STATE AGENCY ACTION REPORT

ON APPLICATION FOR CERTIFICATE OF NEED

A. PROJECT IDENTIFICATION

1. Applicant/CON Action Number

Martin Memorial Medical Center, Inc./CON #10129
P.O. Box 9010
Stuart, Florida 34995

Authorized Representative: Mark E. Robataille, CEO
(727) 287-5200

2. Service District

District 9-Indian River, Martin, Okeechobee, Palm Beach and St. Lucie Counties

B. PUBLIC HEARING

A public hearing was not held or requested regarding the establishment of a six-bed Level II neonatal intensive care unit (NICU) at Tradition Medical Center.[1]

Martin Memorial Medical Center included 18 unduplicated letters of support in the application's Attachment 3. These were dated between September 22, 2011 and October 7, 2011.

Representative Gayle B. Harrell, District 81 Florida House of Representatives, states, "I am aware my constituents would have better access to this service, but more important is that it will enable the obstetrics unit at the new hospital to provide a standard of care that will improve outcomes of neonates and save lives."

Indian River State College President Dr. Edwin R. Massey states "This particular unit will increase our students' access to comprehensive maternal/child training, allow for additional practicums in obstetric and nursery inpatient care, and further enhance educational opportunities

[1] Tradition Medical Center is Martin Memorial's new acute care hospital (CON #9981), which is under construction in west Port St. Lucie. The applicant projects the new hospital will open in early 2014.

only a few short miles from our St. Lucie West Campus." Martin Memorial Medical Centers' Lorna M. Sinclair, Director of the Maternal Child Outpatient Services, wrote "The addition of a Level II NICU to the facility at Tradition will ensure that the parents of a sick infant can stay with their baby and family members can visit on a regular basis. There are limitless sources of evidence supporting the fact that NICU infants have significantly better outcomes when the bonding experience is maximized." Elizabeth Hawn, Martin Memorial's Director of Maternal Child Services, indicates that the project's single family rooms will provide better control over environmental stimuli, such as lighting and noise and contribute to more appropriate developmental care. She adds that the design for the proposed project, "increases privacy, making compliance with the Health Insurance Portability and Accountability Act (HIPPA) easier, and offers patients a more comfortable environment for breastfeeding and kangaroo care."

Martin Memorial received seven letters of support from OB/GYNs or OB/GYN groups. Dr. Peter Dayton of Physicians to Women states that his group includes four physicians and "three midwives delivering over 500 babies annually" and nearly a third of their obstetrical patients are St. Lucie County residents[2]. He states that "emergencies are not easy to predict" and "I cannot over emphasize the importance of having" Level II NICU services at the new hospital. Dr. Carl D. Zollicoffer of Grace Women's Healthcare also wrote a general letter of support speaking to the need of this service in Port Saint Lucie. Dr. Ruel T. Stoessel of University Perinatal Associates states that "the need for advanced nursery care is part of the continuum for our patients." Dr. Stoessel also stated that his practice would be limited at the Tradition facility without a level II NICU based on the pregnancies they typically care for.

Several physicians state that they will only deliver babies at the Tradition facility if there is a level II NICU. These include Dr. Grace H. Yoo and Dr. Gerald A. Ross of Coastal ObGyn Specialists, Dr. Gonzalo A. Oria of Women's Healthcare of Port St. Lucie, LLC and Dr. Evan Collins of Women's Health Specialists. Dr. Collins states that during CY 2010, his "group delivered over 850 babies at Martin Memorial with 557 being St. Lucie County residents". He contends that a hospital offering obstetrics" is providing an inferior standard of care if it does not have an NICU" and that "it has become an unacceptable risk to deliver babies at hospitals without a NICU".[3]

[2] CON #10129's Table 1 on page 13, indicates these physicians delivered 1,130 babies in CY 2010.
[3] State Center for Health Information & Policy Analysis CY 2010 hospital discharge data shows 1,933 Live Births at Martin Memorial Medical Center, which has a five-bed Level II NICU, and none at Martin Memorial Hospital South, which does not have a Level II NICU.

The applicant included a table on page 13 of CON application #10129, which indicates that during CY 2010, Dr. Collins' group delivered 928 babies, Drs. Ross and Yoo' (Coastal ObGyn Specialists) 496, and Dr. Oria 319 babies.

Several research facilities in the area sent in letters of support for the proposed project. Dr. Jay Nelson, Vice President and Director of the Vaccine & Gene Therapy Institute of Florida, states that Martin Memorial is "an important member of our community…(and) The success of Tradition Medical Center is very important to the success of Tradition Center for Innovation and our organization." Dr. Nelson also mentions that Martin Memorial presently has four clinical trials active with his Institute. Dr. John DelRusso, President of the Mann Research Center, and Dr. Richard A. Houghten, President and CEO of the Torrey Pines Institute for Molecular Studies wrote, "I understand many OB/GYN physicians are excited about Tradition Medical Center, but have indicated a reluctance delivering babies without the life-saving services of a Level II neonatal intensive care unit. The NICU is therefore important to the success of Tradition Medical Center."

Two children's welfare organizations sent in letters. CEO of United for Families, Christine W. Demetriades states its support for this project stems from its efforts to remove barriers to healthy family bonding and break the cycle of child abuse. Ms. Demetriades asserts that a Level II NICU will allow "family members to stay close to their infants at a crucial time thus assisting with their baby's appropriate development." Sean Boyle, Executive Director at the Children's Services Council of St. Lucie County, echoes this sentiment stating that "when extended medical services are needed before the infant can even be considered for release from the hospital it becomes a family crisis." Representatives of two other programs that provide services for newborns and mothers voiced their support for the project, Lisa von Seelen at Kids Connected by Design, Inc., and Suzanne Hutcheson, President and CEO of Helping People Succeed, Inc.

C. PROJECT SUMMARY

Martin Memorial Medical Center, Inc. (CON #10129), a private, not-for-profit corporation, is applying to establish a six-bed Level II NICU at Tradition Medical Center. Tradition Medical Center is the applicant's 80-bed acute care hospital approved under CON #9991. There are two notifications to add a total of four acute care beds at Tradition Medical Center, NF1100019 and NF1100030. Martin Memorial projects that the facility will be operational in early 2014. Tradition Medical Center will be located at the intersection of Tradition Parkway and Innovation Drive in western Port St. Lucie.

The applicant proposes to condition the project to the facility's location and to provide a minimum of 50 percent of total annual Level II NICU patient days to Medicaid, Medicaid HMO and charity patients on a combined basis.

The total project cost is estimated at $3,012,439. The project involves 3,462 gross square feet (GSF) of renovation at a total construction cost of $1,113,179.

D. REVIEW PROCEDURE

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

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

Section 59C-1.010(3) (b), Florida Administrative Code, allows no application amendment information subsequent to the application being deemed complete. The burden of proof to entitlement of a certificate rests with the applicant. As such, the applicant is responsible for the representations in the application. This is attested to as part of the application in the certification of the applicant.

As part of the fact-finding, the consultant Marisol Novak analyzed the application with consultation from the financial analyst Felton Bradley, who reviewed the financial data and Said Baniahmad of the Office of Plans and Construction, who reviewed the application for conformance with the architectural criteria.

E. CONFORMITY OF PROJECT WITH REVIEW CRITERIA

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

1. Fixed Need Pool

a. Does the project proposed respond to need as published by a fixed need pool? Rules 59C-1.008(2) and 59C-1.042(3), Florida Administrative Code.

In Volume 37, Number 29, dated July 22, 2011 of the Florida Administrative Weekly, a fixed need pool of zero beds was published for Level II NICU beds in District 9 for the January 2014 planning horizon.

District 9 has 93 currently licensed Level II NICU beds and four approved beds and experienced 65.80 percent utilization from January 2010-December 2010[4]. The applicant is applying outside of the fixed need pool.

b. Regardless of whether bed need is shown under the need formula, the establishment of new Level II neonatal intensive care services within a district shall not normally be approved unless the average occupancy rate for Level II beds in the district equals or exceeds 80 percent for the most recent 12-month period ending six months prior to the beginning date of the quarter of the publication of the fixed need pool.

As shown in the table below, District 9's 93 licensed Level II NICU beds experienced an occupancy rate of 65.80 percent during the 12-month period ending December 31, 2010.

[4] St. Mary's Medical Center (Palm Beach County) has notification #0400013 to add the four beds.

Level II Neonatal Intensive Care Services District			
Facility	**Beds**	**County**	**Total Occupancy %**
Martin Memorial Medical Center	5	Martin	53.75
Lawnwood Regional Medical Center and Heart Institute	10	St. Lucie	53.32
Bethesda Memorial Hospital	12	Palm Beach	97.49
Boca Raton Regional Hospital	10	Palm Beach	42.16
Good Samaritan Medical Center	7	Palm Beach	1.49
St. Mary's Medical Center	25	Palm Beach	81.87
Wellington Regional Medical Center	10	Palm Beach	78.52
West Boca Medical Center	14	Palm Beach	63.13
District 9 Total	93		65.80

Source: Florida Hospital Bed Need Projections & Service Utilization by District, July 2011 Batching Cycle.

c. Other Special Circumstances:

Martin Memorial Medical Center notes that in planning for the new hospital (CON #9981) it included obstetrical services as a major service line that would be needed for the community. Further, it has come to "recognize the critical importance of including NICU services as soon as possible as a component of its maternal and infant services". Martin Memorial states that numerous area obstetricians have indicated that they will not seek privileges at Tradition Medical Center, unless the hospital offers a NICU service and in order to ensure the same high quality service provided at Martin Memorial Medical Center for the residents who will be utilizing the new hospital, it is essential to provide Level II NICU backup at the Tradition Medical Center. Martin concludes that "overall, the rationale for this project boils down to access and quality" and it is "serving a large and growing population in the western and southern portions of St. Lucie County, for whom access to NICU care is limited by geographical and transportation barriers". These are the "same limited travel routes and lack of public transportation there were the focus" of the original Tradition Medical Center (CON #9981) application. Martin Memorial provided several instances cited in the CON #9981 recommended order to support its geographical and transportation argument.

