

STATE AGENCY ACTION REPORT
ON APPLICATION FOR CERTIFICATE OF NEED

A. PROJECT IDENTIFICATION

1. Applicant/CON Action Number

University Community Hospital, Inc./CON #9492
3100 East Fletcher Avenue
Tampa, Florida 33613-4688

Authorized Representative: Brigitte W. Shaw
(813) 615-7204

St. Joseph's Hospital, Inc./CON #9493
3001 West Dr. Martin Luther King Blvd.
Tampa, Florida 33607-6387

Authorized Representative: Isaac Mallah
(813) 870-4000

2. Service District/Subdistrict/County

District 6

B. PUBLIC HEARING

While no public hearing was held regarding the following proposed project, letters of support were submitted by the applicants.

University Community Hospital, Inc. (CON #9492) included seven letters of support and letters from satisfied parents that had experiences at the existing Level II NICU. Letters were submitted from Tampa General, Adventist Health System, East Pasco Medical Center, Florida Perinatal Associates, Tampa Bay Women's Care and The Women's Center at University Community Hospital all in support of the project. A resolution was also signed by the neonatologists, perinatologists and obstetricians at University Community in support of the project.

St. Joseph's Hospital, Inc. (CON #9493) submitted four letters of support all from its own facility, which indicate that the census and acuity in the NICU has increased noticeably over the past five years and forecast that the need for NICU beds will only grow over the next five years. In addition a letter from Carrollwood Obstetrics & Gynecology & Dr. Helena Reichman both indicating that they are seeing an increase in volume of obstetrical patients and are in support of additional beds at St. Joseph's.

C. PROJECT SUMMARY

University Community Hospital, Inc. (CON #9492) proposes to establish five Level III NICU beds through the conversion of five acute care beds at University Community Hospital located on East Fletcher Avenue, Tampa, Florida.

University Community Hospital, Inc. is a Florida not-for-profit corporation that operates two general acute care facilities located in Tampa, Hillsborough County. The site for this project, University Community Hospital, is a 431-bed facility located on East Fletcher Avenue, consisting of 374 acute care beds, 27 skilled nursing beds, 20 comprehensive rehabilitative beds, and 10 Level II neonatal intensive care beds. University Community Hospital, Inc. is willing to condition the award of the certificate of need to a minimum of 29.09 percent of total patient days for Medicaid days, and a minimum of one percent for charity care days in the proposed five-bed Level III NICU. The applicant also proposed the CON conditions imposed by the Agency on Bethesda Memorial Hospital, Inc. in CON #8235 to establish a three-bed Level III NICU program at Bethesda. The Agency and Bethesda executed a "Stipulation and Settlement Agreement" dated May 7, 1999, approving issuance of CON #8235 to Bethesda. The applicant states that in Paragraph 3 of that Agreement, Bethesda agreed to several CON conditions in order "to assure achievement of the intended health care benefits of guidelines and regulations currently in place for high risk newborns requiring intensive care," and those conditions were set forth in Subparagraphs B - K of Paragraph 3. Therefore, Conditions B - K, included in the application as Exhibit C-1, are adopted by University Community Hospital, Inc. as conditions to this application for the proposed five-bed Level III NICU so as to assure the Agency that UCH's proposal will ensure high quality of care program.

The proposed project cost is \$1,279,594 and will involve 1,422 GSF of renovation and \$535,225 in construction costs.

St. Joseph's Hospital, Inc. (CON #9493) proposes to add five Level III Neonatal Intensive Care Unit (NICU) beds through delicensure of five acute care beds to St. Joseph's Hospital's existing 27-bed Level III NICU, creating a 32-bed unit. The hospital located in District 6, Hillsborough County, is a 883-bed Class I General Hospital with 770 acute care beds, 42 adult psychiatric beds, 29 hospital-based skilled nursing beds, 15 Level II and 27 Level III NICU beds.

According to the Certificate of Need Predicated on Conditions page, the applicant is proposing a combined minimum of 25 percent of its Level III NICU patient days in the 32-bed unit to Medicaid/charity care/indigent patients.

The total project cost is estimated at \$1,052,480. Construction costs are projected at \$540,000 and the project will involve 3,600 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. 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(2)(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, Cheryl Clark, analyzed the application in its entirety with consultation from the Financial Analyst, Roger Bell, who evaluated the financial data, and the 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 project(s) with the criteria and application content requirements found in Florida Statutes, 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? Ch. 59C-1.008 and Ch. 59C-1.042, Florida Administrative Code.

In Volume 27, Number 30, dated July 27, 2001 of the Florida Administrative Weekly, a fixed need pool of five beds was published for Level III Neonatal Intensive Care Unit beds in District 6 for the January 2004 planning horizon.

District 6 has 53 licensed Level III neonatal intensive care beds (which includes eight beds licensed to Brandon Regional Hospital on February 23, 2001) and zero approved Level III beds, as of June 16, 2001. The Level III NICU beds in District 6 experienced an occupancy rate of 89.31 percent during the period January through December 2000.

