

ICYMI: How a 2019 Florida Law Catalyzed a Hospital-Building Boom

WESLEY CHAPEL, Fla. — In BayCare Hospital Wesley Chapel’s 86 private rooms, patients can use voice-activated Alexa devices to dim the lights, play music, or summon a nurse.

BayCare boasts some of the latest high-tech equipment. Yet, the company said, its \$246 million facility that opened here in March doesn’t provide any health care services beyond what patients could receive at a hospital just 2 miles away.

BayCare Wesley Chapel’s luster as the newest hospital in this fast-growing Tampa suburb of 65,000 people won’t last. Another general hospital is on the way — the third within a five-minute drive.

“It’s kind of crazy,” said Pat Firestone, who works at Macy’s in an upscale shopping area close to the hospitals. **“It’s good to know there is a hospital nearby, but I’m not sure all of this is needed, especially when other areas lack any hospitals.”**

Wesley Chapel is just one scene in a hospital-building boom across Florida unleashed almost four years ago, when the state dropped a requirement that companies obtain government approval to open new hospitals.

A Microcosm of Florida’s Hospital-Building Boom

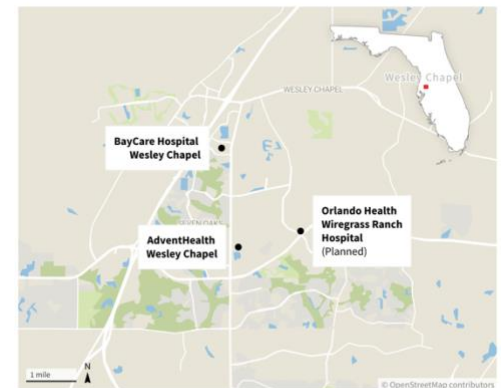
Wesley Chapel, Florida, has two general hospitals within a five-minute drive of each other. A third — owned by Orlando Health — is on the way.

Florida is among the states that have abandoned a decades-old regulation meant to keep medical costs in check. The requirement, used nearly nationwide until the 1980s, allowed new hospital construction only if a state issued a “Certificate of Need,” or CON. The process involves would-be hospital builders applying to the state and the state government evaluating need based on criteria such as population growth and existing hospital capacity.

About two-thirds of states still require a CON. But several, including Georgia, Kentucky, and South Carolina, have this year debated whether to scrap or loosen restrictions. West Virginia relaxed its rules in March.

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Credit: Lydia Zuraw/KFF Health News

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Critics of the CON process say it stifles competition and limits access to care. But the hospital industry often defends the process, which protects facilities from would-be rivals. In most industries competition drives down prices, but more hospital beds and services can actually boost the cost of patient care as pressure to recoup all that investment spreads through the system.

When there’s excess medical capacity, doctors may overprescribe — for instance, by ordering a pricey CT scan instead of a cheaper X-ray, said Steve Ullmann, a University of Miami health policy professor. “All that construction has to be paid for somehow,” said Allan Baumgarten, a Minnesota-based consultant who analyzes health care markets.

Competition can also bid up labor costs, which contribute to health costs. Meanwhile, more hospitals could leave medical teams at any one hospital performing fewer complex procedures and dilute quality, some experts say. **What’s more, as Wesley Chapel shows, new construction doesn’t necessarily favor the areas that need it most. Hospitals tend to follow the money — to relatively affluent markets instead of underserved rural or urban communities. While dozens of new hospitals are planned for Florida, none are going up between Jacksonville and Pensacola, a more than 300-mile swath of largely rural counties spanning two time zones.**

Republican Gov. Ron DeSantis signed a law eliminating Florida’s approval process in 2019. From 2020 through 2022, companies [announced plans](#) to build at least 65 hospitals in Florida, according to state data. Many are in South Florida, the Tampa area, and the Orlando area. In contrast, from 2016 to 2018, the state approved just 20 new hospitals. Florida has about 320 hospitals in all. Those tallies include not just general “acute care” hospitals but also inpatient facilities specializing in rehabilitation, psychiatric care, and emergency medicine, among others.