The applicant gives 10 specific "not normal circumstances" as to why the proposed service should be approved.

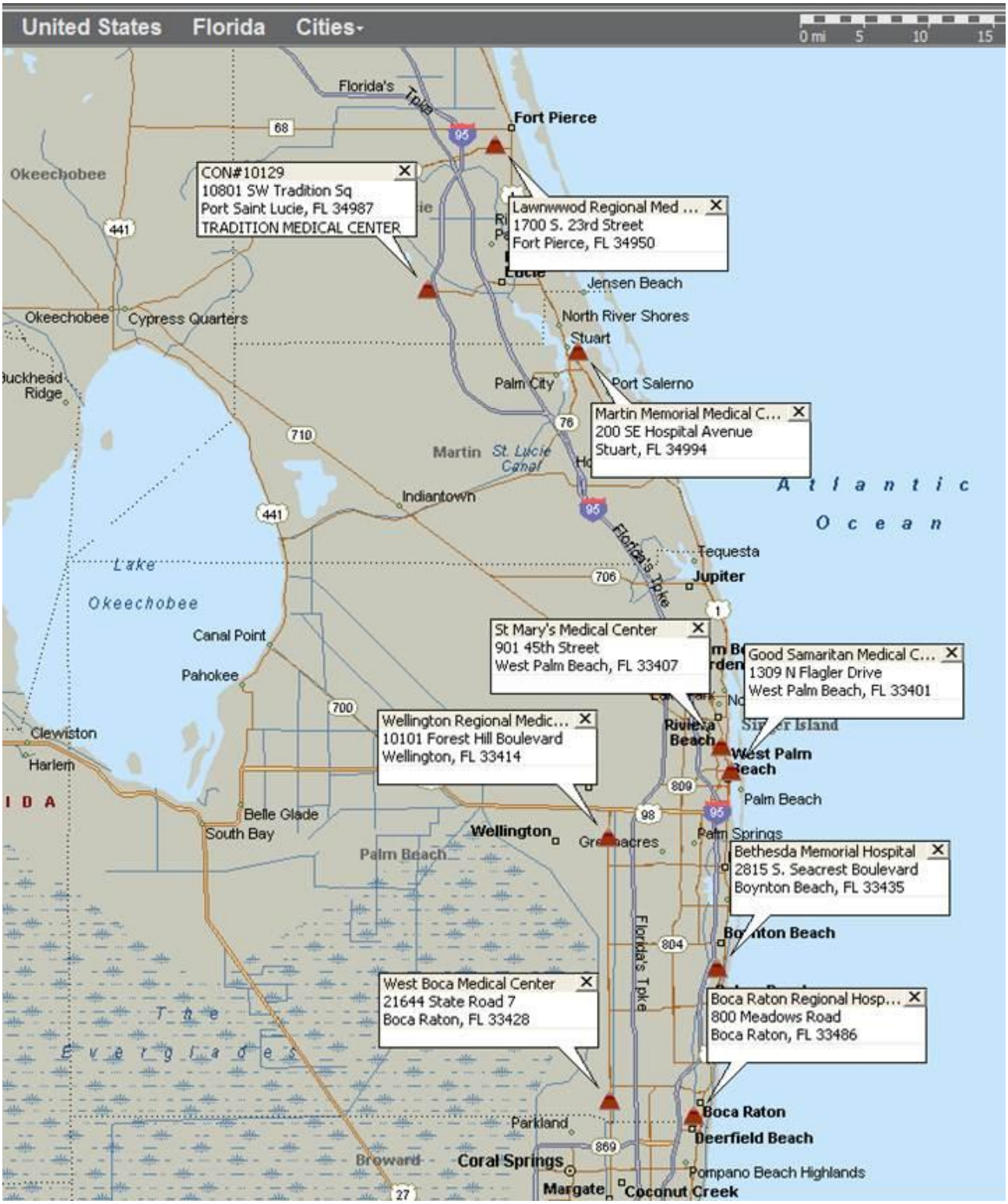
- There are no NICU service located in the service area (a total of 10 zip codes, including nine zip codes in southern St. Lucie County, west of the North Fork and one zip code in Martin County), although the population is currently more than 237,000.
- The service area population continues to grow rapidly.
- The service area population of females ages 15-44 is growing rapidly.

- Martin Memorial continues to be the provider of choice for OB services for residents of western Port St. Lucie. With the presence of a NICU at Tradition Medical Center, Martin Memorial will be able to offer a state-of-the-art facility which it cannot provide feasibly in its current physical plant in Stuart. Placing the new maternal/infant facility in western Port St. Lucie represents the best alternative for the system, since the western areas of St. Lucie County are the largest long-term growth areas in the subdistrict.
- As with OB services, geographic access for NICU services, particularly for Medicaid patients, is limited.
- The addition of NICU services at the Tradition Memorial Center will enable the hospital to achieve the volume of births necessary to support the needed obstetrical program in the service area.
- The proposed project will primarily impact Martin Memorial, which is willing to support the NICU program at Tradition in order to improve access for the many patients it serves from western St. Lucie County.
- As with access for other services, as noted in the Final Recommended Order, it is important to provide accessible services away from the coastal area in the likely event of major storms. The proposed project affords Martin Memorial an alternative site for its fragile infants in the event of a threatened natural disaster.
- Martin Memorial can implement this project seamlessly with the completion of the hospital construction to maximize cost-efficiency and avoid disruption of service later.
- The project will contribute to Martin Memorial's ongoing initiatives to promote health education, training and research initiatives, and consequently, has the support of numerous community organizations and individuals.

In regards to the current occupancy data, Martin Memorial notes that the seven beds at Good Samaritan reported only 38 patient days in 2010 and should not be considered an active Level II NICU program. Furthermore, Martin Memorial maintains that overall annual occupancy does not tell the full story, especially when it comes to small units. The applicant notes that Bethesda and Wellington Regional both ran Level II NICUs at over 100 percent occupancy for several months in first six months of 2011.

The applicant also cites that of the 93 beds in District 9, most are concentrated in the southern and eastern portions of the district—with only five in Martin County and ten in St. Lucie County. Martin Memorial indicates that the 15 beds in Martin and St. Lucie are in coastal areas, more vulnerable to storm damage while Tradition Medical Center is away from the coast line. See the map below.

District 9 Level II NICU Providers & Tradition Medical Center



Source: MapPoint 2006@Microsoft.

Martin Memorial contends that the proposed project would greatly improve the geographic access to neonatal services for residents of the area, result in a better distribution of beds within District 9 and provide a NICU alternative in subdistrict 9-2 away from the coast.

The applicant provides a primary service area of six zip codes in western Port St. Lucie (34953, 34983, 34984, 34986, 34987 and 34988) and a secondary service area of three zip codes in St. Lucie County (34952, 34981 and 34982) and one zip code in northern Martin County (34990). In defining its service area for the NICU program, Martin Memorial states that it took into consideration the existing travel routes in the area as well as the experience of its freestanding emergency department located at the St. Lucie West ambulatory center.

Martin Memorial states that the defined service area, except for the northern Martin County zip code in the secondary service area, is the same as the one assumed for Tradition Medical Center from CON #9981. The applicant asserts that this service area has been reviewed and accepted as a reasonable health care market area for the purpose of planning acute care services, including OB[5].

The applicant maintains that the service area is expected to grow to more than 270,000 by 2016 with the projected compound annual growth rate (CAGR) of three percent—more than twice the district or state. See the table below.

Service Area Historical and Projected Population 2000 and 2011-2016

ZIP	City	2000	2011	2016	Percent Growth 2011-2016	CAGR 2011-2016
Primary Service Area						
34953	Port St. Lucie	24,328	61,203	71,656	27.3%	4.1%
34983	Port St. Lucie	28,406	37,029	42,554	17.7%	2.8%
34984	Port St. Lucie	10,031	13,892	16,221	20.3%	3.1%
34986	Port St. Lucie	6,359	24,045	28,006	31.4%	4.7%
34987	Port St. Lucie	2,254	6,630	7,675	27.7%	4.2%
34988	Port St. Lucie	58	65	72	11.9%	1.9%
Primary Service Total		71,436	142,864	166,183	24.7%	3.7%
Secondary Service Area						
34952	Port St. Lucie	30,439	38,946	44,354	16.5%	2.6%
34981	Port St. Lucie	3,474	4,242	4,799	15.2%	2.4%
34982	Port St. Lucie	21,997	23,416	25,339	8.8%	1.4%
34990	Palm City	23,448	28,166	30,208	9.1%	1.5%
Secondary Service Total		79,358	94,770	104,700	12.3%	2.0%
Service Area Total		**150,794**	**237,634**	**270,883**	**19.6%**	**3.0%**
District 9 Total		1,599,467	1,908,301	2,036,036	8.4%	1.4%
State Total		15,982,378	18,991,634	20,234,338	8.2%	1.3%

Source: CON application #10129, page 27.

