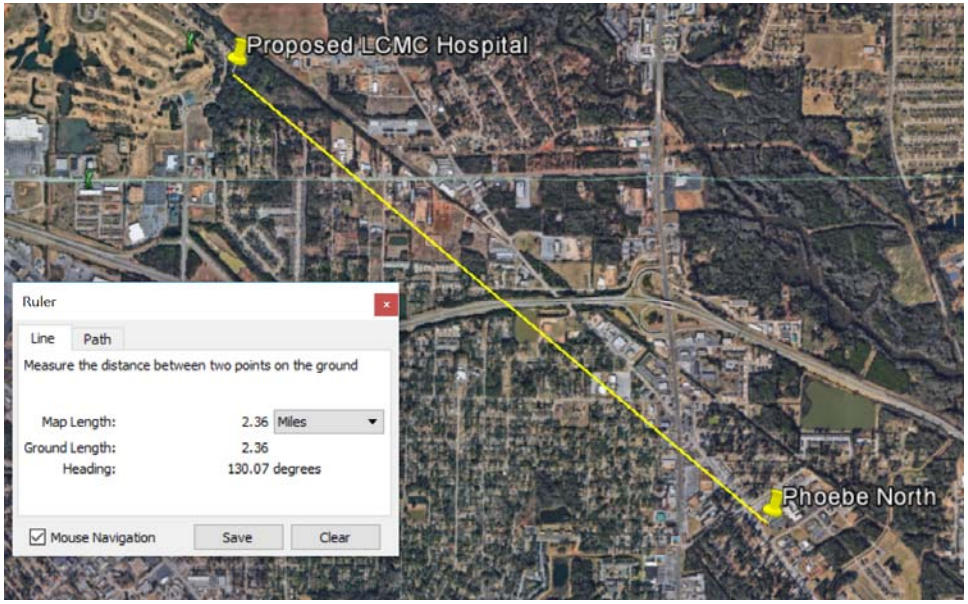
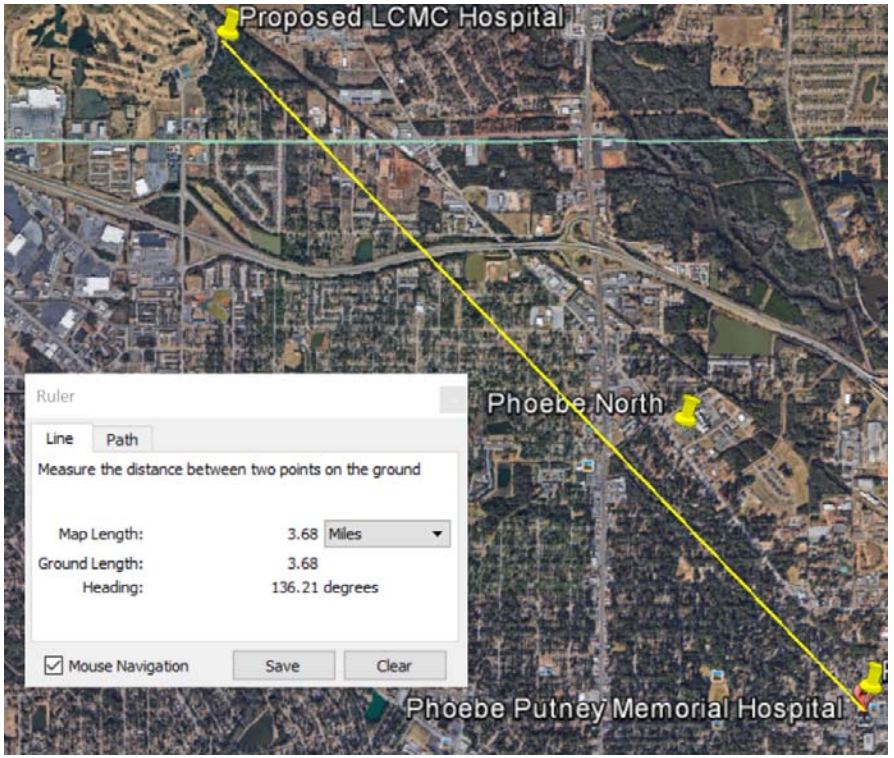


FIGURE 3.2
STRAIGHT-LINE DISTANCE TO PPMH MAIN CAMPUS



The location of the proposed project, being in close proximity and minutes away from two existing hospital locations, demonstrates that the project is not intended to improve access to healthcare services.

Despite the 691 hospital beds that sit within minutes of the proposed LCMC hospital, and even though the area is overbedded and the demand for inpatient hospital services is decreasing (despite an aging

population), LCMC boldly states that its project is needed to increase competition, thus lowering cost and improving quality.

However, LCMC's project will not result in either outcome; it will neither lower cost nor improve quality.

While the proposed new hospital claims that it will be a cost-effective alternative to the existing hospitals in the service area, particularly focusing on PPMH, the following table shows that LCMC projected Year 2 charges will be the highest of any hospital in the defined service area, including PPMH, a tertiary-level hospital offering OB, NICU, open heart surgery, and other services with typically higher charges than the non-tertiary services sought to be provided by LCMC.

TABLE 3.2
PROJECTED AVERAGE CHARGE PER INPATIENT DAY, PROJECT YEAR 2 (2021)

County	Hospital	Project Year 2 (2021)
Lee	LCMC	$8,606
Sumter	Phoebe Sumter	$7,369
Dougherty	PPMH	$6,783
Crisp	Crisp Regional	$5,961
Seminole	Donalsonville Hospital	$5,093
Worth	Phoebe Worth	$1,937

Source: DCH Annual Hospital Questionnaire.
Note: Existing hospitals' average charge inflated by 1.0%, the inflation rate used by LCMC in its application. (*See* CON application p. 23.)

Please refer to **Attachment B** for a comparison of LCMC's projected average charge per day compared to all hospitals in Georgia. As shown there, LCMC – a hospital proposing only non-tertiary services, excluding even OB services – will have higher charges than tertiary providers such as Archbold Memorial Hospital (Thomasville), Floyd Medical Center (Rome), University Hospital (Augusta), and several Emory-affiliated hospitals, including Emory University Hospital Midtown (Atlanta) and Emory Johns Creek Hospital (Johns Creek).

Thus, despite its claims that it will reduce costs, its proposal will actually increase costs in the area.

Similarly, while LCMC claims that its project will increase quality of care, the likely result is that quality will be diminished. As previously documented in ***Part 2*** above, there is a critical nursing shortage, as well as physician shortage already in Dougherty County and the proposed area. Personnel shortages contribute to quality issues and concerns. But even though there is already a shortage of skilled nursing personnel in Dougherty County and the surrounding area, LCMC proposes to establish a new hospital that will need 168 additional skilled nurses, including RNs and nurse assistants.

