

STATE AGENCY ACTION REPORT
ON APPLICATION FOR CERTIFICATE OF NEED

A. PROJECT IDENTIFICATION

1. Applicant/CON Action No.

Genesis Rehabilitation Hospital, Inc./CON #9480
d/b/a Brooks Rehabilitation Hospital
3599 University Blvd. South
Jacksonville, Florida 32216

Authorized Representative: Charles A. Schauer
(904) 858-7602

2. Service District/Subdistrict

District 4 (Baker, Clay, Duval, Flagler, Nassau, St. Johns and Volusia Counties)

B. PUBLIC HEARING

No public hearing was held or requested on the proposed project. The applicant provided five letters of support, including one from the President of Brooks Health Foundation. Other letters were from the CEO of St. Vincent's, the Dean of the College of Health at the University of North Florida, Dr. Howard B. Weiss, board-certified in physical medicine and rehabilitation and the Honorable Mayor of Jacksonville, John A. Delaney.

C. PROJECT SUMMARY

Genesis Rehabilitation Hospital, Inc. (CON #9480) d/b/a Brooks Rehabilitation Hospital is a freestanding 127-bed, not-for-profit, rehabilitation hospital, located in District 4, Duval County. The applicant is proposing to add nine comprehensive medical rehabilitation (CMR) beds to its facility at 3599 University Boulevard South in Jacksonville. The nine-bed addition will increase the hospital's number of CMR beds to 136 (127+9=136), in District 4, St. Johns County. Genesis operates six hospital-based outpatient facilities in Duval County and one in St. Augustine, in St. Johns County.

According to the *Certificate of Need Predicated on Conditions* page, the applicant is proposing a minimum of 6.4 percent of its patient days to Medicaid patients and one percent to charity patients. The facility currently operates under conditions assigned pursuant to CON #8388, for four percent of patient days to Medicaid patients and two percent of patient days to charity patients. A blending of the existing and proposed conditions results in a new facility condition of: 4.16 percent of total patient days to Medicaid patients and 1.93 percent of total patient days to charity patients for the 136 beds, if approved.

The total project cost is estimated at \$296,063. Renovation costs are projected at \$89,982 and the project will involve 3,140 gross square feet (GSF) of renovated space.

D. REVIEW PROCEDURE

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

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

Rule 59C-1.010(2) (b), Florida Administrative Code, prohibits any amendments once an application has been deemed complete. The burden of proof to entitlement of a certificate rests with the applicant. As such, the applicant is responsible for the representations in the application. This is attested to as part of the application in the Certification of the applicant.

As part of the fact-finding, the consultant, Ed Carter, analyzed the application with consultation from the financial analyst, John Williamson reviewed the financial data and architect Joel Hill, who evaluated the architectural and the schematic drawings.

E. CONFORMITY OF PROJECT WITH REVIEW CRITERIA

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

1. Fixed Need Pool

a. Does the project proposed respond to need as published by a fixed need pool? Chapter 59C-1.008 and rule 59C-1.039.

In Volume 27, Number 30, dated July 27, 2001 on page 3530 of the Florida Administrative Weekly, a fixed need pool of nine (9) beds was published for comprehensive medical rehabilitation beds in District 4 for the January 2007 planning horizon.

District 4 has 167 licensed comprehensive medical rehabilitation beds and zero approved beds. The comprehensive medical rehabilitation beds in District 4 experienced an occupancy rate of 81.24 percent during the period January 2000 through December 2000. The proposed project is responding to published-need.

- b. According to 59C-1.039 (5)(d) of the Florida Administrative Code, a certificate of need for the establishment of new or expanded of existing comprehensive medical rehabilitation inpatient beds or services shall not normally be approved unless a bed need exists according to the numeric need methodology in paragraph (5)(c) of this rule. Regardless of whether bed need is shown under the need formula in paragraph (5)(c), no additional comprehensive medical rehabilitation inpatient beds shall normally be approved for a district unless the average annual occupancy rate of the licensed comprehensive medical rehabilitation inpatient beds in the district was at least 80 percent for the 12-month period ending six months prior to the beginning date of the quarter of the publication of the fixed bed need pool.