[5] It should be noted that the reviewer cannot confirm this data as Agency data is not disseminated by zip code. The applicant used 34957 Jenson Beach also in Martin County in CON #9981.

Martin Memorial indicates that the population of females age 15-44 is projected to increase from 40,562 to 44,730 (15.2 percent) between 2011 and 2016. The CAGR of 2.4 percent per year for the service area is projected to be four times the growth rate of District 9 and six times the growth rate statewide for the population of females of childbearing age. See the table below.

Service Area Population of Females Age 15-44						
ZIP	**City**	**2010**	**2011**	**2016**	**Percent Growth 2011-2016**	**CAGR 2011-2016**
Primary Service Area						
34953	Port St. Lucie	5,101	11,607	12,857	19.4%	3.0%
34983	Port St. Lucie	5,365	6,644	7,480	14.8%	2.3%
34984	Port St. Lucie	1,852	2,393	2,705	15.7%	2.5%
34986	Port St. Lucie	1,070	3,856	4,342	26.5%	4.0%
34987	Port St. Lucie	402	1,085	1,210	22.1%	3.4%
34988	Port St. Lucie	15	13	11	(16.5)%	(3.0)%
Primary Service Total		13,805	25,598	28,605	18.9%	2.9%
Secondary Service Area						
34952	Port St. Lucie	4,736	6,032	6,707	13.7%	2.2%
34981	Port St. Lucie	738	869	952	11.2%	1.8%
34982	Port St. Lucie	3,888	4,169	4,394	6.1%	1.0%
34990	Palm City	3,744	3,894	4,072	4.9%	0.8%
Secondary Service Total		13,106	14,964	16,125	9.1%	1.5%
Service Area Total		**26,911**	**40,562**	**44,730**	**15.2%**	**2.4%**
District 9 Total		284,511	314,322	321,828	3.4%	0.6%
State Total		3,224,094	3,512,822	3,566,318	2.3%	0.4%

Source: CON application #10129, page 28.

Martin Memorial states that it continues to be the provider of choice for OB for residents of western Port St. Lucie which has significant implications for continuity and quality of care for residents of the proposed service area. The applicant states that during CY 2010, Martin Memorial accounted for 42.8 percent of the primary service area resident deliveries and 35.5 percent of the secondary service area deliveries. Martin Memorial indicates that it has the highest market share at 40.3 percent of the total (PSA & SSA) deliveries. The applicant also notes that 57 percent of all primary service area resident deliveries occur outside St. Lucie County. See the table below.

Market Share of Primary Service Area (PSA) and Secondary Service Area (SSA) Resident OB Deliveries 2010			
	OB Market Share		
Hospital	**PSA**	**SSA**	**Total Service Area**
Martin Memorial	42.8%	35.5%	40.3%
Lawnwood Regional Medical Center	24.2%	32.2%	26.9%
St. Lucie Medical Center	19.5%	23.1%	20.7%
St. Mary's Medical Center	4.6%	4.4%	4.5%
Other	8.9%	4.8%	7.6%
Total	100.0%	100.0	100.0%

Source: CON application #10129, page 29.

The applicant indicates that patients from the primary and secondary service area represent a large percentage of Martin Memorial's CY 2010 existing patient base. Martin Memorial presents a table showing that half of its OB cases originate in the zip codes in the proposed service area. See the table below.

Patient Origin—Obstetrics Cases for Martin Memorial Medical Center 2010		
Area	**Cases**	**Percent Total**
Primary Service Area	710	35.3%
Secondary Service Area	302	15.0%
Okeechobee County	77	3.8%
Other St. Lucie County	56	2.8%
Other Martin County	838	41.7%
Other Counties	28	1.4%
Total	2,011	100.0%

Source: CON application #10129, page 29.

Martin Memorial states that patients who currently rely on it but will have much easier geographic access to the new hospital at Tradition will expect the same level of care—namely Level II NICU availability. The applicant contends that without a NICU at Tradition, Martin Memorial would be asking its patients and physicians to accept a lower level of care in a new state-of-the-art facility than it has historically provided.

Furthermore, the applicant maintains that it cannot provide a state-of-the-art configuration for its current NICU facility due to space constraints. Martin Memorial asserts that the configuration at its existing hospital makes privacy extremely limited to the point that families must call ahead to ensure that they will be able to visit with their infant in the NICU. At the new facility in Tradition, the applicant indicates that it has an opportunity to invest in the creation of family and patient-centered services that will afford family privacy and the ability to stay with the infant.

The applicant cites a Lamaze International article[6] that states that a mother's close contact with the baby reduces risks of later family problems and cites studies that suggest that rates of child abuse, neglect and separation are lower for mothers who have frequent and extended contact with their newborns. Martin Memorial states that the project will encourage early mother baby bonding through rooming in and breastfeeding. The applicant states that its concern about the impact on

[6] Jeannette Crenshaw, RN, MSN, IBCLC, LCCE, FACCE, Lamaze International Education Council, "Care Practices that Promote Normal Birth: #6: No Separation of Mother and Baby with Unlimited Opportunity for Breastfeeding." Reprinted in *The Journal of Perinatal Education*, Spring 2004, Vol 13, No 2, p 35.

quality of care created by unnecessary separation of mother and baby is a driving force behind the request to add a Level NICU II service at Tradition.

Martin Memorial indicates that with a Level II NICU service, transfers would not be needed except for rare cases to Level III care. Martin Memorial stated that during CY 2010, only 0.7 percent (14 of Martin's 1,900 newborns) had to be transferred to Level III facilities. The applicant contends that if Tradition Medical Center develops an obstetrical program without a NICU, there are likely to be numerous transfers required to obtain Level II care.

The applicant indicates that the combination of a growing population of child-bearing age, no public transportation and no NICU facilities in the service area creates a significant access issue for families of infants who need NICU services. The geographic access in the service area is constrained because there are only two bridges that cross the St. Lucie River and there is no county bus system.

Martin Memorial maintains that commercially insured OB patients with means to travel tend to choose Martin Memorial or other out-of-county providers, while Medicaid and self-pay patients who have more limited resources tend to remain in the county. See the table below.

PSA and SSA Market Share by Payer
CY 2010

	2010 Newborns		Patient Destination	
	Discharges	Percent	St. Lucie Provider Total	Non-St. Lucie Provider Total
Primary Service Area				
Comm. Insurance/ Comm. HMO-PPO	743	45.9%	19.1%	80.9%
Medicaid/Medicaid HMO/Medicaid Managed Care	783	48.4%	61.4%	38.6%
Other	16	1.0%	81.3%	18.8%
Self-Pay/Non-Payment/Charity	75	4.6%	73.3%	26.7%
Total	1,617	100.0%	42.7%	57.3%
Secondary Service Area				
Comm. Insurance/ Comm. HMO-PPO	278	33.7%	18.0%	82.0%
Medicaid/Medicaid HMO/Medicaid Managed Care	498	60.4%	71.7%	28.3%
Other	10	1.2%	90.0%	10.0%
Self-Pay/Non-Payment/Charity	38	4.6%	78.9%	21.1%
Total	824	100.0%	54.1%	45.9%

Source: CON application #10129, page 33.

Martin Memorial expects to attain a higher market share of Medicaid and charity patients from the proposed service area once Tradition Medical Center opens. The applicant states that providing a Level II NICU on-site at Tradition best serves the proposed service area's population as

Medicaid and charity patients tend to have more risk factors for high risk births. An on-site Level II NICU, Martin Memorial asserts, will prevent the inherent risk during transfer transportation and the disruption of the bonding process between mother and baby. The applicant indicates that without public transportation, it is a serious hardship for a mother and her family to make daily visits to a NICU 30 to 60 minutes away.

The applicant maintains that with the approval of a Level II NICU program at Tradition, it is assured of the support of obstetricians who account for a significant volume of births in the area. Martin Memorial cites the letters of support that indicate a projection of approximately 1,500 births for the OB program at Tradition Medical Center (by the third year of operation) if a NICU service is available.

In order to develop a utilization projection for a Level II NICU at Tradition Medical Center, the applicant first presents a service area population projection for females 15-44.

Tradition Medical Center (CON #10129)
Service Area Female Population Age 15-44
Projections 2011, 2014-2016

Zip	2011	2014	2015	2016	Increase 2011-2016	% Increase 2011-2016
Primary Service Area						
34953	11,607	12,342	15,597	12,857	1,250	10.8%
34983	6,644	7,134	7,305	7,480	836	12.6%
34984	2,393	2,576	2,640	2,705	312	13.0%
34986	3,856	4,141	4,240	4,342	486	12.6%
34987	1,085	1,158	1,184	1,210	125	11.5%
34988	13	12	11	11	-2	-15.4%
Subtotal	25,598	27,362	27,976	28,605	3,007	11.7%
34952	6,032	6,428	6,566	6,707	675	11.2%
34981	869	918	935	952	83	9.6%
34982	4,169	4,303	4,348	4,394	225	5.4%
34990	3,894	4,000	4,036	4,072	178	4.6%
Subtotal	14,964	15,649	15,885	16,125	1,161	7.8%
Total	40,562	43,010	43,861	44,730	4,168	10.3%
St. Lucie County	47,794	50,474	51,401	52,344	4,550	9.5%
District 9	314,322	318,764	320,286	321,828	7,506	2.4%
Florida	3,512,822	3,544,823	3,555,554	3,566,318	53,496	1.5%

Source: CON application #10129, page 35.