The exacerbation of the critical nursing shortage will only further diminish quality of care.

Similarly, LCMC maintains that its project will increase competition by increasing patient choice because Phoebe employs a large number of physicians. However, LCMC fails to demonstrate how it will recruit or employ additional new physicians to the area, particularly given that Phoebe is the employer for many of these physicians.

LCMC intends to primarily serve insured patients in the service area. In fact, LCMC projects that the largest proportion of its patients (43%) will be commercially insured, despite the socioeconomics of Dougherty County, the most populous county in the area.

TABLE 3.3 SERVICE AREA COUNTY HOSPITALS' HISTORICAL PAYOR MIX COMPARED TO LCMC'S PROJECTED YEAR 2					
	Projected	*Actual Payer Mix, CY2016*			
Payor	**LCMC**	**PPMH**	**Phoebe Sumter**	**Phoebe Worth**	**Crisp Regional**
Medicare	42%	47.6%	49.3%	69.8%	42.5%
Medicaid	8%	22.0%	24.1%	4.5%	18.4%
Commercial	**43%**	**20.0%**	**16.0%**	**14.0%**	**16.3%**
Self-Pay	3%	8.7%	8.2%	8.4%	13.3%
Other	4%	1.6%	2.3%	3.4%	0.1%
Source: Department of Community Health, Annual Hospital Questionnaire Database.					

LCMC also projects that comparatively fewer of its patients will be Medicaid or self-pay patients.

Not only is LCMC's payor mix projections inconsistent with the hospitals that comprise the existing healthcare delivery system, it is also inconsistent with the payor mix of residents of the service area that obtained inpatient hospital care for the non-tertiary services that LCMC itself proposes to provide.

As demonstrated in the following table, for example, while only 15% of all non-tertiary hospital discharges involving service area residents was covered by commercial, insurance, LCMC projects that 43% of its patients will be commercially insured. Similarly, while 22% of service area residents who were discharged from a hospital for non-tertiary care were covered by Medicaid, LCMC projects that only 8% of its patients will be Medicaid recipients.

TABLE 3.4 SERVICE AREA PAYOR MIX: NON-TERTIARY SERVICES *Comparison of Actual vs. LCMC Projected, Year 2*		
Payer	**LCMC Projected**	**CY2015 Service Area**
Commercial	**43%**	**15%**
Government	2%	2%
Medicaid	**8%**	**22%**
Medicare	42%	51%
Self-Pay	**3%**	**10%**
Other Non-govt.	2%	0%
Total	100%	100%
Sources: HIDI Analytic Advantage and CON Application p. 16. Notes: Non-Tertiary Services based on Applicant defined MS-DRG listing.		

As further shown in the table below, LCMC's projected payor mix is not even consistent with the payor mix of non-tertiary Lee County residents who were discharged from a hospital in 2016.

TABLE 3.5 LEE COUNTY PAYOR MIX: NON-TERTIARY SERVICES *Comparison of Actual vs. LCMC Projected, Year 2*		
Payer	**LCMC Projected**	**CY2015 Lee County**
Commercial	**43%**	**25%**
Government	2%	3%
Medicaid	**8%**	**16%**
Medicare	42%	47%
Self-Pay	**3%**	**9%**
Other Non-govt.	2%	0%
Total	100%	100%
Sources: HIDI Analytic Advantage and CON Application p. 16. Notes: Non-Tertiary Services based on Applicant defined MS-DRG listing.		

Thus, the difference in LCMC's projected payer mix compared to other service area providers, *i.e.*, significantly higher insured/third-party patients, cannot be entirely contributed to the healthy financial status of Lee County residents compared to those of Dougherty and other service area counties. Despite their financial status, Lee County residents admitted to a hospital have historically been covered dramatically less by third party, commercial insurers (25% vs. 43%) and twice as often by Medicaid as LCMC projects for its proposed hospital.

Given the wide discrepancy in payor mix experienced by the existing healthcare delivery system and that proposed by LCMC, it is evident that LCMC will necessarily leave the uninsured, underinsured, and financially needy patient population to the existing four hospitals in the service area.

Also by seeking to provide only non-tertiary, non-OB service lines, LCMC also seeks to be less burdened by caring for the financially needy than the existing healthcare delivery system. The following table shows that a higher percentage of the tertiary-level patients in the service area are financially needy when compared to the non-tertiary level patients, which is significant because LCMC proposes to serve only non-tertiary level patients.

TABLE 3.6
SERVICE AREA PAYOR MIX COMPARISON:
LCMC PROJECTED VS. ACTUAL FOR TERTIARY SERVICE LINES

	Year 2 Projections	***Actual Service Area Resident Discharges, CY15***		
Payer	**LCMC, Non-Tertiary**	**Tertiary Services, excl. OB & NICU**	**Obstetrics Services**	**NICU* Services**
Commercial	43%	19%	24%	13%
Government	2%	3%	4%	4%
Medicaid	**8%**	**24%**	**70%**	**80%**
Medicare	42%	44%	1%	0%
Self-Pay	**3%**	**10%**	**2%**	**2%**
Other Non-govt.	2%	0%	0%	0%
Total	100%	100%	100%	100%

Sources: HIDI Analytic Advantage and CON Application p. 16.
Notes: Non-Tertiary Services based on Applicant defined MS-DRG listing.
*Neonates excluding normal newborns.

Additionally, as Safety Net Hospitals, each of the existing service area hospitals serves a significantly higher percentage of indigent and charity care patients than LCMC proposes to serve[3] in Year 2 of its project.

[3] Notably, LCMC's amount of indigent and charity care is inflated given the high charges at LCMC compared to service area, and statewide hospitals. (*See* Table 3.6 for charge comparisons for service area county hospital providers. **Attachment B** includes statewide information.)

TABLE 3.7
ACTUAL VS. PROJECTED UNCOMPENSATED INDIGENT AND CHARITY CARE BY HOSPITAL

County	Hospital	FY2015 Uncompensated Indigent and Charity Care	
		% of Adjusted Gross Revenue	Dollar Amount
Lee	LCMC* *(Proposed, Yr 2)*	2.8%*	$4,339,425
Dougherty	PPMH	12.8%	$84,517,780
Crisp	Crisp Regional**	17.4%	$12,707,758
Sumter	Phoebe Sumter**	5.1%	$3,803,995
Worth	Phoebe Worth**	18.5%	$1,563,436

Sources & Notes: DCH Hospital Financial Survey database, release date 1/19/2017.
*LCMC states a commitment to provide 3% annual I/C; however, Year 2 of its proforma projects 2.8% of adjusted gross revenues, thus, Project Year 2 I/C falls short of its stated commitment.
**A qualified rural hospital organization that has been identified by DCH to be in financial need, thus, is a participant in the Georgia Rural Hospital Organization Expense tax credit program (Georgia Helps Enhance Access to Rural Healthcare Program, or "HEART").