District 4 has 167 licensed comprehensive medical rehabilitation beds that experienced an occupancy rate of 81.24 percent during the period January 2000 through December 2000:

Occupancy Rates District 4			
Facility	# Beds	County	Occupancy % (1/00 - 12/00)
Brooks Rehabilitation Hospital	127	Duval	87.78%
Memorial Hospital-Peninsula	40	Volusia	60.48%
Total/Average	167		81.24%

Source: Florida Hospital Bed and Service Utilization by District July 2001.

The target or desired occupancy rate for comprehensive medical rehabilitation beds is 80 percent.

The applicant is seeking beds within the fixed need projection of nine (9) CMR beds in District 4.

2. Local Health Plan Preferences

Is need for the project proposed supported by the applicable district plan? ss. 408.035(1)(a), Florida Statutes and Ch. 59C-1.039, Florida Administrative Code.

The District 4 October 2000 CON Allocation Factors Report provides the following preference statements specific to comprehensive medical rehab beds. For both competing and non-competing applications, preference shall be given to:

- 1. Preference shall be given to the applicant who proposes to convert licensed unused beds.**

The applicant does not propose as part of this application, to close or convert licensed unused beds.

- 2. Applicants who document that they have written relationships with a broad spectrum of area hospitals, nursing homes, home health agencies, rehab specialists and/or other appropriate service providers, for the purpose of ensuring continuity of care.**

The applicant submitted copies of transfer agreements the applicant has with acute care hospitals, nursing homes and other service providers.

- 3. Applicants who document a need for, and propose to specialize in an area of medical rehabilitation services, which is not readily available in the district.**

The applicant states that is the only CMR provider to the pediatric population in District 4. The applicant is also the only state-designated inpatient rehabilitation facility in its service area providing: brain injury program, inpatient rehab, outpatient rehab, pediatric, spinal cord injury program.

- 4. Applicants who formally commit to provide Medicaid and/or charity care and specify the amount of Medicaid and/or charity care to be provided in their CON application.**

The applicant agrees to condition the approval of this application to a minimum of 6.4 percent of its patient days to Medicaid and one percent to charity care patients and has a history of providing Medicaid and charity care.

5. **Applicants who make a commitment in their CON application to serve hard-to-place patients, such as persons with unique medical conditions and/or persons with inadequate or no third-party coverage.**

The applicant asserts that it has and will continue to serve the hard-to-place patient.

3. Agency Rule Criteria

Please indicate how each applicable preference for the type of service proposed is met. Refer to Chapter 59C-1.039, Florida Administrative Code, for applicable preferences.

- a. **Section 59C-1.039(3) & (4), Florida Administrative Code: General Provisions and Required Staffing and Services.**

General Provisions:

1. **Service Location. The CMR inpatient services regulated under this rule may be provided in a hospital licensed as a general hospital or licensed as a specialty hospital.**

The applicant is proposing to add nine CMR beds to its existing 127-bed specialty CMR hospital at 3599 University Blvd. South in Jacksonville, Duval County.

2. **Separately Organized Units. CMR inpatient services shall be provided in one or more separately organized units within a general hospital or specialty hospital.**

The 127 CMR beds currently licensed to the applicant, d/b/a Brooks Rehabilitation Hospital, are configured as follows:

- 43 beds - CVA (Stroke) Program
- 54 beds - Spinal Cord Injury/Ortho/Neuro Programs
- 20 beds - Brain Injury Program
- 10 beds - Pediatric Program

The proposed nine-bed addition will be allocated as follows:

- 5 beds - CVA (Stroke) Program
- 3 beds - Spinal Cord Injury/Ortho/Neuro/Programs
- 1 bed - Brain Injury Program

- 3. Minimum Number of Beds. A general hospital providing comprehensive medical rehabilitation inpatient services should normally have a minimum of 20 comprehensive medical rehabilitation inpatient beds. A specialty hospital providing CMR inpatient services shall have a minimum of 60 CMR inpatient beds.**

The applicant is an existing 127-bed specialty CMR hospital, therefore this preference is not applicable.

- 4. Conformance with Criteria for Approval. A CON for the establishment of new CMR inpatient services, the construction or addition of new CMR inpatient beds, or the conversion of licensed hospital acute care beds to CMR inpatient beds shall not normally be approved unless the applicant meets the applicable review criteria in Section 408.035, Florida Statutes, and the standards of need determination criteria set forth in this rule.**

The applicant is responding to the published need for nine additional CMR beds in District 4. To accommodate the nine new beds, the applicant intends to convert private rooms to semi-private rooms on the 2nd, 3rd, and 4th floors, and ADL rooms to patient rooms on the 3rd and 4th floors, entailing nominal costs.