The applicant states that the 2011 to 2016 rate of increase in the service area (10.3 percent) and in St. Lucie County as a whole (9.5 percent) is much greater than that projected for District 9 (2.4 percent) or for the state as a whole (1.5 percent).

Martin Memorial next presents total births for the service area projections based on service area fertility rates. The applicant indicates that fertility rates throughout the service area, Florida and the nation have declined in the last few years due in a large part as a result of the economic decline. See the table below.

Service Area Births and Fertility Rates 2008-2010				
	2008	**2009**	**2010**	**2008-2010 Average**
Births				
PSA	1,679	1,589	1,522	1,599
SSA	850	777	778	801
Total SA	2,529	2,366	2,300	2,400
Fertility Rate				
PSA	78.7	70.2	63.3	70.4
SSA	58.9	53.2	52.6	54.9
Total SA	70.7	63.5	59.2	64.3
St. Lucie County	74.7	68.2	64.4	65.1
District 9	69.0	64.4	62.1	64.0
Florida	64.4	61.3	58.9	60.6

Source: CON application #10129, page 36.

The applicant uses the three-year (CY 2008-2010) average birth rate and the service area's projected female age 15-44 population to project the number of obstetrical deliveries in the service area. Martin Memorial indicates that the three-year average rate gives effect to the most recent experienced decline, but does not assume that the recent decline will continue. The applicant contends the recent decline is due to the economy and service area births will rebound significantly when the economy improves. See the table below.

Projected Service Area Deliveries 2014-2016			
	2014	**2015**	**2016**
PSA	1,927	1,970	2,015
SSA	861	874	888
Total Service Area	2,788	2,844	2,903

Source: CON application #10129, page 37.

Martin Memorial indicates that the projected NICU II volume at Tradition Medical Center depends upon both the number of births among service area residents and the projected market share of births for the new hospital. The projection of market share of OB deliveries for Tradition Medical Center takes into consideration:

- Martin Memorial's strong market position for obstetrical services in the service area,
- The success of the St. Lucie West outpatient center and the full service emergency department in the service area,

- Travel routes and geographic access,
- Physician input concerning the OB and NICU programs, and
- Continuing community support.

The applicant believes that there will be a rapid buildup in market share over the first three years due to the support of key obstetrical groups, represented by letters of support for this project in Attachment 3. Martin Memorial emphasizes the critical importance expressed by obstetricians in having a NICU service available. The applicant presents market share assumptions with the expectation that the facility has a Level II NICU program. See the table below.

Projected Market Share of Deliveries Tradition Medical Center			
	2014	**2015**	**2016**
Primary Service Area			
34953	45%	54%	60%
34983	45%	54%	60%
34984	45%	54%	60%
34986	53%	63%	70%
34987	53%	63%	70%
34988	53%	63%	70%
Subtotal	46.4%	55.5%	61.7%
Secondary Service Area			
34952	12%	14%	16%
34981	12%	14%	16%
34982	12%	14%	16%
34990	15%	18%	20%
Subtotal	12.5%	14.6%	16.7%
Total	**35.9%**	**43.0%**	**47.9%**

Source: CON application #10129, page 38.

Martin Memorial applies the market share estimates to the projected number of OB deliveries in the service area yielding a projection of OB deliveries for Tradition Medical Center 2014-2016. The applicant notes that approximately 80 percent of cases will originate from the primary service area, 10 percent from the secondary service area and 10 percent from other areas including other portions of St. Lucie County, Martin County, Okeechobee County, other Florida counties and out-of-state. See the table below.

Projected Deliveries for Tradition Medical Center 2014-2016			
	2014	**2015**	**2016**
Primary Service Area			
34953	441	539	612
34983	205	252	287
34984	74	91	103
34986	128	156	178
34987	45	55	62
34988	1	1	1
Subtotal	894	1,094	1,243
Secondary Service Area			
34952	45	53	62
34981	6	7	8
34982	37	43	50
34990	20	25	28
Subtotal	108	128	148
Service Area Total	1,002	1,222	1,391
Out of Area	111	136	155
Total	**1,113**	**1,358**	**1,546**

Source: CON application #10129, page 39.

The applicant adjusted the number of deliveries to a number of newborns by a 1.04 ratio (104 newborns to every 100 deliveries) based on the ratio of newborns to deliveries in the service area in 2010. Martin Memorial indicates that the estimated number of newborns for Tradition Medical Center is 1,158 in 2014, 1,412 in 2015 and 1,604 in 2016.

Martin Memorial analyzed the number of NICU Level II cases per 1,000 newborns for providers with Level II programs in District 9 to project the volume for Tradition Medical Center's proposed Level II NICU service. The applicant then applied a factor of 78 NICU cases per 1,000 newborns to derive a projection of Level II cases for Tradition Medical Center. See the table below.

Projected Level II NICU Cases for Tradition Medical Center 2014-2016			
	2014	**2015**	**2016**
Total Newborns	1,158	1,412	1,604
Level II Cases per 1,000 Newborns	78	78	78
Projected Level II Cases	90	110	125

Source: CON application #10129, page 41.

The applicant assumes that the distribution of cases by geographical area will reflect the projected distribution of obstetrical cases by area—80 from the primary service area, 10 percent from the secondary service area and 10 percent from other areas.

Martin Memorial next examined the length of stay for Level II programs in District 9 to project patient days for Tradition Medical Center's NICU. The average length of stay (ALOS) for Level II programs without a Level III service is 11.3 days in District 9 for CY 2010, but Martin Memorial's

ALOS was 7.4 for 2010. The applicant believes that a somewhat shorter length of stay in the hospital for neonatal cases is possible because of its unique home visit program, midwife program and educational efforts with staff and families. Martin Memorial, therefore, applies a nine-day ALOS for Tradition Medical Center's Level II NICU. The applicant notes that it uses a slightly longer ALOS than at Martin Memorial because Tradition will be attracting more Medicaid and indigent patients from the service area which may well be more high acuity cases. The applicant presents projected utilization for the proposed unit below.

Tradition Medical Center
Projected Level II NICU Utilization
2014-2016

	2014	2015	2016
NICU Level II Cases	90	110	125
Average Length of Stay	9	9	9
Projected Level II Patient Days	810	990	1,125
Average Daily Census	2.2	2.71	3.08
Occupancy	37.0%	45.2%	51.4%

Source: CON application #10129, page 42.

Martin Memorial states that it believes that the projected level of activity is appropriate for a small unit of six beds with expected variability in census on a day-to-day basis. Additionally, the applicant indicates that the six-bed unit provides some additional capacity for growth or for in-transfers in the event of an emergency such as an evacuation due to a major storm.

The applicant maintains that Tradition Medical Center service area cases accounted for approximately 198 of 364 cases (54 percent) of Martin Memorial's neonates who were not normal newborns. Martin Memorial expects that virtually all of the cases from Tradition Medical Center's proposed service area, which would otherwise occur at Martin Memorial, will be shifted to Tradition Medical Center's NICU.

Overall, the applicant states that the impact on Martin Memorial is likely to be approximately half (between 44 and 45 cases) of its volume once Tradition Medical Center's Level II NICU is functional. The applicant indicates that the impact for Lawnwood is projected to range between nine cases in 2014 to 36 cases in 2016. Martin Memorial contends that even assuming no growth in Lawnwood's cases over the forecast horizon, the loss of 36 NICU II cases is not expected to cause significant adverse impact. The applicant states that Lawnwood reported $50.6 million in net income before taxes and $31.8 million total margin after provision for income taxes in 2010—an operation margin of 17.5 percent.

Martin Memorial states that it has the largest market share of the commercial market for OB services so it is anticipated that a large percentage of the PSA cases that Tradition will serve will be Medicaid, self-pay or charity cases. Therefore, the applicant concludes that to the extent that the cases captured from Lawnwood represent Medicaid, self-pay or charity cases, any negative financial impact on Lawnwood is minimized.

The applicant contends that Tradition Medical Center should provide Level II NICU services for the residents of its service area, regardless of any potential impact on its own organization or on Lawnwood. Martin Memorial states that it has studied the growth and changes in the proposed service area over many years and it has only strengthened its commitment to invest in and provide services in this area.

Martin Memorial states that Tradition Medical Center will be located outside St. Lucie County's hurricane storm surge zones, ensuring less vulnerability to storm surge. The applicant maintains that the proposed project affords an alternative site for fragile infants in the event of a natural disaster. The applicant contends that Martin Memorial is highly vulnerable to storm damage as its campus is immediately proximate to the water and subject to flood and/or wind damage. Tradition Medical Center will be able to serve as a receiving facility—accepting patients from coastal facilities that must evacuate. The applicant asserts that Tradition Medical Center will be a receiving facility that can be counted on for patient evacuations for its infant services (including NICU) as well as for OB and other services.

Martin Memorial states that it has become apparent that, from a quality of care perspective, initiating an OB service at Tradition Medical Center without NICU services will not be acceptable to physicians or patients. The applicant indicates that it included space in the original Tradition Medical Center facility design for the addition of NICU services. Therefore, Martin Memorial indicates that this service can be implemented seamlessly and be ready on day one to provide NICU services. The applicant notes that costs of initiating this service, including the equipment and build-out costs, are likely to be higher if the project is delayed. Martin Memorial also contends that there would be serious disruption to maternal/infant services if there were to be a renovation to build the project at a later date.

Martin Memorial maintains that this project will contribute to its ongoing initiatives to promote health education, training and research initiatives. The applicant states that Tradition Medical Center is recognized as an important member of the Tradition Center for Innovation and is expected to play a significant role in future clinical research. Martin Memorial points to a letter of support by Dr. Houghton from the Torrey Pines

Institute stating that the success of Tradition Medical Center is important to the biotech community and the success of an obstetrical program at Tradition is important for the success of the hospital in the community.