Notably, the approximately $4.3 million dollars in indigent and charity care that LCMC proposes to provide is insufficient to meet the needs of the community it proposes to serve, which as provided in **Part 1** above is economically depressed. Even the residents of Lee County, who are affluent compared to other area counties, including Dougherty, require substantially more indigent and charity care annually than LCMC proposes to serve. In FY 2015, according to the DCH Hospital Financial Surveys, for example, Lee County residents accounted for $9.2 million dollars in indigent and charity care at PPMH alone.

Thus, LCMC projects to provide less than 46% of the indigent and charity care that PPMH already provides to Lee County residents even if one were to assume that all of the indigent and charity care that LCMC proposes to provide will be provided solely to Lee County residents. Of course, that assumption is unreasonable as LCMC projects that 54% of its patients will be residents of counties other than Lee County.

PART 4: ANALYSIS OF NEGATIVE IMPACTS OF PROPOSED LCMC HOSPITAL ON DOUGHERTY COUNTY AND THE EXISTING HEALTHCARE DELIVERY SYSTEM

SUMMARY

- Because there is a finite and decreasing number of patient admissions, the non-tertiary patients must be redirected from PPMH and other Safety Net Hospitals in the service area for LCMC to reach its projections and be financially viable. The redirection of the non-tertiary, insured patients from the four Safety Net Hospitals to LCMC will leave the existing hospitals with even greater amounts of financially needy patients relative to insured patients, placing the financial viability of the rural providers and PPMH at risk.

- The result is that the new for-profit hospital, in close proximity to the Dougherty County line, the PPMH North Campus, and the PPMH main campus, will not increase access but rather 'cherry-pick' the insured, non-tertiary patients from PPMH, Phoebe Sumter, Phoebe Worth, and Crisp Regional. With decreasing admissions for service area residents, there will be fewer inpatients for the existing hospitals to serve in the future, not more. Thus, any redirection of insured patients from any of the four hospitals serving residents of Dougherty and surrounding counties will negatively impact the area's hospitals.

- Based on LCMC's own projections of patient origin and volume, under reasonable assumptions, LCMC's project will cannibalize inpatient market share of existing hospitals.

- PPMH and Phoebe Worth can be expected to lose more than 10% of their patient volume, and be financially impacted by as much as $32 million.

- Staffing shortages at existing areas hospitals will be exacerbated and have profound effects on operational readiness and quality of care at PPMH, the rural hospitals, and on LCMC itself.

- Should LCMC be approved, Dougherty County and its citizens should expect to be negatively impacted by potentially higher property tax millage rates to cover indigent and charity care and increased funding to cover medical care for county inmates. The Dougherty County School System may expect to contribute more to cover school nurses, which are currently funded by Phoebe Putney.

- Costly tertiary services at PPMH, which is a regional referral center, could be eliminated or curtailed.

- The cost of healthcare could ultimately increase as LCMC represents an unnecessary duplication of healthcare resources. To recoup the $124 million cost of the project, LCMC proposes to charge residents more for inpatient services than charged by existing providers.

A. Direct Adverse Impact on PPMH and Other Area Providers

Lost Patient Volumes and Financial Impact

As demonstrated in ***Parts 1 and 2*** above, the population of the area is declining, with the exception of Lee County. Lee County is projected to experience only slight population increase (of approximately 200

residents annually). Inpatient demand as measured by inpatient discharges and inpatient days is declining in Dougherty and Lee County, as well as every county in the proposed LCMC service area. Notably, while the population is aging in place, that trend has been present for the last few years and has not been sufficient to result in increased inpatient demand. Thus, there is waning demand and a surplus of beds to serve the region's patients.

In light of the demographics of the area, the significant number of licensed beds that are available, and declining inpatient utilization, it is reasonable to project that all patients served by LCMC must be captured by redirecting existing patient volumes from the 4 existing safety net hospitals in the proposed LCMC service area.

Absent population growth or other growth in demand, the only way that LCMC could obtain patients without redirecting them from existing providers would be to serve patients that currently go unserved by the existing healthcare delivery system. But, there is absolutely no evidence that there are "non-tertiary" patients in the service area (especially the commercially insured and Medicare patients who will be predominantly served by LCMC) who go without inpatient care.

In an effort to hide the impact that its project will have on other providers, LCMC wrongly alleges that inpatient demand from patients in Dougherty and Lee Counties, and other service area counties, will see dramatic growth over the next few years. For example, as demonstrated in Table 4.1 below, LCMC suggests that the number of "non-tertiary" inpatient days demanded by Lee County residents will increase from 8,760 days currently to 16,946 days in 2022 (a growth factor of 93.4%). This well exceeds the population growth rate projected for Lee County and is inconsistent with the historical decrease in inpatient days experienced in Lee County and elsewhere in the service area.

TABLE 4.1
LCMC'S PROJECTED PATIENT DAYS BY SERVICE AREA COUNTY ARE GROSSLY OVERSTATED TO DISGUISE IMPACT

	"Non-Tertiary" Days			
County	**LCMC's 2022 Projection for County**	**April 2016-March 2017 Actual for County**	**Growth Rate Needed for Actual Pt Days to Meet LCMC's Projections**	**Total Pop Growth Rate, 2017-2022**
Lee	16,946	8,760	93.4%	8.72%
Crisp	16,056	9,810	63.7%	0.95%
Dougherty	64,206	48,256	33.1%	0.06%
Sumter	15,039	12,052	24.8%	-2.63%
Terrell	6,515	4,453	46.3%	-3.49%
Worth	14,224	8,375	69.8%	-1.08%
Total	**132,986**	**91,706**	**45.0%**	**0.79%**

Sources & Notes: GA HIDI Analytic Advantage; actual data is for most recent 12 months available, April 2016 – March 2017 (newborns excluded).
"Non-tertiary" patient days based on MS-DRGs defined by LCMC.
Numbers may not calculate exactly as shown due to rounding.

Nowhere does LCMC explain (particularly in light of the existing demographics and declining demand) how the inpatient days will increase so dramatically in just a few years.

Thus, it is evident that virtually all of the patients that LCMC projects to serve will be redirected from existing providers.

Based on this, the following analysis accurately reflects historical trends in inpatient demand in Dougherty and Lee Counties and the remainder of the service area. In fact, to be conservative, the following analysis assumes that, contrary to actual historical decreases in service area

discharges and days, the current level of service area volume will remain constant between now and Project Year 2 (2022).

Even conservatively assuming the downward trend discontinues, the table below shows that all four hospitals in the service area will lose substantial patient days due to volumes that are redirected to the proposed LCMC hospital.