- 5. Medicare and Medicaid Participation. An applicant proposing to increase the number of licensed CMR inpatient beds at its facility shall participate in the Medicare and Medicaid programs.**

The applicant currently participates in both the Medicare and Medicaid Programs and intends to do so.

b. Required Staffing and Services.

- 1. Director of Rehabilitation. CMR inpatient services must be provided under the medical director of rehabilitation who is a board-certified or board-eligible psychiatrist and has had at least two years of experience in the medical management of inpatients requiring rehabilitation services.**

The medical director at Brooks Rehabilitation Hospital is Deborah Stewart, M.D. Her resume was submitted with the CON application. Dr. Stewart is board-certified in physical medicine and rehabilitation and has published several articles in the field of geriatrics, stroke, and brain injury.

- 2. Other Required Services. In addition to the physician services, CMR inpatient services shall include at least the following services provided by qualified personnel:**
 - 1. Rehabilitation nursing**
 - 2. Physical therapy**
 - 3. Occupational therapy**
 - 4. Speech therapy**
 - 5. Social services**
 - 6. Psychological services**
 - 7. Orthotic and prosthetic services**

The applicant provides a range of services that significantly exceed the minimum requirements addressed in rule (see page 3-3, application).

- c. Section 59C-1.039(5)(g), Florida Administrative Code, states that priority considerations for CMR inpatient services will be given to applicants who: (1) are a disproportionate share hospital; (2) are proposing to service Medicaid-eligible persons; and, (3) are a designated trauma center.**

The applicant indicates that as a specialty comprehensive medical rehabilitation hospital, it is not eligible for either disproportionate share status or as a designated trauma center.

As mentioned previously, the applicant is conditioning the approval of this application to a minimum of 6.4 percent of its patient days to Medicaid and one percent to charity care patients.

- d. **59C-1.039(6), Florida Administrative Code, Access Standard**
Comprehensive medical rehabilitation inpatient services should be available within a maximum ground travel time of two hours under average travel conditions for at least 90 percent of the district's total population.

The travel standard is met for CMR services in the district.

- e. **59C-1.039(7), Florida Administrative Code, Quality of Care:**
CMR inpatient services shall comply with agency standards for program licensure described in section 59A-3, Florida Administrative Code. Applicants who submit an application that is consistent with the agency licensure standards are deemed to be in compliance with this provision. Applicants proposing to add beds to a licensed CMR inpatient service shall be accredited by CARF specialized inpatient rehabilitation, as applicable to the facility; or, if not yet eligible for CARF accreditation, the applicant shall have received full Medicare certification as a rehabilitation hospital.

Refer to Section 4. b. below.

- f. **59C-1.039(8), Florida Administrative Code, Services Description:**
An applicant for comprehensive medical rehabilitation inpatient service shall provide a detailed program description in its certificate of need application including:

1. **Age groups to be served.**

It is anticipated the nine additional beds will be utilized for adult Stroke patients (five beds), spinal cord injury/ortho/neuro patients (three beds) and brain injury patients (one bed).

2. **Specialty inpatient rehabilitation services to be provided, if any (e.g. spinal cord injury; brain injury).**

See response to #1. above.

- 3. Proposed staffing, including qualifications of the medical director, a description of staffing appropriate for any specialty program, and a discussion of the training and experience requirements of all staff who will provide comprehensive medical rehabilitation inpatient services.**

The applicant is both JCAHO and CARF accredited. As previously discussed, the medical director is Dr. Deborah Stewart, board-certified in physical medicine and rehabilitation. On pages 4e.-1 through 4e.-8, the applicant identifies its key managers, their responsibility, education and training.

- 4. A plan for recruiting staff, showing expected sources of staff.**

As an existing entity, the applicant has a formal recruitment and retention program which has been successful in the past, meeting staffing requirements. It anticipates continued success in this regard. The applicant is projecting 12 new FTEs as a result of the proposed project.

- 5. Expected sources of patient referrals.**

The applicant's expected sources of patient referrals include acute care hospitals, as well as physicians, particularly orthopedic and neurological specialists. As noted earlier, the applicant is an established provider of CMR services in the district.