The applicant concludes this portion of the application by stating that without NICU II services Tradition Medical Center will not be able to achieve the volume of births needed to ensure long-term viability. Obstetricians in the area have voiced support for the facility but only if there is a NICU service. Without it, the applicant states that the new facility would be at risk in the critical early stages of its development, and current support in the community would erode.

2. Agency Rule Preferences

Please indicate how each applicable preference for the type of service proposed is met. Ch. 59C-1.042, Florida Administrative Code.

a. Ch. 59C-1.042(3)(k), Florida Administrative Code - Services to Medically Indigent and Medicaid Patients. In a comparative review, preference shall be given to hospitals which propose to provide neonatal intensive care services to Children's Medical Services patients, Medicaid patients, and non-Children's Medical Services patients who are defined as charity care patients. The applicant shall estimate, based on its historical patient data by type of payer, the percentage of neonatal intensive care services patient days that will be allocated to:

(1) Charity care patients;
(2) Medicaid patients;
(3) Private pay patients, including self-pay; and
(4) Regional Perinatal Intensive Care Center Program and Step Down Neonatal Special Care Unit patients.

The applicant states that this provision is not applicable because there is no comparative review. Martin Memorial does note that Tradition Medical Center will provide services to all patients who require Level II neonatal intensive care. The applicant expects that Medicaid will represent approximately 53 percent of patient days and charity care/self-pay will represent approximately five percent of patient days. Martin Memorial proposes to condition project approval to provide a minimum of 50 percent of total annual Level II NICU patient days to Medicaid, Medicaid HMO and charity patients on a combined basis

b. Ch. 59C-1.042(4), Florida Administrative Code - Level II and Level III Service Continuity. To help assure the continuity of services provided to neonatal intensive care services patients:

(1) Applicants proposing to provide Level II or Level III neonatal intensive care services shall ensure developmental follow-up on patients after discharge to monitor the outcome of care and assure necessary referrals to community resources.

Martin Memorial indicates that it will ensure appropriate developmental follow-up for patients of the Level II NICU program at Tradition Medical Center in several ways, including:

- Neonatal team will include a registered nurse who has attained Neonatal Development Specialist Designation through the National Association of Neonatal Nurses
- Many members of the neonatal team are trained in identifying newborns' early warning signs that warrant intervention by specialists
- Social services staff will be available to help families connect with the appropriate follow-up services

Tradition Medical Center will utilize Martin Memorial NICU's unique approach to developmental follow-up, including:

- An OB outpatient department that provides home visits to each mother and newborn born
- Home care nurse visits before discharge from the NICU to ensure continuity and appropriate follow-up through the home health visits
- Babies treated in the NICU receive two home visits after discharge, there is no charge for these home visits
- Trained nurses on home visits can identify any serious problems and help mothers with difficulties/questions

Martin Memorial states that it provides other programs to enhance parent-child interaction and promote healthy growth and development of infants and young children—detailed information is available in Attachment 6 of CON application #10129.

c. Ch. 59C-1.042(5), Florida Administrative Code - Minimum Unit Size. Hospitals proposing the establishment of new Level II neonatal intensive care services shall propose a Level II neonatal intensive care unit with a minimum of 10 beds. Hospitals under contract with the Department of Health and Rehabilitative Services' Children's Medical Services Program for the provision of regional perinatal intensive care center or step-down neonatal special care unit are exempt from these requirements.

The applicant is proposing a six-bed Level II neonatal intensive care unit based on the projected population, birth rates and anticipated market share estimates for the service area. Martin Memorial indicates that the six-bed unit will be adequate to meet demand for the foreseeable planning horizon. The applicant maintains that the unit has been sized so it can accommodate additional bassinets, if necessary, for overflow or growth. If approved, Martin Memorial states that it will operate a total of 11 NICU beds in its two facilities, providing the system with enhanced flexibility in the event of emergency situations.

The applicant contends that its experience operating a five-bed Level II NICU at Martin Memorial demonstrates that a successful Level II program does not necessarily require a minimum of 10 beds.

d. Ch. 59C-1.042(6) - Minimum Birth Volume Requirement. Hospital applying for Level II neonatal intensive care services shall not normally be approved unless the hospital has a minimum service volume of 1,000 live births for the most recent 12-month period ending six months prior to the beginning date of the quarter of the publication of the fixed bed need pool. Specialty children's hospitals are exempt from these requirements.

The applicant states that it is proposing to add Level II neonatal intensive care services at Tradition Medical Center, which is scheduled to be opened in early 2014. Therefore, Martin Memorial is requesting approval in consideration of the not normal circumstances cited earlier in the application.

e. Ch. 59C-1.042(7) - Geographic Access. Level II neonatal intensive care services shall be available within two hours ground travel time under normal traffic conditions for 90 percent of the population in the service district.

Martin Memorial states that the geographic access standard is met in District 9. However, the applicant maintains that a two-hour standard is not appropriate for Level II services. Martin Memorial contends that

Level II NICU services are increasingly provided in urban community hospital settings and are not viewed by physicians or consumers as the type of tertiary services that would warrant a two-hour travel time standard.

The applicant notes that hospitals with 1,500 births can provide Level II NICU services through the exemption process, regardless of the location. However, Martin Memorial contends that the lack of a Level II NICU will effectively prevent it from reaching the 1,500 birth benchmark.

f. Ch. 59C-1.042(8) - Quality of Care Standards.

(1) Physician Staffing: Level II neonatal intensive care services shall be directed by a neonatologist or a group of neonatologists who are on active staff of the hospital with unlimited privileges and provide 24-hour coverage, and who are either board-certified or board-eligible in neonatal-perinatal medicine.

Martin Memorial states that neonatal intensive care services at Tradition Medical Center shall be directed by board-certified neonatologists (Pediatrix Medical Group). Curriculum vitae for members of the Pediatrix group who may be assigned to provide services at Tradition Medical Center are included in Attachment 7. The applicant notes that these physicians are currently on staff at Martin Memorial.

(2) Nursing Staffing: The nursing staff in Level II neonatal intensive care units shall be under the supervision of a head nurse with experience and training in neonatal intensive care nursing. The head nurse shall be a registered professional nurse. At least one-half of the nursing personnel assigned to each work shift in Level II neonatal intensive care units must be registered nurses.

The applicant states that the neonatal nursing staff at Tradition Medical Center will be under the supervision of a nursing director with experience and training in neonatal intensive care nursing. Martin Memorial's practice is to have an all-RN staff for the NICU and states that this practice will be carried forward to Tradition Medical Center.

(3) Special Skills of Nursing Staff: Nurses in Level II neonatal intensive care units shall be trained to administer cardio-respiratory monitoring, assist in ventilation, administer I.V. fluids, provide pre-operative and post-operative care of newborns requiring surgery, manage neonates being transported, and provide emergency treatment of conditions such as apnea, seizures, and respiratory distress.

Martin Memorial maintains that nurses who staff the NICU at Tradition Medical Center will meet the same training and certification requirements as those currently providing nursing care at Martin Memorial's NICU. The applicant states that these nurses are trained to administer cardio-respiratory monitoring, assist in ventilation, administer I.V. fluids, provide pre-operative and post-operative care of newborns requiring surgery, manage neonates being transported and provide emergency treatment of conditions.

Martin Memorial asserts that all nurses are trained in the STABLE program (sugar, temperature, assisted breathing, blood pressure, lab work and emotional support to family) which is used to train personnel how to stabilize critically ill infants who need to be transported. The applicant indicates nurses are also certified in the Neonatal Resuscitation Program (NRP) of the American Heart Association.

The applicant notes that the proposed Level II neonatal program does not plan to provide neonatal surgery, other than occasional minor procedures that would be appropriate in a Level II setting.

(4) Respiratory Therapy Technician Staffing: At least one certified respiratory care practitioner therapist with expertise in the care of Neonates shall be available in the hospitals with Level II neonatal intensive care services at all times. There shall be at least one respiratory therapist technician for every four infants receiving assisted ventilation.

The applicant states that it will ensure the availability of a certified respiratory care therapist with neonatal expertise at all times. Martin Memorial indicates that there will be at least one respiratory therapy technician for every four infants receiving assisted ventilation. All respiratory therapists at Martin Memorial are required to maintain NRP certification, and the same requirement will apply to Tradition Medical Center. The applicant's Schedule 6A allocates 0.25 FTE to a respiratory therapist for the proposed Level II NICU.

(5) Blood Gases Determination and Ancillary Service Requirements: Blood gas determination shall be available and accessible on a 24-hour basis in all hospitals with Level II neonatal intensive care services.

The applicant asserts currently, blood gas is available and accessible on a 24-hour basis at Martin Memorial's NICU, and the same standard will be met at Tradition Medical Center.

(6) Ancillary Service Requirements*:* Hospitals providing Level II neonatal intensive care services shall provide on-site, on a 24-hour basis, x-ray, obstetric ultrasound, and clinical laboratory services. Anesthesia shall be available on an on-call basis within 30 minutes. Clinical laboratory services shall have the capability to perform microstudies.

Martin Memorial states that all of the services specified will be available. In addition, the applicant maintains that Martin Memorial's outpatient OB department offers testing and other services, including home visits, which are accessed by new mothers and their infants and necessary.