PPMH and Phoebe Worth, safety net hospitals within the service area, will each be adversely impacted greater than 10%. Notably, the adverse impact on both Crisp Regional and Phoebe Sumter are material as these two hospitals have been identified (along with Phoebe Worth) as a rural hospital in financial need. Of course, the adverse impact on PPMH, which is not only a safety net hospital and regional referral center, but also a teaching hospital, is also material.

TABLE 4.2
LCMC WILL ADVERSELY IMPACT EXISTING SAFETY NET HOSPITALS

Service Area County	Remaining "Non-Tertiary" Patient Days Available to Svc Area Hospitals: Total "Non-Tertiary" Patient Days, Actual	*Minus* LCMC Projected Patient Days, Year 2	*Equals* Remaining "Non-Tertiary" Patient Days, Year 2	Project Year 2 (2022) "Non-Tertiary" Patient Days by Hospital, based on Current Market Share: PPMH	Crisp Regional	Phoebe Sumter	Phoebe Worth
Lee	8,760	8,043	717	638	0	14	15
Crisp	9,810	548	9,262	1,087	5,548	29	86
Dougherty	48,256	7,618	40,638	32,795	24	61	1,501
Sumter	12,052	576	11,476	3,247	214	5,911	99
Terrell	4,453	175	4,278	3,626	4	55	52
Worth	8,375	453	7,922	5,420	196	12	1,813
Service Area Total ("Non-Tertiary") Project Year 2	**91,706**	**17,413**	**74,293**	**46,813**	**5,986**	**6,082**	**3,566**
Total "Non-Tertiary Days" (All Counties), Most Recent 12 Months				**60,803**	**6,344**	**6,548**	**4,129**
Lost Patient Days from Service Area Residents resulting from LCMC Redirecting "Non-Tertiary" Patients				**(13,990)**	**(358)**	**(466)**	**(563)**
***Divided by* Total Patient Days (Tertiary and "Non-Tertiary") Most Recent 12 Months**				**97,884**	**10,077**	**10,948**	**4,799**
***Equals* Adverse Impact on Existing Hospitals (Lost Patient Days as % of Total Tertiary and "Non-Tertiary" Days)**				**-14.3%**	**-3.6%**	**-4.3%**	**-11.7%**

Sources & Notes: GA HIDI Analytic Advantage; actual data is for most recent 12 months available, April 2016 – March 2017 (newborns excluded).
"Non-tertiary" patient days based on MS-DRGs as defined by LCMC.
Numbers may not calculate exactly as shown due to rounding.

Conservatively, even if inpatient days buck the trend and do not decline, but remain constant, PPMH will lose almost 14.3% of its patient days. The three rural hospitals can be expected to lose anywhere from 3.6% to 11.7% of their patient volume, with Phoebe Worth the most greatly impacted of the rural hospitals.

The true impact on the existing healthcare delivery system is even greater because LCMC intends to "cherry pick" highly insured patients, leaving the uninsured and financially needy to be served by the existing healthcare delivery system. For every insured patient that LCMC redirects from an existing provider, it captures not only the enhanced reimbursement that such patient brings, but also removes available resources for existing safety net providers to care for the uninsured and financially needy.

As shown below, LCMC's financial impact on the existing safety net hospitals in its proposed service area is significant, ranging from an estimated $585,874 loss at Phoebe Worth to more than $32 million loss at PPMH.

TABLE 4.3
POTENTIAL FINANCIAL ADVERSE IMPACT ON SAFETY NET HOSPITALS
LCMC's Service Area, Project Year 2

Calculation of Lost Reimbursement to Safety Net Providers	**PPMH**	**Crisp Regional**	**Phoebe Sumter**	**Phoebe Worth**
Lost Patient Days from Service Area Residents resulting from LCMC Redirecting "Non-Tertiary Patients, Year 2	(13,990)	(358)	(466)	(563)
Divided by ALOS for "Non-Tertiary" Patients, April 2016-March 2017	5.6	4.0	4.2	12.5
Equals Lost Admissions due to LCMC Patient Redirection	2,491	89	111	45
Estimated Revenue Lost due to LCMC Patient Redirection*	$32,458,407	$1,158,277	$1,449,539	$585,874

Sources & Notes: GA HIDI Analytic Advantage; actual data is for most recent 12 months available, April 2016 – March 2017 (newborns excluded).
Numbers may not calculate exactly as shown due to rounding.
*Based on LCMC's projected reimbursement amount of $13,028 per admission in Project Year 2. (*See* CON page 23.)

Exacerbated Staffing Shortages

As provided in ***Part 2*** above, the existing healthcare delivery system is challenged by critical nursing and physician shortages. The proposed LCMC project will only exacerbate these shortages.

The existing safety net hospitals already encounter substantial difficulty filling nursing positions. As further shown in Table 2.15, the percentage of RN positions that are unfilled is higher in the service area counties than in any other area of Georgia, particularly at PPMH. Based on recently available data, there were 193 RN vacancies that needed filling at the four area safety net hospitals, most at PPMH.

Despite this critical shortage of RNs, LCMC proposes to establish a new hospital that will require 356.9 new FTEs. 168 of those FTEs are expected to be skilled nurses, including RNs and Nurse Assistants.

The adverse impact that this will have on existing hospitals, most notably PPMH, is incalculable, but the damage to clinical operations will be remarkable. For example, while LCMC suggests that competition is needed to improve quality of care, quality of care, which already is impacted by staffing shortages, will likely be further degraded by exacerbated nursing and physician shortages – particularly if LCMC (with its highly insured patient population) offers higher salaries than existing providers.

B. Adverse Impacts on Dougherty County and Its Citizens

As provided above, based on LCMC's own projections of patient volumes and patient origin, LCMC's proposed project is expected to have a significant financial and operational impact on the area's safety net hospitals, including, most notably, PPMH.

Adverse impacts on PPMH, and indeed on the three existing rural hospitals that operate around Dougherty County, ultimately have an effect on the County and its citizens.

With respect to the County, any impacts to the financial well-being of PPMH can have an impact on the County's and its citizens' finances.

For example, in prior years (from the early 1990s through 2002) when PPMH's financial position was weakened, the County entered into an agreement to levy a property tax millage rate increase on citizens to compensate PPMH for indigent care that it provided to Dougherty County residents. This tax amounted to approximately $2 million annually. Because such levy was implemented at a time when the amount of indigent and charity that was sought by the County's residents was substantially less than present, if PPMH's financial condition worsens (as it can be expected to do) due to lost volumes (especially of insured patients) to LCMC, any future millage rate increase to fund indigent and charity care could be substantially higher.