- 6. Projected number of comprehensive medical rehabilitation inpatient services patient days by payer type, including Medicare, Medicaid, private insurance, self-pay and charity care patient days for the first two years of operation after completion of the proposed project.**

The table below reflects projected patient days by payor, for the proposed nine-bed project only.

Projected Patient Days by Payor		
Payor Source	Year 1	Year 2
Self Pay	124	129
Medicare	1,764	1,834
Medicaid	190	198
Insurance	254	264
PPO/HMO	647	672
Total	2,979	3,097

Source: CON #9480, Schedule 7B.

7. Admission policies of the facility with regard to charity care patients.

The applicant states that charity care is based upon the total facility's experience. The amount used for the hospital's projected financial statements is consistent with prior years' experience. The amount is a minimum of one percent of patient days. Charity care is defined by the Health Care Board and reported annually with the hospital's financial data, according to the applicant.

g. 59C-1.039(10), Florida Administrative Code, Utilization Reports

The applicant will continue to report utilization and other required information as scheduled to the agency and the Health Planning Council of Northeast Florida, Inc.

4. Statutory Review Criteria

a. Is need for the project evidenced by the availability, quality of care, efficiency, accessibility and extent of utilization of existing health care facilities and health services in the applicant's service area? ss.408.035(2), 408.035(7), Florida Statutes.

As of July 2001, District 4, consisting of Baker, Clay, Duval, Flagler, Nassau, St. Johns and Volusia Counties, had a total of 167 licensed comprehensive medical rehabilitation (CMR) beds and no certificate of need approved beds. The licensed CMR beds experienced an average occupancy rate of 81.24 percent for calendar year (CY) 2000. Existing bed/utilization within the district include:

Occupancy Rates District 4			
Facility	# Beds	County	Occupancy % (1/00 - 12/00)
Brooks Rehabilitation Hospital	127	Duval	87.78%
Memorial Hospital-Peninsula	40	Volusia	60.48%
Total/Average	167		81.24%

Source: Florida Hospital Bed and Service Utilization by District July 2001.

Total admissions at Brooks Rehabilitation Hospital grew 62 percent over the four-year period, 1996 through 2000, an average annual growth rate of 12.8 percent. The spinal cord injury program grew 33 percent, an annual average growth of 7.5 percent, and the brain injury program grew 31 percent, an average annual growth of seven percent. The applicant notes that although stroke continues to be the diagnosis for a large number of admissions to the hospital, the number of stroke admissions decreased 19 percent over the four-year period. This decline in stroke admissions is presumed to be associated with new treatments for stroke victims in the emergency and acute care settings. Stroke is the nation's third leading cause of death, however, it is the leading cause of disabilities among older Americans. Therefore, stroke rehabilitation is expected to continue to be a major portion of CMR admissions.

The applicant explains that with the hospital's beds highly utilized, specialty beds are not always available when needed and therefore patients in need of complex, specialty services must leave the district to receive care. The closest facilities with CARF accreditation in spinal cord or brain injury rehab are located in Tallahassee, Gainesville, Tampa or Orlando. When beds are highly utilized, access becomes an issue. The applicant states that Brooks Rehabilitation Hospital has maintained a waiting list and there have been multiple times in which a waiting list has limited admissions or prevented admissions based upon diagnostic groups. The nine additional CMR beds are expected to eliminate and/or reduce the waiting list.

The proposed project is expected to result in efficiencies from the standpoint of the minimal costs associated with bringing the nine beds into service and the inherent economies of scale realized when adding a few beds to an established existing facility.

The extent of utilization of like facilities is responsible for the published need for nine additional CMR beds in District 4 through the January 2007 planning horizon.

For a discussion of quality of care, see 4.b.

- b. Does the applicant have a history of providing quality of care? Has the applicant demonstrated the ability to provide quality care? Please discuss your licensure history within and outside of Florida, and discuss any accreditation(s) held. ss. 408.035(3), 408.035(12), Florida Statutes.**

The applicant provided copies of accreditation letters that show accreditation by the Joint Commission on Accreditation of Health Care Organizations (JCAHO) and by the Commission on the Accreditation of Rehabilitation Facilities (CARF). The hospital has maintained its accreditation with both organizations since participation began, and is accredited for the maximum available, three years. The hospital has met the high standards required of CARF accreditation for specialty programs such as spinal cord injury, brain injury, and pain rehabilitation, which also are indicative of the quality of care available to Brooks Rehabilitation Hospital's patients.