(7) Nutritional Services: Each hospital with Level II neonatal intensive care services shall have a dietician or nutritionist to provide information on patient dietary needs while in the hospital and to provide the patient's family instruction or counseling regarding the appropriate nutritional and dietary needs of the patient after discharge.

The applicant maintains that Tradition Medical Center will have a nutritionist or dietician who can provide information on patients' dietary needs and provide family instruction or counseling concerning the appropriate nutritional and dietary need of the patient. The applicant states that all babies who receive Level II NICU care will receive two home visits as well. Martin Memorial also states that the proposed NICU program will offer support for breastfeeding mothers through its lactation consultant and lactation hot-line.

The applicant included Tradition Medical Center's entire Schedule 6A, which has dietary supervisors and aides FTEs. However, no dietician or nutritionist FTEs are added by this project.

(8) Social Services: Each hospital with Level II neonatal intensive care services shall make available the services of the hospital's social service department to patients' families which shall include, but not be limited to, family counseling and referral to appropriate agencies for services. Children potentially eligible for the Medicaid, Children's Medical Services, or Developmental Services Programs shall be referred to the appropriate eligibility worker for eligibility determination.

Martin Memorial states that social service staff with experience in neonatal needs and the needs of families with infants in the NICU will be available to provide family counseling and referral to appropriate agencies for services. The applicant indicates that social workers will help ensure that families with infants potentially eligible for Medicaid Children's Medical Services or Developmental Services Programs shall be referred to the appropriate eligibility screener for eligibility determination.

(9) Developmental Disabilities Intervention Services: Each hospital that provides Level II neonatal intensive care services shall provide in-hospital intervention services for infants identified as being at high risk for developmental disabilities to include developmental assessment, intervention, and parental support and education.

The applicant maintains that it will provide in-hospital intervention services for infants at high risk for developmental disabilities. Martin Memorial states that it has a premier pediatric rehabilitation program which includes a variety of services, such as:

- Newborn screenings
- Audiology/hearing testing
- Adaptive equipment
- Physical therapy
- Occupational therapy
- Speech/language therapy
- Oral-motor/feeding therapy
- Sensory integration treatment
- Infant massage

Martin Memorial also provides therapy services for children who have the following conditions:

- Cerebral palsy
- Genetic disorders

- Orthopedic and neurological conditions
- Down's syndrome
- Developmental delay
- Prematurity
- Speech, articulation and stuttering disorders
- Autism
- Sensory integration disorders
- Feeding problems
- Spina bifida
- Cleft palate
- Attention deficit disorder
- Head injury

Martin Memorial indicates that it offers access to dedicated home care nurses for infants to identify problems early and take intervention steps. The applicant includes a brochure describing the pediatric rehabilitation program in Attachment 6 of CON application #10129.

(10) Discharge Planning: Each hospital that provides Level II neonatal intensive care services shall have an interdisciplinary staff responsible for discharge planning. Each hospital shall designate a person responsible for discharge planning.

The applicant states that Tradition Medical Center will have an interdisciplinary staff responsible for discharge planning. Martin Memorial maintains that at its current NICU, the registered nurse who is the primary caregiver for each infant is also responsible for discharge planning for the infant.

g. Ch. 59C-1.042 (9), Florida Administrative Code - Level II Neonatal Intensive Care Unit Standards: The following standards shall apply to Level II neonatal intensive care services:

(1) Nurse to Neonate Staffing Ratio. Hospitals shall have a nurse to neonate ratio of at least 1:4 in Level II neonatal intensive care units at all times. At least 50 percent of the nurses shall be registered nurses.

Martin Memorial maintains that at Tradition Medical Center the nurse-to-neonate staffing ratio will meet or exceed the standard of at least 1:4 in its Level II NICU at all times. The applicant asserts that 100 percent of the nurses will be registered nurses for the Level II NICU.

Schedule 6A indicates 7.2 FTEs for RNs for the first year of operation and 7.2 in year two. The applicant projects a 3.3 average daily census (ADC) in year one and 3.7 ADC in year two. Therefore, the applicant's projections exceed the nurse to neonate staffing ratio.

(2) Requirements for Level II NICU Patient Stations. Each patient station in a Level II NICU shall have, at a minimum:

a. Fifty square feet per infant;
b. Two wall-mounted suction outlets preferably equipped with a unit alarm to signal loss of vacuum;
c. Eight electrical outlets;
d. Two oxygen outlets and an equal number of compressed air outlets and adequate provisions for mixing these gases;
e. An incubator or radiant warmer;
f. One heated humidifier and oxyhood;
g. One respiration or heart rate monitor;
h. One resuscitation bag and mask;
i. One infusion pump;
j. At least one oxygen analyzer for every three beds;
k. At least one non-invasive blood pressure monitoring device for every three beds;
l. At least one portable suction device; and
m. Not less than one ventilator for every three beds.

(3) Equipment Required to be Available to Each Level II NICU on demand:

a. An EKG machine with print-out capacity;
b. Transcutaneous oxygen monitoring equipment; and
c. Availability of continuous blood pressure measurement.

The applicant states that the Level II neonatal intensive care program at Tradition Medical Center will provide all of the equipment and capabilities described in this criterion. Martin Memorial provides an equipment list in Attachment 9 and Schedule 9 of CON application #10129 addresses the required components.

i. Ch. 59C-1.042(11) - Emergency Transportation Services: Each hospital providing Level II neonatal intensive care services shall have or participate in an emergency 24-hour patient transportation system.

(1) Provision of Emergency Transportation. Hospitals providing Level II neonatal intensive care services must operate a 24-hour emergency transportation system directly, or contract for this service, or participate through a written financial or non-financial agreement with a provider of emergency transportation services.

(2) Requirements for Emergency Transportation System. Emergency transportation system, as defined in paragraph (11)(a), shall conform to section 64E-2.003, Florida Administrative Code.

Martin Memorial states that babies who need emergency transportation from Tradition Medical Center to a Level III facility will be transported via St. Mary's emergency transport to St. Mary's Hospital in Palm Beach County. The applicant maintains that this relationship has worked in the past and is expected to meet the needs of Tradition Medical Center.

j. Ch. 59C-1.042(12) - Transfer Agreements: A hospital providing only Level II neonatal intensive care services shall provide documentation of a transfer agreement with a facility providing Level III neonatal intensive care services in the same or nearest service district for patients in need of Level III services. An applicant for Level II neonatal intensive care services shall include, as part of the application, a written protocol governing the transfer of neonatal intensive care services patients to other inpatient facilities.

The applicant states that it will follow the same protocol governing the transfer of neonatal intensive care patients that is currently used by Martin Memorial. Martin Memorial notes that the same neonatology group that serves St. Mary's (Pediatrix) also serves Martin Memorial and will serve Tradition Medical Center. A written protocol is included by the applicant in Attachment 10.

k. Ch. 59C-1.042(13) - Data Reporting Requirements: All hospitals with Level II neonatal intensive care services shall provide the Agency or its designee with patient utilization and fiscal reports which contain data relating to patient utilization of Level II and Level III neonatal intensive care services.

1. Utilization Data.
2. Patient Origin Data

Martin Memorial states that utilization and patient origin data for Level II NICU service at Tradition Medical Center will be reported to the Agency within 45 days of the end of each calendar quarter.

3. Statutory Review Criteria

a. Is need for the project evidenced by the availability, quality of care, accessibility and extent of utilization of existing health care facilities and health services in the applicant's service area? ss. 408.035(1), (a) and (b), Florida Statutes.

Martin Memorial indicates that its demonstration of need for the proposed project is set forth fully in response to Schedule B, Section E. Question 1: Fixed Need Pool.

The applicant reiterates that there are no Level II NICU services in proposed service area for Tradition Medical Center. Martin Memorial maintains that babies from the service area are most commonly treated at Martin Memorial in Stuart, Lawnwood Regional Medical Center in Fort Pierce or St. Mary's Hospital in West Palm Beach. The applicant notes that overall utilization in District 9 Level II facilities is below the 80 percent threshold.

Martin Memorial contends that the development of Tradition Medical Center will greatly enhance the access to acute care services for residents as would the development of a Level II NICU program. The applicant indicates that the availability of NICU services at the hospital will mean that a mother can stay close to home and not be separated from her infant and infants will not need to be transported to NICU Level II care out of the area. The applicant notes that the interruption of the mother-baby bonding process is a major concern for the baby's development and the mother's well-being.

The applicant indicates that the availability of a Level II NICU at Tradition Medical Center will greatly enhance access for residents of the area and will have little to no impact on area providers other than Martin Memorial itself. Martin Memorial asserts that it is willing to accept the

impact on volume at Martin Memorial in order to provide better access and quality of care locally to the residents of western Port St. Lucie and the service area as a whole.

b. Does the applicant have a history of providing quality of care? Has the applicant demonstrated the ability to provide quality care? ss. 408.035(1)(c), Florida Statutes.

Martin Memorial included a copy of the organization's licensure certificates in CON application #10129. The applicant states that it has a history of providing quality care for more than 70 years. Martin Memorial indicates that it does not hold any licenses outside of Florida.

The applicant asserts that quality initiatives are continuously ongoing throughout its organization and includes Martin Memorial's Quality Assessment and Performance Improvement Plan for 2011-2012 in Attachment 11 of CON application #10129.

Martin Memorial cites achievements in quality initiatives in maternal and child care, including:

- There have been no central line infections in the Level II NICU in three years.
- The total C-section rate at Martin Memorial is one of the lowest in the state—29.1 percent versus the statewide rate of 39.6 percent.
- Martin Memorial maintains high breastfeeding rates.