Additionally, if PPMH's financial condition is further affected by LCMC, the amounts and types of community benefits that PPMH provides to the County and its citizens will likely decrease. For example, PPMH already has decreased the amount of free care it provides to County inmates and towards the school nurses program with its recently worsening financial position. At one time, these programs cost PPMH $750,000 and more than $1 million annually, respectively. If PPMH is impacted, it likely would seek to negotiate reimbursement from the County or the School System for these services or even eliminate these services altogether.

The County also must be concerned about the financial viability of surrounding rural hospitals that comprise the existing healthcare delivery system – Phoebe Worth, Phoebe Sumter, and Crisp Regional. These rural hospitals, which are safety net hospitals because of the proportion of uninsured and financially needy patients they serve, act

as a stop gap to prevent PPMH (as a tertiary referral center) from incurring even further financial losses. If these rural hospitals should be impacted financially or even close, the financially needy patients they serve would flood PPMH and further deteriorate its financial status.

Beyond impacts on Dougherty County's and its citizens finances, its citizens should be concerned about other immeasurable impacts, such as exacerbation of health professional shortages and negative impacts on quality of care that may result.

With a worsening financial position, PPMH and the existing rural hospitals could further reduce their community screening and other outreach efforts, which have been demonstrated to improve health outcomes. If community outreach is reduced, patients will likely also ultimately arrive at the hospital sicker and require more resources, further stressing already distressed, understaffed hospitals.

Finally, while LCMC maintains that its hospital will improve competition and thus lower healthcare costs, which are higher in Albany than in many other areas of the country, given the overbedded nature of the existing healthcare delivery system and the declining inpatient demand, LCMC will be nothing more than a duplication of services already available.

Thus, the project will merely incur substantial costs exceeding $124 million to duplicate services and beds that already exist. Such costs will be passed on to the patient. As shown in Table 3.2, rather than reduce costs to patients, LCMC proposes to charge patients more than other area hospitals, including PPMH.

PART 5: FAILURE OF LCMC HOSPITALTO COMPLY WITH MANDATORY CON REVIEW CONSIDERATIONS

As provided above, there is no need for a new hospital in the proposed service area, the project proposes to cannibalize patients from existing providers, and will harm the fragile safety net delivery system in an economically depressed area.

The following summarizes the findings of this report as they relate to the individual CON review considerations that apply to the CON application filed by LCMC and will be presented to the Department of Community Health should the County elect to proceed with the opposition.

1. **Consistency with State Health Plan: Rule 111-2-2-.09(1)(a)**

   For all the reasons set forth in this document, the proposed project is not consistent with the State Health Plan.

2. **Need & Exception to Need: Rules 111-2-2-.09(1)(b) and 111-2-2-.20(3)(c)**

   At the outset, it is important to note that the Department *may* allow an exception to need and adverse impact standards if the proposed project meets one of the identified criteria; it is not a requirement. In this instance, the denial of the project shouldn't turn on whether the exception to need and adverse impact is allowed. Rather, the application should be denied because there is no need for the project, resulting in unnecessary duplication of services and adversely impacting existing hospitals in the service area (each of which is a Safety Net Hospital). Thus, the project will have a negative effect on the existing healthcare delivery system, particularly for the financially needy residents of the area.

   As documented previously, the proposed project is not needed because:

   - The DCH need methodology shows a surplus of 356 beds in Dougherty and Lee Counties alone.
   - The service area population is small and generally declining or stagnant.
   - Service area admissions and patient days are declining.
   - The hospitals in the service area also have declining admissions and patient days.
   - Thus, the service area is substantially overbedded as reflected in an occupancy of only approximately 36%.

   Additionally, the following table compares LCMC's Project Year 2 average daily census ("ADC") to the ADC of rural hospitals throughout Georgia. As demonstrated below, LCMC's projected ADC of 42 patients for a rural hospital located in a county with only approximately 31,000 residents is significantly higher than the actual ADC experience of rural hospitals statewide, particularly for those that do not offer OB or psychiatric services similar to LCMC's proposed hospital.

TABLE 5.1
RURAL HOSPITALS IN GEORGIA:
2016 AVERAGE DAILY CENSUS & COUNTY POPULATION COMPARED TO LCMC PROJECTED YEAR 2

County	2017 Total Pop	Hospital	Licensed Beds		Licensed Beds	Beds per 1,000 Persons	2016 Inpt Days	2016 Occ.	2016 ADC
			OB	Psych					
Lee	**31,156**	**Lee County Medical Center *(Proposed)***			**60**	**1.93**	**15,262**	**69.7%**	**42**
Polk	42,377	Polk Medical Center			53	1.25	7,165	37.0%	20
Peach	27,412	The Medical Center of Peach County			36	1.31	7,140	54.3%	20
Haralson	29,244	Higgins General Hospital			57	1.95	5,625	27.0%	15
Meriwether	21,141	Warm Springs Medical Center			32	1.51	5,229	44.8%	14
Bleckley	12,862	Bleckley Memorial Hospital			64	4.98	4,979	21.3%	14
Brooks	15,409	Brooks County Hospital			45	2.92	4,913	29.9%	13
Morgan	18,437	Morgan Memorial Hospital			25	1.36	4,801	52.6%	13
Candler	11,139	Candler County Hospital			60	5.39	4,775	21.8%	13
Worth	21,183	Phoebe Worth Medical Center			50	2.36	4,522	24.8%	12
Butts	24,076	WellStar Sylvan Grove Hospital			28	1.16	4,437	43.4%	12
Greene	16,572	St. Mary's Good Samaritan Hospital			49	2.96	3,948	22.1%	11
Rabun	16,404	Mountain Lakes Medical Center			49	2.99	3,804	21.3%	10
Mitchell	23,108	Mitchell County Hospital			33	1.43	3,712	30.8%	10
Elbert	19,471	Elbert Memorial Hospital			52	2.67	3,550	18.7%	10
Putnam	21,693	Putnam General Hospital			50	2.30	3,276	18.0%	9
McDuffie	21,997	University McDuffie County Regional Medical Center			47	2.14	3,185	18.6%	9
Lanier	11,016	South Georgia Medical Center Lanier Campus			40	3.63	3,064	21.0%	8
Monroe	28,047	Monroe County Hospital			40	1.43	2,621	18.0%	7
Effingham	59,235	Effingham Hospital			45	0.76	2,365	14.4%	6
Jeff Davis	15,399	Jeff Davis Hospital			50	3.25	2,356	12.9%	6
Jefferson	16,251	Jefferson Hospital			65	4.00	2,122	8.9%	6
Screven	14,294	Optim Medical Center - Screven			49	3.43	1,369	7.7%	4