According to the applicant, the hospital has comprehensive policy and procedure guidelines that control the standards of clinical practice in the hospital. It employs utilization review and quality assurance programs to ensure high quality of patient care.

In regard to Performance Improvement Plan, the applicant states that the hospital has in place programmatic teams consisting of members from the various disciplines organized to design and implement a rehabilitation program for patients, based on diagnostic groupings such as brain injury, pediatric, spinal cord injury, orthopedic, neurological, CVA, and chronic pain.

Continuous data collection occurs to determine effectiveness of process improvements and identify the need for further changes, according to the applicant.

- c. Is the applicant proposing special health care services for its service area that are not reasonably and economically accessible in adjacent service areas? ss. 408.035(4), Florida Statutes.**

Brooks Rehabilitation Hospital is the only designated facility in its service area recognized by the State of Florida as a regional referral center for spinal cord injury and traumatic brain injury rehabilitation. It is also the only provider of comprehensive medical rehabilitation services to pediatric patients in District 4.

- d. Is this project to be located in a research or teaching hospital? Will the program affect the clinical needs of health professional training programs in the service area? ss. 408.035(5), Florida Statutes.**

Brooks Rehabilitation Hospital is not a statutory teaching hospital nor is the proposed project's primary purpose research or physician education. However, the facility is committed to assuring employees that they are

equipped with the technical skills and expertise to provide clinical care that meets the highest standards of practice.

The hospital also participates in an extensive student clinical internship program encompassing a large number of disciplines; offers student scholarships in physical therapy, occupational therapy, and speech therapy; the facility is used as a classroom for local colleges' allied health programs. The applicant states that it supports staff and physician participation in applied research.

e. What resources, including health manpower, management personnel, and funds for capital and operating expenditures, are available for project accomplishment and operation? ss. 408.035(6), Florida Statutes. *Please include the following in your response:*

- **a detailed listing of the needed capital expenditures (Schedule 1);**
- **a complete listing of all capital projects (Schedule 2);**
- **source of funds (Schedule 3);**
- **a detailed financial projection, including a statement of the projected revenue and expenses for the first two years of operation; and a statement of the assumptions made (Schedules 7,7A; or 7B; and 8 or 8A); and**
- **an audited financial statement of the applicant.**

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The audited financial statements for Genesis Rehabilitation Hospital, Inc. for the periods ending December 31, 2000 and December 31, 1999 were analyzed for the purpose of evaluating the applicant's ability to provide the capital and operational funding necessary to implement the project. The following is a list of accounts and ratios used in the analysis:

	<u>12/31/2000</u>	<u>12/31/1999</u>
Current Assets	\$ 10,097,958	\$ 8,698,624
Cash and Current Investment	\$ 4,131,177	\$ 2,971,107
Assets Restricted for Capital Projects	\$ 6,616,280	\$ 7,524,995
Total Assets	\$ 44,758,836	\$ 46,554,038
Current Liabilities	\$ 3,492,769	\$ 5,184,609
Total Liabilities	\$ 27,292,769	\$ 28,984,609
Total Equity	\$ 17,466,067	\$ 17,569,429
Net Operating Revenues	\$ 37,397,245	\$ 33,182,561
Interest Expense	\$ 1,152,394	\$ 812,942
Net Profit - Operations	\$ 2,607,852	\$ 1,644,809
Net Income	\$ 3,237,571	\$ 2,270,696
Cash Flow from Operations	\$ 4,131,726	\$ 2,184,929
Working Capital	\$ 6,605,189	\$ 3,514,015
Current Ratio (CA/CL)	2.9	1.7
Cash Flow to Current Liabilities (CFO/CL)	1.2	0.4
Long-Term Debt to Equity (TL-CL/TE)	1.4	1.4
Times Interest Earned (NPO+Int/Int)	3.3	3.0
Equity to Total Assets (TE/TA)	39.0%	37.7%
Operating Margin (NPO/NOR)	7.0%	5.0%
Total Margin (NI/NOR)	8.7%	6.8%
Return on Assets (NI/TA)	5.8%	4.9%
Operating Cash Flow to Assets (CFO/TA)	9.2%	4.7%

Short-term position:

The applicant's current ratio of 2.9 indicates current assets are nearly 3 times short-term liabilities. This ratio is in the upper 20 percentile of Florida hospitals, a strong position. The working capital (current assets less current liabilities) of \$6.6 million is a measure of excess liquidity that could be used to fund capital projects. The ratio of cash flow to current liabilities of 1.2 is also strong. Overall, the applicant has an excellent short-term position.