The applicant states that in addition to quality benchmarks and testimonials (see Attachment 3, letters of support) for maternal and infant services, Martin Memorial's quality of care has been recognized with numerous awards and accreditations, including:

- One of Thomson Reuters 100 Top Hospitals
- One of Thomson Reuters 50 Top Cardiovascular Hospitals
- A Blue Distinction Center for Excellence in Cardiac Care
- Joint Commission Accreditation
- Recognized by The Joint Commission as one of the Top Performers on Key Quality Measures
- Named as a primary stroke center by The Joint Commission
- Accreditation by the Commission on Cancer of the American College of Surgeons with Commendation
- The Martin Memorial Center for Join Replacement earned the Gold Seal of Approval
- A Blue Distinction Center for Knee and Hip Replacement
- Recognized as a national Employer of Choice
- Marketing communication department won Apex Award of Excellence

Martin Memorial has two licensed hospitals in Florida with a total of 339 acute care beds and five Level II NICU beds. Agency data obtained October 14, 2011 indicates that Martin Memorial had no substantiated complaints during the previous 36 months.

c. What resources, including health manpower, management personnel, and funds for capital and operating expenditures, are available for project accomplishment and operation? ss. 408.035(1)(d), Florida Statutes.

The audited financial statements of the applicant for the periods ending September 30, 2009 and 2010 were analyzed for the purpose of evaluating the applicant's ability to provide the capital and operational funding necessary to implement the project.

Short-Term Position:
The applicant's current ratio of 4.3 is well above average and indicates current assets are more than four times current liabilities, a strong position. The working capital (current assets less current liabilities) of $132.4 million is a measure of excess liquidity that could be used to fund capital projects. The ratio of cash flow to current liabilities of 0.7 is average and an adequate position. Overall, the applicant has a good short-term position. See Table 1.

Long-Term Position:
The ratio of long-term debt to net assets of 1.3 is well above average and indicates that long-term debt exceeds equity. With long-term debt exceeding equity, the applicant may have difficulty acquiring future debt in an arms-length transaction. The ratio of cash flow to assets of 8.3 percent is slightly below average and an adequate position. The most recent year had $24.0 million of income from operations, which resulted in an operating margin of 7.1 percent. Overall, the applicant has a slightly weak but adequate long-term position. See Table 1.

TABLE 1 Martin Memorial Medical Center CON 10129		
	9/30/2010	**9/30/2009**
Current Assets	$173,155,000	$147,555,000
Cash and Current Investment	$108,702,000	$89,740,000
Total Assets	$328,662,000	$304,897,000
Current Liabilities	$40,726,000	$37,857,000
Total Liabilities	$203,653,000	$193,588,000
Net Assets	$124,962,000	$111,264,000
Total Revenues	$339,135,000	$315,965,000
Interest Expense	$4,693,000	$4,921,000
Excess of Revenues Over Expenses	$24,012,000	$16,362,000
Cash Flow from Operations	$27,232,000	$22,060,000
Working Capital	$132,429,000	$109,698,000
FINANCIAL RATIOS		
	9/30/2010	**9/30/2009**
Current Ratio (CA/CL)	4.3	3.9
Cash Flow to Current Liabilities (CFO/CL)	0.7	0.6
Long-Term Debt to Net Assets (TL-CL/NA)	1.3	1.4
Times Interest Earned (NPO+Int/Int)	6.1	4.3
Net Assets to Total Assets (TE/TA)	38.0%	36.5%
Operating Margin (ER/TR)	7.1%	5.2%
Return on Assets (ER/TA)	7.3%	5.4%
Operating Cash Flow to Assets (CFO/TA)	8.3%	7.2%

Capital Requirements:
Schedule 2 indicates the applicant has capital projects and maturities of long-term debt through 2014 totaling $298.5 million.

Available Capital:
The applicant indicates on Schedule 3 funding for the project will be provided by internal cash on hand funding. As of September 30, 2010, the applicant had $132.4 million in working capital and cash from operations of approximately $27.2 million. The applicant also indicated that the hospital at which the NICU will be located will be funded in part by a tax-exempt revenue bond in amount of $164.5 million. In addition, the applicant indicates that land in the amount of $10.5 million for the hospital has already been acquired.

Staffing:
The applicant provides a Schedule 6A with the current hospital staffing schedule and the incremental FTEs added by the proposed project. Schedule 6A indicates that the project will consist of 10.1 incremental FTEs in year one (Fiscal Year 2014), which will remain constant for year two (Fiscal Year 2014). These FTEs are as follows: R.N.s 7.2 FTEs, nursing aides 2.4 FTEs, 0.3 FTE for social services and 0.3 for ancillary FTEs.

The applicant maintains that because of the nature of service and the relatively low average daily census in the NICU, the staffing model is a flexible one. Martin Memorial states that to project the baseline FTEs for the hospital as a whole, a 60 percent variable/40 percent fixed model was applied to current staffing for the hospital and the projected fiscal year 2014 and 2015 patient volumes.

Conclusion:
Funding for this project should be available as needed.

d. What is the immediate and long-term financial feasibility of the proposal? ss. 408.035(1)(f), Florida Statutes.

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

Because the NICU cannot operate without the support of the hospital, we have evaluated the reasonableness of the projections of the entire hospital including the NICU project. The applicant has stated that the new hospital will serve the patient population in the following zip codes: Primary (34953, 34983, 34984, 34986, 34987, and 34988). We tested the case mix data, using the patients discharged from short-term acute care hospitals in the indicated zip codes during 2009, excluding DRG's

for services not provided (as outlined in CON 9981 with the exception of NICU discharges) and DRG's discharged from Long-Term Care Hospitals. The computed case mix index for these cases was 1.4518. The applicant provided combined projections with the entire Martin Memorial System including the new hospital. We blended the actual case mix experienced by Martin Memorial with the projected mix for the new hospital (1.4368). Based on the range of services offered, number of beds and estimated patient days, as well as the computed case mix index; the applicant will be compared to the hospitals in Group 6. Per diem rates are projected to increase by an average of 2.9 percent per year. Inflation adjustments were based on the new CMS Market Basket, 2nd Quarter, 2011.

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

Projected net revenue per adjusted patient day (NRAPD) of $2,180 in year one and $2,288 in year two is between the control group median and highest values of $2,026 and $2,597 in year one and $2,085 and $2,672 in year two. With net revenues falling between the median and highest level, the facility is expected to consume health care resources in proportion to the services provided. See Table 2.

The applicant proposed a condition that at least 50 percent of the Level II NICU patient days will be provided to Medicaid, managed care, and charity patients. The applicant projects Medicaid to be 52.2 and 52.7 percent of its total NICU patient days in year one and two respectively.

Anticipated cost per adjusted patient day (CAPD) of $2,121 in year one and $2,220 in year two is between the group median and highest values of $1,956 and $2,309 in year one and $2,012 and $2,376 in year two. The highest level is generally viewed as the practical upper limit on efficiency. With anticipated cost between the median and highest value in the control group, the year two cost appear reasonable. See Table 2.

The year two projected operating income for the project of $12.2 million computes to an operating margin per adjusted patient day of $68 or 3.0 percent which is between the control group median and highest values of $47 and $443.

TABLE 2

Martin Memorial Medical Center
CON #10129
2012 DATA Peer Group 6

	Dec-15 YEAR 2 ACTIVITY	YEAR 2 ACTIVITY PER DAY	VALUES ADJUSTED FOR INFLATION Highest	Median	Lowest
ROUTINE SERVICES	1,019,339,810	5,673	2,063	1,173	496
INPATIENT AMBULATORY	0	0	365	184	39
INPATIENT SURGERY	0	0	0	0	0
INPATIENT ANCILLARY SERVICES	0	0	10,493	5,606	2,264
OUTPATIENT SERVICES	832,160,872	4,631	5,068	3,365	2,004
TOTAL PATIENT SERVICES REV.	1,851,500,682	10,304	16,935	10,697	4,803
OTHER OPERATING REVENUE	15,340,918	85	84	17	3
TOTAL REVENUE	1,866,841,600	10,389	16,940	10,730	4,849
DEDUCTIONS FROM REVENUE	1,455,773,087	8,102	0	0	0
NET REVENUES	411,068,513	2,288	2,672	2,085	1,610
EXPENSES					
ROUTINE	53,693,242	299	416	328	202
ANCILLARY	171,608,232	955	1,024	764	552
AMBULATORY	17,945,937	100	0	0	0
TOTAL PATIENT CARE COST	243,247,411	1,354	0	0	0
ADMIN. AND OVERHEAD	109,403,680	609	0	0	0
PROPERTY	45,714,099	254	0	0	0
TOTAL OVERHEAD EXPENSE	155,117,779	863	1,097	845	632
OTHER OPERATING EXPENSE	493,070	3	0	0	0
TOTAL EXPENSES	398,858,260	2,220	2,376	2,012	1,747
OPERATING INCOME	12,210,253	68	443	47	-262
		3.0%			
PATIENT DAYS	98,114				
ADJUSTED PATIENT DAYS	179,688				
TOTAL BED DAYS AVAILABLE	152,935		VALUES NOT ADJUSTED FOR INFLATION		
ADJ. FACTOR	0.5460				
TOTAL NUMBER OF BEDS	419		Highest	Median	Lowest
PERCENT OCCUPANCY	64.15%		79.9%	59.0%	34.2%

PAYER TYPE	PATIENT DAYS	% TOTAL			
SELF PAY	6,903	7.0%			
MEDICAID	5,988	6.1%	26.0%	8.3%	2.4%
MEDICAID HMO	728	0.7%			
MEDICARE	52,147	53.1%	72.2%	52.5%	31.1%
MEDICARE HMO	10,518	10.7%			
INSURANCE	1,330	1.4%			
HMO/PPO	19,849	20.2%	47.3%	31.5%	13.1%
OTHER	651	0.7%			
TOTAL	98,114	100%			

Conclusion:
This project appears to be financially feasible.

e. Will the proposed project foster competition to promote quality and cost-effectiveness? ss. 408.035(1) (e) and (g), Florida Statutes.