TABLE 5.1
RURAL HOSPITALS IN GEORGIA:
2016 AVERAGE DAILY CENSUS & COUNTY POPULATION COMPARED TO LCMC PROJECTED YEAR 2

County	2017 Total Pop	Hospital	Licensed Beds		Licensed Beds	Beds per 1,000 Persons	2016 Inpt Days	2016 Occ.	2016 ADC
			OB	Psych					
Lee	**31,156**	**Lee County Medical Center *(Proposed)***			**60**	**1.93**	**15,262**	**69.7%**	**42**
Randolph	6,956	Southwest Georgia Regional Medical Center			40	5.75	1,135	7.8%	3
Jasper	13,917	Jasper Memorial Hospital			17	1.22	1,094	17.6%	3
Clinch	6,902	Clinch Memorial Hospital			25	3.62	1,058	11.6%	3
Jenkins	9,318	Optim Medical Center - Jenkins			40	4.29	1,035	7.1%	3
Miller	5,923	Miller County Hospital*			38	6.42	6,813	49.1%	19
Toombs	28,173	Meadows Regional Medical Center	Yes		57	2.02	14,445	69.4%	40
Appling	18,945	Appling Hospital		Yes	74	3.91	13,944	51.6%	38
Pickens	30,853	Piedmont Mountainside Medical Center	Yes		52	1.69	11,846	62.4%	32
Crisp	23,590	Crisp Regional Hospital	Yes		73	3.09	11,352	42.6%	31
Upson	26,718	Upson Regional Medical Center	Yes		115	4.30	11,084	26.4%	30
Sumter	30,858	Phoebe Sumter Medical Center	Yes		143	4.63	10,376	19.9%	28
Stephens	25,906	Stephens County Hospital	Yes		96	3.71	10,274	29.3%	28
Wayne	30,990	Wayne Memorial Hospital	Yes		84	2.71	9,551	31.2%	26
Macon	13,656	Flint River Community Hospital		Yes	50	3.66	8,957	49.1%	25
Habersham	45,088	Habersham County Medical Center	Yes		53	1.18	8,617	44.5%	24
Dodge	21,295	Dodge County Hospital	Yes		94	4.41	7,267	21.2%	20
Camden	53,685	Southeast Georgia Health System-Camden Campus	Yes		40	0.75	7,162	49.1%	20
Decatur	27,775	Memorial Hospital of Bainbridge	Yes		80	2.88	7,160	24.5%	20
Union	22,138	Union General Hospital	Yes		45	2.03	6,561	39.9%	18
Wilkes	9,802	Wills Memorial Hospital	Yes		25	2.55	6,439	70.6%	18
Grady	26,112	Grady General Hospital	Yes		60	2.30	6,418	29.3%	18
Bacon	11,658	Bacon County Hospital	Yes		47	4.03	5,264	30.7%	14

Emanuel	23,622	Emanuel Medical Center		Yes	72	3.05	4,389	16.7%	12
Lumpkin	32,485	Chestatee Regional Hospital	Yes	Yes	52	1.60	4,107	21.6%	11
Washington	20,694	Washington County Regional Medical Center	Yes		56	2.71	3,931	19.2%	11
Pulaski	11,411	Taylor Regional Hospital	Yes		55	4.82	3,610	18.0%	10
Ben Hill	17,869	Dorminy Medical Center	Yes		75	4.20	3,531	12.9%	10
Liberty	66,452	Liberty Regional Medical Center	Yes		32	0.48	3,531	30.2%	10
Towns	11,164	Chatuge Regional Hospital		Yes	42	3.76	3,515	22.9%	10
Fannin	24,092	Fannin Regional Hospital	Yes		50	2.08	3,508	19.2%	10
Berrien	18,995	South Georgia Medical Center - Berrien Campus		Yes	63	3.32	3,279	14.3%	9
Seminole	8,957	Donalsonville Hospital, Inc.	Yes	Yes	65	7.26	3,183	13.4%	9
Irwin	9,427	Irwin County Hospital	Yes		34	3.61	2,411	19.4%	7
Evans	11,027	Evans Memorial Hospital		Yes	49	4.44	1,793	10.0%	5
Burke	23,086	Burke Medical Center	Yes		40	1.73	1,240	8.5%	3

Sources & Notes: DCH Annual Hospital Questionnaire, 05/25/17.
*Approximately 70% of Miller County Hospital's patient days are in 10 swing beds with an average daily census of 18.6 days; thus, the hospital is not comparable to LCMC.
Hospitals that provide OB (including Level 1) and psychiatric services are included in the table even though LCMC does not propose to provide either of those services.

3. **Existing Alternatives: Rule 111-2-2-.09(1)(c)**

   Service area residents have existing alternatives, including a tertiary-level regional referral hospital that cares for the majority of financially needy residents and three rural, Safety Net Hospitals. No new services will be provided at the hospital; rather, LCMC will provide a limited array of inpatient services that exclude obstetrical services, among other services. Further, there is substantial unused capacity at each of these existing hospitals.

4. **Financial Feasibility: Rule 111-2-2-.09(1)(d)**

   The proposed project is not financially feasible for the following reasons:

   - Proposed charges are higher than existing providers' current charges when inflated to LCMC Project Year 2.
   - The payor mix is unrealistically skewed toward commercially insured patients, thus overstating projected revenues.
   - The projected patient admissions and days are unrealistic and are contrary to sociodemographic and utilization trends in the service area.
   - Absent the applicant's ability to meet its projected volumes, the project will not be financially feasible.
   - LCMC's ability to hire 356.9 employees, the majority of which is comprised of highly skilled clinical personnel, is questionable given the area's critical shortage of nurses.
   - The ability of LCMC to recruit and/or employ the necessary physician staffing has not been explained or included in the financial proforma, particularly in light of the area's physician shortages and the stated desire of the Applicant to provide the community with physicians not affiliated with PPMH (thus presumably new to the community).

5. **Effects on Payors: Rule 111-2-2-.09(1)(e)**

   As stated elsewhere, the proposed project has higher average charges per inpatient day than existing providers.

6. **Financial Accessibility: Rule 111-2-2-.09(1)(g)**

   LCMC's projected payer mix is inconsistent with the actual experience of service area residents in total and for Lee County as well. Moreover, the projected indigent and charity care percentage in Project Year 2 is below the Applicant's stated commitment. Regardless of any adjustment that LCMC may make to the projection to meet its stated minimum commitment, it is clear that the new hospital does not intend to provide its fair share of care to the financially needy, including indigent and charity care and Medicaid patients.

7. **Positive Relationship to Existing Healthcare Delivery System: Rule 111-2-2-.09(1)(h)**

   The application should be denied because there is so need for the project, resulting in unnecessary duplication of services and adversely impact existing hospitals in the service area (each of which is a Safety Net Hospital). Because of declining utilization and waning demand, all patients projected to be obtained by LCMC must be cannibalized from existing providers. Thus, the project will have a negative effect on the existing healthcare

delivery system, particularly for the financially needy residents of the area.