Long-term position:

The long-term debt to equity of 1.4 indicates long-term debt is greater than equity. This is below average, and a moderately weak position. The cash flow to assets of 9.2 percent is above average. Total equity is \$17.5 million with the ratio of equity to assets 39 percent, an average level. Overall, the applicant has an average long-term position.

Capital requirements:

Schedule 2 indicates the applicant has \$79.5 million in capital projects. Schedule 2 did not include maturities of long-term debt. The audited financial statements show long-term debt of \$3.0 million through year one of the project, which brings the total capital needs to \$82.5 million.

Available capital:

Funding for the proposed projects is coming from cash from operations in the amount of \$4 million, and \$75.5 million from tax-exempt revenue bonds requiring 30 percent equity from the parent, Genesis Health, Inc. d/b/a Brooks Health System. The audited financial statements of the applicant indicate it has cash and current investments of \$4.1 million, \$6.6 million in assets reserved for capital projects, and \$4.1 million in annual cash flows or \$16.4 million through year 2 of the project. The applicant is owned by Genesis Health, Inc. d/b/a Brooks Health System, which provided a letter of commitment indicating its willingness to meet the funding needs of this project. However, no supporting documentation of its ability (its audited financial statements) was provided. The parent company stated in the commitment letter it has \$12.7 million in cash and \$152 million in board-designated funds, which appears adequate to fund the \$22.6 million needed to fund its 30 percent of the proposed capital projects.

Conclusion:

Based on its audited financial statements, the applicant has adequate funding strength to meet the capital needs of the project under review. The funding of all other capital projects is dependent on the parent. While a funding letter was provided, along with discussion of its ability to fund the projects, adequate proof of its ability was not provided. Funding for all capital projects is not fully assured.

f. What is the immediate and long-term financial feasibility of the proposal? ss.408.035(8), Florida Statutes.

A comparison of the applicant's estimates to the control group values provides for an objective evaluation of financial feasibility, (the likelihood that the services can be provided under the parameters and conditions contained in Schedules 7 and 8), and efficiency, (the degree of economies achievable through the skill and management of the applicant). In general, projections that approximate the median are the most desirable, and balance the opposing forces of feasibility and efficiency. In other words, as estimates approach the highest in the group, it is more likely that the project is feasible, because fewer economies must be realized to achieve the desired outcome. Conversely, as estimates approach the lowest in the group, it is less likely that the project is feasible, because a

much higher level of economies must be realized to achieve the desired outcome. These relationships hold true for a constant intensity of service through the relevant range of outcomes. As these relationships go beyond the relevant range of outcomes, revenues and expenses may, either go beyond what the market will tolerate, or may decrease to levels where activities are no longer sustainable.

Comparative data were derived from hospitals in peer groups that reported data in 1999; the applicant will be compared to the hospitals in peer group 18. Per diem rates are projected to increase by an average of 3.6 percent per year. Inflation adjustments were based on the most current Florida Hospital Input Price Index.

Projected net revenue per adjusted patient day (NRAPD) of \$701 in year one and year two is between the control group lowest and median values of \$450 and \$724 in year one and \$462 and \$744 in year two. The lowest value is generally viewed as the practical lower limit on economies of operation. With net revenues per adjusted patient day falling near the median the facility is expected to consume health care resources in proportion to the services provided. (See Comparative Table). The 2000 actual NRAPD for this hospital was \$724.

Projected cost per adjusted patient day of \$690 in year one and \$683 in year two is between the group lowest and median values of \$401 and \$692 in year one and \$412 and \$710 in year two. (See Comparative Table). Compared to the control group these costs are efficient. The 2000 actual data reported for Genesis Rehabilitation Hospital's costs per adjusted patient day was \$672.

The year two operating profit for the hospital of \$1.0 million computes to an operating margin per adjusted patient day of \$19 which falls between the peer group lowest and median of -\$141 and \$23 respectively. The operating margin indicates that net revenues are proportional to costs. The computed operating margin ratio is 2.7 percent.

This application appears to be financially feasible.