The school system for Pasco County, where Wesley Chapel is located, welcomed the new construction. Mary Martin, who oversees benefits for school employees, anticipates it will shorten wait times and give patients more options while strengthening health plans' hands in price negotiations with hospitals.

"This is a big win for our employees," Martin said. Yet, health experts say residents could get stuck with bigger health care bills. **"It's inflationary to have so many hospitals," said Linda Quick, former president of the South Florida Hospital & Healthcare Association. "If you don't have enough people using it, then the fixed costs have to be made up by the number of people that do," Quick said.**

Patients tend to go where insurers allow and where doctors send them instead of shopping around and comparing prices. When an insurer is footing the bill, a patient may not balk at the cost. Insurers pass costs to patients by raising premiums and deductibles and restricting coverage by, for example, requiring members to use narrow provider networks, Ullmann said.

In South Carolina, the legislature has debated killing or reforming its CON regulation for years. A state report last year [highlighted high costs and long delays](#) that hospital companies experience while seeking state approval. In September 2022, a hospital opened in Fort Mill, outside Charlotte, North Carolina — more than 15 years after it was proposed. Before Fort Mill's hospital opened last year, residents often drove 45 minutes for care, according to Fort Mill Mayor Gynn Savage. The shorter drive will help in emergencies, Savage said.

The South Carolina Senate [passed a bill](#) in February that would essentially repeal the CON requirement, but the bill faces an uncertain future in the House. While South Carolina hospitals favor some relaxation of the regulations, they oppose full repeal. That irks South Carolina Sen. Larry Grooms, a Republican, who is pushing for full repeal. Hospital leaders favor retaining the law to protect "their own turf," Grooms said. "That's not how capitalism works. That's not how free markets work."

The Florida Hospital Association fought efforts to repeal the regulation for new hospitals but acquiesced when it no longer had the votes in an increasingly conservative legislature. **Today, Florida hospital officials say they are merely expanding to keep up with a growing population. Yet, hospitals are also looking to grow in markets that can yield the highest profits. They tend to avoid building where many people are uninsured or on Medicaid, the government health insurance program for low-income people.**

In addition, hospital systems are trying to broaden their geographic footprint, which gives them greater leverage when negotiating reimbursement rates with private insurers. The hospital systems' increased bargaining power can lead to higher premiums for consumers, said Baumgarten, the Minnesota-based consultant.

BayCare, which owns 15 other hospitals in the Tampa Bay area and central Florida, had opposed efforts to eliminate Florida's regulation, worried that ending it would allow competing hospitals to enter BayCare's turf and siphon off its highest-paying patients and scarce staff, said Keri Eisenbeis, BayCare's senior vice president of corporate relations. The company, based in Clearwater, Florida, bought property in Wesley Chapel in 2006. It applied to build a hospital here in 2012 but was turned down when the state approved a competing application from Adventist Health System, a hospital chain now called AdventHealth. BayCare applied again in 2018 and the state granted approval. But AdventHealth appealed the decision, and the appeal threatened to keep the issue in litigation for years. When the state lifted its CON requirements in 2019, BayCare moved forward with its original plan.

In addition, in 2022, Orlando Health [unveiled plans](#) to build a 300-bed hospital in Wesley Chapel. Construction has yet to begin. And PAM Health [announced plans](#) in January of this year to build a rehabilitation hospital in Wesley Chapel. Rebecca Schulkowski, BayCare Wesley Chapel president, predicts BayCare patient rooms will fill quickly given the number of young families and retirees moving to new housing developments.

One big challenge Schulkowski faces is hiring enough staff. That includes luring doctors and other health workers to the town instead of just hiring employees away from rival AdventHealth. Though BayCare argued the town needed more hospital beds, AdventHealth's Wesley Chapel hospital often has had plenty of empty beds. According to the most recent [annual data](#) posted by the state, in 2021 its occupancy rate was 66%.

Even with the state's growing population, "none of these communities have a shortage of inpatient care," said Quick, referring to suburban areas like Wesley Chapel. "What we have is a shortage of sick people."