8. Necessary Resources: Rule 111-2-2-.09(1)(p)

As stated previously, the area has a critical shortage of primary care physicians and nursing personnel which will only be exacerbated by the unnecessary duplication of services.

9. Adverse Impact: Rule 111-2-2-.20(3)(d)

As documented previously, the proposed project will have a material impact on the existing hospitals in the service area, each of which is a Safety Net Hospital.

Attachment A

Proposed Lee County Medical Center Target Service Area
Short-Stay Hospital Bed Need Projection
2022 Horizon, CY 2016 Discharge Days (GHA HIDI)

Final Calculations and Outcome (Steps C through F)

CURRENT TOTAL TARGET SERVICE AREA PATIENT DAYS		73,183
	Sum Total of all projected patient days representing the target service area's expected use rate in the horizon year. Horizon year population divided by the Current County Use Rate.	78,748
Step C - Projected Baseline Bed Need for Facility (All Ages)	*Total projected days from Step B divided by 365 representing the Baseline Bed Need for the facility in the horizon year.*	216
Step D - Out-of-State Utilization Adjustment Factor	*1. Total current patient days from hospitals located within the target service area for patients living out-of-state.*	1,061
	2. Total current patient days from hospitals located within the target service area.	105,365
	3. Factor is determined by determining what percent out-of-state patients represent when compared to the total current patient days at hospitals located within the target service area.	1.0%
	4. Adjust projected baseline bed need for facility in Step C by adding the adjustment factor from Step D.3 to the total baseline projected bed need in Step C.	218
Step E - Final Projected Bed Need for Facility after Applying the Optimal Occupancy Rate for Facility Home County	*1. Optimal Occupancy Rate is 75% if home county is Non-Rural and 65% if home county is Rural as defined by the most recent Decennial Resident Census (35,000 threshold). Optimal Occupancy is set at 70% for all teaching/children's hospitals.*	0.65
	2. Divide the Adjusted Baseline Projected Bed Need from Step D.3 (adjusted for Out-of-State days) by the Optimal Occupancy Rate for the home county (Step E.1). This represents the final projected bed need for the target service area in the horizon year.	335
Step F - Compare the Projected Bed Need for the Horizon Year to the Current Total Bed Capacity	*Current Total Bed Capacity is the sum total number of approved and existing acute care beds for the facility as of the most current department inventory.*	691
	Surplus/(Deficit) Beds:	**356**

Notes/Sources:

Resident Population: From Resident Population Projections 2013-2025, 6/24/2016 Release, Governor's Office of Planning and Budget.

Discharge Days of Care: Georgia Hospital Association HIDI Discharge Data, Newborn days are excluded.

Bed Capacity: Georgia Map2Care.

Attachment B

Average 2016 Charges per Inpatient Day by Hospital Inflated to LCMC Project Year 2 (2021)			
SSDR	**County**	**Hospital**	**2021 Projected**
3	DeKalb	Emory University Orthopaedics & Spine Hospital	$17,867
3	Fulton	WellStar North Fulton Hospital	$17,082
1	Bartow	Cartersville Medical Center	$16,966
7	Richmond	Doctor's Hospital of Augusta	$15,823
6	Bibb	Coliseum Northside Hospital	$15,802
1	Fannin	Fannin Regional Hospital	$15,631
1	Floyd	Redmond Regional Medical Center	$15,033
3	Fulton	WellStar Atlanta Medical Center	$14,207
3	Fulton	Piedmont Hospital	$14,193
9	Laurens	Fairview Park Hospital	$13,775
3	DeKalb	Children's Healthcare of Atlanta at Egleston	$13,296
5	Barrow	Northeast Georgia Medical Center Barrow	$13,203
4	Coweta	Southeastern Regional Medical Center, Inc	$13,117
3	Cherokee	Northside Hospital Cherokee	$12,947
4	Carroll	Tanner Medical Center Villa Rica	$12,454
4	Spalding	WellStar Spalding Regional Hospital	$12,440
3	Cobb	WellStar Kennestone Hospital	$12,099
2	Forsyth	Northside Hospital Forsyth	$11,965
4	Coweta	Piedmont Newnan Hospital	$11,667
3	Fulton	Northside Hospital	$11,624
8	Muscogee	Northside Medical Center	$11,611
3	Fayette	Piedmont Fayette Hospital	$11,456
5	Clarke	Piedmont Athens Regional Medical Center	$10,842
3	Gwinnett	Eastside Medical Center	$10,819
1	Gordon	Gordon Hospital	$10,809
6	Bibb	Coliseum Medical Centers	$10,486
3	Douglas	WellStar Douglas Hospital	$10,464
12	Chatham	Saint Joseph's Hospital	$10,386
7	Richmond	Trinity Hospital of Augusta	$10,381
3	DeKalb	Emory University Hospital	$10,258
1	Paulding	WellStar Paulding Hospital	$10,155
1	Pickens	Piedmont Mountainside Medical Center	$10,100
3	Fulton	Saint Joseph's Hospital of Atlanta	$10,091
3	Henry	Piedmont Henry Hospital, Inc	$9,824
3	Cobb	WellStar Cobb Hospital	$9,801
3	Fulton	Children's Healthcare of Atlanta at Scottish Rite	$9,738
3	Fulton	Children's Healthcare of Atlanta at Hughes Spalding	$9,413
6	Bibb	Medical Center, Navicent Health, The	$9,340
1	Murray	Murray Medical Center	$9,256
11	Tift	Tift Regional Medical Center	$9,221
3	Gwinnett	Gwinnett Medical Center	$9,191
9	Toombs	Meadows Regional Medical Center	$9,118
4	Carroll	Tanner Medical Center-Carrollton	$8,851
3	Rockdale	Rockdale Medical Center	$8,763