Comparative Table

CON # 9480					
Genesis Rehabilitation Hospital, Inc.	2004	YEAR 2	INFLATION ADJUSTED		
1999 DATA Peer Group 18	YEAR 2 ACTIVITY		VALUES		
	ACTIVITY	PER DAY	Highest	Median	Lowest
ROUTINE SERVICES	24,642,302	458	700	393	238
INPATIENT AMBULATORY	55,928	1	6	0	0
INPATIENT ANCILLARY SERVICES	46,357,080	862	1,216	748	410
OUTPATIENT SERVICES	10,584,845	197	486	238	36
OTHER OPERATING REVENUE	0	0	40	2	-14
TOTAL REVENUE	81,640,155	1,518	2,387	1,475	890
DEDUCTIONS FROM REVENUE	43,910,078	816	*	*	*
NET REVENUES	37,730,077	701	1,306	744	462
EXPENSES					
ROUTINE	7,507,059	140	279	114	61
ANCILLARY	7,566,807	141	288	173	90
AMBULATORY	1,927,978				
OVERHEAD	19,020,844	354	465	293	261
OTHER	691,161	13			
TOTAL EXPENSES	36,713,849	683	984	710	412
OPERATING INCOME	1,016,228	19	174	23	-141
		2.7%			
PATIENT DAYS	46,813		NOT INFLATION ADJUSTED		
ADJUSTED PATIENT DAYS	53,787				
TOTAL BED DAYS AVAILABLE	49,640				
ADJ. FACTOR	0.8703				
TOTAL NUMBER OF BEDS	136				
PERCENT OCCUPANCY	94.3%		102.4%	91.9%	32.9%
PAYER TYPE	PATIENT DAYS % TOTAL				
MEDICARE	27,719	59.2%	83.6%	75.3%	43.3%
COMMERCIAL	3,986	8.5%			
MEDICAID	2,993	6.4%	16.0%	5.1%	0.9%
PRIVATE	1,951	4.2%			
HMO/PPO	10,164	21.7%	20.6%	10.1%	0.0%
OTHER	0	0.0%			
TOTAL	46,813	100.0%			

g. Will the proposed project foster competition to promote quality and cost-effectiveness? ss. 408.035(9), Florida Statutes. Please discuss the effect of the proposed project on any of the following:

- **applicant facility (if a hospital);**
- **current patient care costs and charges (if an existing facility);**
- **reduction in charges to patients; and**
- **improvement in quality of services provided.**

The applicant projects managed care to represent 21.7 percent of its patient days. This is above the control group highest level of activity of 20.6 percent. The 1999 actual data reported for Genesis Rehabilitation Hospital's was 19.9 percent, just below the highest level reported. The projected levels, if realized, may have a positive impact on competition to promote quality assurance and cost-effectiveness.

h. Are the proposed costs and methods of construction reasonable? Do they comply with statutory and rule requirements? ss. 408.035(10), Florida, Statutes; Ch. 59A-3 or 59A-4, Florida Administrative Code. Please address those items found in "Architectural Criteria" (Schedule 9).

The proposal is to add nine new beds to the hospital's existing rehabilitative service complement of 127 beds. There are 3,140 square feet of the existing facility involved in this project. The four-story building is probably fully sprinklered because of its age.

The application proposes to add two new beds on the 2nd floor, two on the 3rd floor and five on the 4th floor. Three of the new beds on the 4th floor will be gained by converting private rooms to semi-private. The other six beds spaces will be created by the conversion of ADL spaces to private rooms.

All rooms have their own toilet and most appear to have accessible showers. Some of the toilet rooms have tubs and they do not seem to have the accessibility symbol shown on the plans. Some of the new rooms have fully accessible showers that will accommodate a wheelchair. There were no enlarged patient room plans submitted, so it is difficult to determine the exact degree of accessibility in all cases. All the new private rooms are quite spacious and the resulting semi-private rooms meet the space requirements. Again, it is difficult to tell more from the information provided. Given the dates of construction of the existing facility and its use as a rehabilitative hospital, it could be assumed that accessibility requirements and percentages have been met.

Overall the project is straightforward and the layout is certainly acceptable since the ancillary and support spaces are existing and well located relative to the patient rooms.