Competition to promote quality and cost-effectiveness is driven primarily by the best combination of high quality and fair price. Competition forces health care facilities to increase quality and reduce charges/cost in order to remain viable in the market. General economic theory indicates that competition ultimately leads to lower costs and better quality. However; in the health care industry there are several significant barriers to competition:

Price-Based Competition is Limited - Medicare and Medicaid account for almost 60 percent of Hospital charges in Florida, while HMO/PPOs account for approximately 30 percent of charges. While HMO/PPOs negotiate prices, fixed price government payers like Medicare and Medicaid do not. Therefore price-based competition is limited to non-government fixed price payers. Price-based competition is further restricted as Medicare reimbursement in many cases is seen as the starting point for price negation among non-government payers.

The User and Purchaser of Health care are Often Different – Roughly 90 percent of hospital charges in Florida are from Medicare, Medicaid, and HMO/PPOs. The individuals covered by these payers pay little to none of the costs for the services received. Since the user is not paying the full cost directly for service, there is no incentive to shop around for the best deal. This further makes price based competition irrelevant.

Information Gap for Consumers – Price is not the only way to compete for patients, quality of care is another area in which hospitals can compete. However, there is a lack of information for consumers and a lack of consensus when it comes to quality measures. In recent years there have been new tools made available to consumers to close this gap. However, transparency alone will not be sufficient to shrink the information gap. The consumer information must be presented in a manner that the consumer can easily interpret and understand. The beneficial effects of economic competition are the result of informed choices by consumers.

In addition to the above barriers to competition, a study presented in The Dartmouth Atlas of Health Care 2008 suggests that the primary cost driver in Medicare payments is availability of medical resources. The study found that excess supply of medical resources (beds, doctors, equipment, specialist, etc.) was highly correlated with higher cost per patient. Despite the higher costs, the study also found slightly lower

quality outcomes. This is contrary to the economic theory of supply and demand in which excess supply leads to lower price in a competitive market. The study illustrates the weakness in the link between supply and demand and suggests that more choices lead to higher utilization in the health care industry as consumers explore all alternatives without regard to the overall cost per treatment or the quality of outcomes.

Conclusion:
This project will not likely foster the type of competition generally expected to promote quality and cost-effectiveness.

f. Are the proposed costs and methods of construction reasonable? Do they comply with statutory and rule requirements?
ss. 408.035(1)(h), Florida Statutes; Ch. 59A-3 or 59A-4, Florida Administrative Code.

The project will include the renovation of the fifth floor of Tradition Medical Center (CON #9981) which is currently under construction--building out shell space to create a new six-bed NICU.

The NICU is located next to the newborn nursery. Each bed is in a private room with adequate size and privacy. All patient rooms have direct access to daylight as required. Natural light will be controlled via shades in all NICU rooms as indicated in the project narrative. An air-borne infection isolation room has not been included in NICU, but this can be easily achieved since all rooms are private to meet the requirement of the AIA Guidelines for Design and Construction of Health Care Facilities. A nurse station is located directly across from the patient rooms to provide direct visualization and safety.

The design appears to provide all the functional spaces required for the residents and staff, which are conveniently located. The schematic plans and project narrative provide a list of anticipated applicable codes including NFPA Life Safety Code and the Florida Building code. The estimated construction costs and project completion forecast appear to be reasonable.

The architectural review of the application shall not be construed as an in-depth effort to determine complete compliance with all applicable codes and standards. The final responsibility for facility compliance ultimately rests with the owner.

g. Does the applicant have a history of providing health services to Medicaid patients and the medically indigent? Does the applicant propose to provide health services to Medicaid patients and the medically indigent? ss. 408.035(1)(i), Florida Statutes.

The applicant states that it has a history of providing services to Medicaid patients and the medically indigent, and will continue to do so with implementation of the project.

Martin Memorial asserts that it accepts patients in need of services without regard to their ability to pay or source of the payment. The applicant indicates that in fiscal year 2009 and 2010, 10.6 percent of Martin Memorial's admissions were Medicaid patients. Additionally, Martin Memorial states that Medicaid represented 8.3 percent of patient days in fiscal year 2009 and 8.5 percent of patient days in fiscal year 2010. Charity care totaled $41.4 million and $49 million in charges for fiscal year 2009 and fiscal year 2010 respectively.

The applicant cites that it is conditioning approval of CON #10129 to provide at least 50 percent of the Level II NICU's total annual patient days to Medicaid, Medicaid managed care and charity patients.

F. SUMMARY

Martin Memorial Medical Center, Inc. (CON #10129), a private, not-for-profit corporation, is applying to establish a six-bed level II NICU at its Tradition Medical Center location in Tradition, Florida (western Port St. Lucie). When it opens in early 2014, Tradition Medical Center will be located at the intersection of Tradition Parkway and Innovation Drive.

The applicant proposes to condition project approval to provide a minimum of 50 percent of total annual Level II NICU patient days to Medicaid, Medicaid HMO and charity patients on a combined basis. Martin Memorial also conditions the proposed Level II NICU to be within the Tradition Medical Center, St. Lucie County.

The total project cost for the project is estimated at $3,012,439. The project involves 3,462 GSF of renovation and total construction cost of $1,113,179.

Need:

In Volume 37, Number 29, dated July 22, 2011 of the Florida Administrative Weekly, a fixed need pool of zero beds was published for Level II NICU beds in District 9 for the January 2014 planning horizon.

District 9 has 93 currently licensed Level II NICU beds and four approved beds and experienced 65.80 percent utilization from January 2010-December 2010. The applicant is applying outside of the fixed need pool.

Martin Memorial Medical Center states that in order to ensure the same high quality service for the residents who will be utilizing the new hospital in Tradition, Florida it is essential to provide Level II NICU backup at the Tradition Medical Center.

Martin Memorial contends that the proposed project would greatly improve the geographic access to neonatal services for residents of the area, result in a better distribution of beds within District 9 and provide a NICU alternative in subdistrict 9-2 away from the coast.

Martin Memorial indicates that the population of females age 15-44 is projected to increase from 40,562 to 44,730 (15.2 percent) between 2011 and 2016. The CAGR of 2.4 percent per year for the service area is projected to be four times the growth rate of District 9 and six times the growth rate statewide for the population of females of childbearing age.

Obstetricians in the area have voiced support for the facility but only if there is a NICU service. Without it, the applicant states that the new facility would be at risk in the critical early stages of its development, and current support in the community would erode.

Quality of Care:

The applicant states that it has a history of providing quality care for more than 70 years. Martin Memorial cites achievements in quality initiatives in maternal and child care. Martin Memorial's quality of care has been recognized with numerous awards and accreditations.

Martin Memorial has two licensed hospitals in Florida with a total of 339 acute care beds and five Level II NICU beds. Agency data obtained October 14, 2011 indicates that Martin Memorial had no substantiated complaints during the previous 36 months.

The applicant demonstrated the ability to provide quality care.

Medicaid/Indigent Care:

The applicant has a history of providing services to Medicaid patients and the medically indigent. Martin Memorial states that Medicaid represented 8.3 percent of patient days in fiscal year 2009 and 8.5 percent of patient days in fiscal year 2010. Charity care totaled $41.4 million and $49 million in charges for fiscal year 2009 and fiscal year 2010 respectively.

The applicant commits to condition the Level II NICU to provide a minimum of 50.0 percent of its total annual patient days to the combination of Medicaid, Medicaid HMO and charity patients.

Financial/Cost:

The applicant has a good short-term position and a slightly weak but adequate long-term position.

This project appears to be financially feasible. Funding for this project should be available as needed.

This project will not likely foster the type of competition generally expected to promote quality and cost-effectiveness.

Architectural:

The new NICU is located next to the newborn nursery. Each bed is in a private room with adequate size and privacy. All patient rooms have direct access to daylight as required.

An air-borne infection isolation room has not been included in NICU, but this can be easily achieved since all rooms are private to meet the requirement of the AIA Guidelines for Design and Construction of Health Care Facilities.

The design appears to provide all the functional spaces required for the residents and staff, which are conveniently located. The schematic plans and project narrative provide a list of anticipated applicable codes including NFPA Life Safety Code and the Florida Building code.

The estimated construction costs and project completion forecast appear to be reasonable.

G. RECOMMENDATION:

Approve CON #10129 to establish a six-bed Level II NICU at Tradition Medical Center. The total project cost is $3,012,439. The project involves 3,462 GSF of renovation and a total construction cost of $1,113,179.

CONDITIONS:

1. A minimum of 50 percent of the total annual Level II NICU patient days shall be provided to Medicaid, Medicaid HMO and charity patients on a combined basis.

2. The proposed Level II NICU will be located within the Tradition Medical Center in St. Lucie County.

AUTHORIZATION FOR AGENCY ACTION

Authorized representatives of the Agency for Health Care Administration adopted the recommendation contained herein and released the State Agency Action Report.

DATE: _____

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

_____
Jeffrey Gregg
Chief, Bureau of Health Facility Regulation