Average 2016 Charges per Inpatient Day by Hospital Inflated to LCMC Project Year 2 (2021)			
1	Whitfield	Hamilton Medical Center	$8,713
Lee County Medical Center - Proposed			***$8,606***
1	Floyd	Floyd Medical Center	$8,337
3	Fulton	Emory University Hospital Midtown	$8,234
4	Upson	Upson Regional Medical Center	$8,041
5	Newton	Piedmont Newton Hospital	$7,901
3	Clayton	Southern Regional Medical Center	$7,897
6	Bibb	Regency Hospital Company of Macon	$7,804
11	Lowndes	South Georgia Medical Center	$7,798
3	Fulton	Select Specialty Hospital - Midtown Atlanta, LLC	$7,729
3	Fulton	Emory Johns Creek Hospital	$7,726
7	McDuffie	University Hospital McDuffie	$7,723
7	Richmond	University Hospital	$7,707
5	Clarke	St Mary's Hospital	$7,620
3	Cobb	WellStar Windy Hill Hospital	$7,518
1	Floyd	Kindred Hospital Rome	$7,462
8	Sumter	Phoebe Sumter Medical Center	$7,369
12	Chatham	Memorial Health University Medical Center, Inc.	$7,273
10	Thomas	John D. Archbold Memorial Hospital	$7,251
4	Troup	WellStar West Georgia Medical Center	$7,114
8	Muscogee	Midtown Medical Center	$6,896
3	DeKalb	Select Specialty Hospital - Northeast Atlanta	$6,886
9	Jeff Davis	Jeff Davis Hospital	$6,832
10	Dougherty	Phoebe Putney Memorial Hospital	$6,783
3	Gwinnett	Gwinnett Medical Center - Duluth	$6,770
12	Effingham	Effingham Health System	$6,738
9	Evans	Evans Memorial Hospital	$6,695
8	Muscogee	Saint Francis Hospital	$6,635
12	Chatham	Candler Hospital	$6,385
9	Wayne	Wayne Memorial Hospital	$6,333
3	DeKalb	DeKalb Medical Center	$6,270
3	Fulton	Shepherd Center	$6,213
10	Colquitt	Colquitt Regional Medical Center	$6,175
2	Towns	Chatuge Regional Hospital	$6,114
8	Crisp	Crisp Regional Hospital	$5,961
1	Polk	Polk Medical Center	$5,889
12	Glynn	Southeast Georgia Health System-Brunswick Campus	$5,834
2	Union	Union General Hospital	$5,368
12	Camden	Southeast Georgia Health System - Camden Campus	$5,288
12	Liberty	Liberty Regional Medical Center	$5,247
11	Ware	Mayo Clinic Health System in Waycross	$5,229
12	Screven	Optim Medical Center - Screven	$5,226
6	Baldwin	Oconee Regional Medical Center	$5,210
10	Seminole	Donalsonville Hospital, Inc.	$5,093
10	Grady	Grady General Hospital	$5,046
2	Lumpkin	Chestatee Regional Hospital	$4,929
3	Fulton	Select Specialty Hospital - Atlanta	$4,881
6	Houston	Houston Medical Center	$4,881

Average 2016 Charges per Inpatient Day by Hospital Inflated to LCMC Project Year 2 (2021)			
7	Jenkins	Optim Medical Center - Jenkins	$4,828
2	Stephens	Stephens County Hospital	$4,719
2	Franklin	St. Mary's Sacred Heart Hospital	$4,631
11	Ben Hill	Dorminy Medical Center	$4,504
10	Decatur	Memorial Hospital of Bainbridge	$4,407
3	DeKalb	Emory Rehabilitation Hospital	$4,301
12	Chatham	Landmark Hospital of Savannah	$4,299
11	Bacon	Bacon County Hospital	$4,277
2	Habersham	Habersham County Medical Center	$4,206
5	Greene	St. Mary's Good Samaritan Hospital	$4,081
9	Emanuel	Emanuel Medical Center	$4,066
5	Jackson	Northridge Medical Center	$3,929
11	Brooks	Brooks County Hospital	$3,926
11	Irwin	Irwin County Hospital	$3,732
6	Houston	Perry Hospital	$3,648
6	Monroe	Monroe County Hospital	$3,446
6	Pulaski	Taylor Regional Hospital	$3,276
8	Muscogee	Columbus Specialty Hospital	$3,247
9	Candler	Candler County Hospital	$3,246
10	Mitchell	Mitchell County Hospital	$3,210
5	Elbert	Elbert Memorial Hospital	$3,201
9	Dodge	Dodge County Hospital	$3,170
7	Washington	Washington County Regional Medical Center	$3,154
4	Butts	WellStar Sylvan Grove Hospital	$3,090
11	Coffee	Coffee Regional Medical Center	$2,999
4	Meriwether	Roosevelt Long Term Acute Care Hospital	$2,982
3	Fulton	Grady Memorial Hospital	$2,786
12	Bulloch	Willingway Hospital	$2,628
1	Haralson	Higgins General Hospital	$2,574
6	Bibb	Rehabilitation Hospital, Navicent Health	$2,540
7	Richmond	Select Specialty Hospital of Augusta	$2,540
8	Macon	Flint River Community Hospital	$2,496
4	Meriwether	Roosevelt Warm Springs Institute for Rehabilitation	$2,430
6	Putnam	Putnam General Hospital	$2,426
7	Burke	Burke Medical Center	$2,361
6	Peach	Medical Center of Peach County, Navicent Health	$2,247
10	Miller	Miller County Hospital	$2,225
12	Chatham	Select Specialty Hospital - Savannah	$2,206
9	Bleckley	Bleckley Memorial Hospital	$2,200
11	Berrien	South Georgia Medical Center - Berrien Campus	$2,198
7	Richmond	HealthSouth Walton Rehabilitation Hospital	$2,155
5	Morgan	Morgan Memorial Hospital	$2,130
7	Jefferson	Jefferson Hospital	$2,039
12	Chatham	Rehabilitation Hospital of Savannah	$1,986
10	Worth	Phoebe Worth Medical Center	$1,937
11	Lanier	South Georgia Medical Center Lanier Campus	$1,907
7	Richmond	Lighthouse Care Center of Augusta	$1,892
9	Appling	Appling Hospital	$1,779

Average 2016 Charges per Inpatient Day by Hospital Inflated to LCMC Project Year 2 (2021)			
3	DeKalb	Peachford Behavioral Health System of Atlanta	$1,688
2	Rabun	Mountain Lakes Medical Center	$1,682
3	Clayton	Riverwoods Behavioral Health System	$1,577
3	Gwinnett	Lakeview Behavioral Health System	$1,577
11	Lowndes	Greenleaf Center	$1,577
3	DeKalb	Laurel Heights Hospital	$1,419
10	Colquitt	Turning Point Care Center, LLC	$1,393
5	Jasper	Jasper Memorial Hospital	$1,389
3	Henry	Southern Crescent Behavioral Hlth System-Crescent Pir	$1,351
5	Clarke	Landmark Hospital of Athens	$1,338
3	Cobb	Ridgeview Institute	$1,261
12	Chatham	Coastal Harbor Treatment Center	$1,059
7	Wilkes	Wills Memorial Hospital	$1,051
6	Bibb	Lake Bridge Behavioral Health System	$1,025
8	Muscogee	West Central Georgia Regional Hospital	$892
7	Richmond	East Central Regional Hospital - Augusta Campus	$800
3	Fulton	Hillside, Inc.	$491
Source: DCH Annual Hospital Questionnaire database, 5/25/17.			