There was no apparent list of applicable codes included, but this is not a major issue for a renovation of this limited scope. When and if the project is started, the adopted editions of all applicable codes will have to be followed, especially the new Florida Building Code which is expected to be in force in January 2002.

Schedule 10 indicates that the architect/engineer contracts are expected to be signed by January, 2002 and the projected completion date is June, 2002. The schedule may not be quite sufficient for design, AHCA review and construction since most of the beds are to be gained by the renovation of ADL spaces. No plans of existing conditions were provided so the extent of required demolition and construction (architectural, mechanical and electrical) in the ADL spaces cannot be determined. More time may be needed depending on the conditions in these spaces.

The conversion of the three private rooms to semi-private should be relatively simple, basically adding headwalls to the existing spaces.

The schematic plans submitted were done by an architectural firm that has extensive healthcare experience so this may assist the project's being completed within the proposed time frame. The cost information is reasonable for the given scope.

- i. Does the applicant have a history of providing health services to Medicaid patients and the medically indigent? Does the applicant propose to provide health services to Medicaid patients and the medically indigent?
ss. 408.035(11), Florida Statutes.**

The applicant has a history of providing services to the Medicaid and charity care patients as the table below demonstrates:

Historical Provision of Medicaid and Charity Care for Selected Years				
	Percent of Days 1997	Percent of Days 1998	Percent of Days 1999	Percent of Days 2000
Medicare	52.2	56.7	56.9	57.5
Medicaid	5.3	7.0	6.1	5.7
Charity	2.4	1.3	1.1	.8

Source: CON Application #9480. Data provided by the hospital.

The applicant is proposing a minimum of 6.4 percent of its patient days to Medicaid patients and one percent of its patient days to charity care patients.

F. SUMMARY

In Volume 27, Number 30, dated July 27, 2001 on page 3530 of the Florida Administrative Weekly, a fixed need pool of nine beds was published for comprehensive medical rehabilitation beds in District 4 for the January 2007 planning horizon.

Genesis Rehabilitation Hospital, Inc., proposes to add nine comprehensive medical rehabilitation beds to Brooks Rehabilitation Hospital an existing 127-bed specialty CMR hospital in Duval County, District 4.

Besides the freestanding 127-bed not-for-profit rehabilitation hospital, the applicant operates six hospital-based outpatient facilities in Duval County and one in St. Augustine, St. Johns County.

Need/Other Special Circumstances:

The comprehensive medical rehabilitation beds in District 4 experienced an occupancy rate of 81.24 percent during the period January 2000 through December 2000. The proposed project is responding to the published fixed need pool.

Quality of Care:

Brooks Rehabilitation Hospital is accredited by the Joint Commission on Accreditation of Health Care Organizations (JCAHO) and by the Commission on the Accreditation of Rehabilitation Facilities (CARF). The hospital has maintained its accreditation with both organizations since participation began, and is accredited for the maximum available, three years. The hospital has met the high standards required of CARF accreditation for specialty programs such as spinal cord injury, brain injury, and pain rehabilitation, which also are indicative of the quality of care available to Brooks Rehabilitation hospital's patients.

Medicaid/Indigent Care:

The applicant is proposing a minimum of 6.4 percent of its patient days to Medicaid patients and one percent to charity care patients.

Financial Feasibility:

Based on the strength of the applicant's audited financial statements along with the other supporting documentation, funding for this project is likely while funding for the entire capital budget is not fully assured.

Architectural:

Overall the project is straightforward and the layout is acceptable since the ancillary and support spaces are existing and well located relative to the patient rooms. If approved, the adopted editions of all applicable codes will have to be followed, especially the new Florida Building Code which is expected to be in force in January 2002. The building schedule may be a little ambitious. The cost information is reasonable for the given scope.

G. RECOMMENDATION

Approve CON #9380 to add nine comprehensive medical rehabilitation beds to Brooks Rehabilitation Hospital. The total project cost is \$296,063 and involves renovation costs of \$89,982 and 3,140 GSF of renovated space.

CONDITIONS:

- (1) A minimum of 4.16 percent of the 136-bed facility's total annual patient days shall be provided to Medicaid patients.
- (2) A minimum of 1.93 percent of the 136-bed facility's total annual patient days shall be provided to charity patients.

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: _____

Karen Rivera
**Health Services and Facilities Consultant Supervisor
Certificate of Need**

Jeffrey N. Gregg
Chief, Bureau of Health Facility Regulation