St. Joseph's proposes to add five Level III Neonatal Intensive Care Unit (NICU) beds to St. Joseph's Hospital's existing 27-bed Level III NICU, through the delicensure of five acute care beds, creating a 32-bed unit. University Community proposes to establish a five-bed Level III through the delicensure of five acute care beds.

b. Regardless of whether bed need is shown under the need formula, the establishment of new Level III neonatal intensive care unit beds within a district shall not normally be approved unless the average occupancy rate for Level III 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 stated above District 6 Level III NICU beds experienced an occupancy rate of 89.31 percent for the most recent reporting period.

Occupancy Rates in District 6 Level III NICU Beds January through December 2000		
Hospital	#Beds	Occupancy
Brandon Regional	8	76.24%
St. Joseph's Hospital	27	86.64%
Tampa General Hospital	18	98.80%
Total/Average	53	89.31%

Source: *Florida Hospital Bed & Service Utilization by District, July 2001 Batching Cycle*

- c. **Special Circumstances for the Approval of Additional Neonatal Intensive Care Unit Beds at Existing Providers, Ch. 59C-1.042(3)(g), Florida Administrative Code - Need for additional Level III neonatal intensive care beds at hospitals with Level III neonatal intensive care services seeking additional Level III beds is demonstrated in the absence of need shown under the formula specified in paragraph (3)(e) of this rule if the occupancy rate for their Level III beds exceeded an average of 90 percent as computed by the agency for the same period specified in subparagraph (3)(e)2.**

Both applicants are responding to the published fixed need pool for five additional beds.

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 ss. 59C-1.030(2)(c), Florida Administrative Code.

The District 6 October 2000 CON Allocation Factors Report provides the following preferences for applications pertaining to neonatal intensive care beds:

- a. **Certificate of Need applications that provide the Agency for Health Care Administration with documentation that they provide, or will provide, the largest percent of Medicaid and charity care patient days in relation to other hospitals in the district.**

University Community Hospital, Inc. (CON #9492) does not propose to provide the largest percent of Medicaid and charity care patient days in relation to other hospitals in the district. A summary of the proposed payer mix for these services by the second year of operation appears in the table below.

**Payer Distribution in the NICU Level III Unit by Category
Second Year of Operation**

Payer Category	Estimated Allocation of Cases, 5 Beds	Estimated Allocation of Patient Days, 5 Beds	% of the Allocation of Cases 5 Beds
Medicaid/CMS	25	425	29.09%
Commercial	2	29	1.98%
Managed Care	56	965	66.05%
Self Pay/Charity	2	37	2.53%
Other	0	5	0.34%
Total	84	1,461	100.0%

Source: CON #9492

The hospital projects that the Level III NICU unit will experience a similar pattern to the current one for Level II services at the hospital. UCH serves a large portion of patients covered under managed care providers and expects that the Level III NICU will primarily be utilized by women on managed care plans seeking obstetrical care at UCH or who are undergoing treatments in the ART Program. Managed Care will represent 66 percent of the proposed patient days in the Level III NICU by the second year of operation. The second largest payer will be Medicaid, which represents almost 30 percent. The applicant is not a disproportionate share provider for FY 2001-2002. The applicant is willing to condition the award of the certificate of need to a minimum of 29.09 percent of total patient days for Medicaid and a minimum of one percent for charity care.

St. Joseph’s Hospital, Inc. (CON #9493): According to the Certificate of Need Predicated on Conditions page, the applicant is proposing a combined minimum of 25 percent of its Level III NICU patient days to Medicaid/charity care/indigent patients.

The applicant is not a certified Medicaid disproportionate share provider for FY 2001-2002.

- b. Certificate of Need applications that identify existing and approved providers of like services in the proposed planning area and provide an analysis of need for the proposed service, including the impact of the proposed project on existing providers and why the identified need is not currently being met.**

Both proposals respond to published need and it is not anticipated that existing providers will be negatively impacted if either proposal is approved. Refer to E. 4.a. below for each applicant’s analysis of need.

3. 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 according to the Health Care Board, Florida Hospital Uniform Reporting System Manual, Chapter III, Section 3223. 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 patient;**
- (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.**

University Community Hospital, Inc. (CON #9492) states that the only designated Regional Perinatal Intensive Care Center in District 6 is Tampa General Hospital. For calendar year 2000, Level III NICU occupancy at Tampa General Hospital was at 99 percent.

University Community Hospital participates in the care of Children's Medical Services (CMS) eligible patients and maintains a mutually beneficial working relationship with the agency. Services provided by the Hillsborough County Health Department through the clinic program are enhanced by the ongoing

relationship with University Community Hospital in coordination of appropriate care for the low income and at-risk mother and neonate. A copy of the hospital's charity care policy appears as Exhibit 2-1, in the application. As mentioned above, the applicant is willing to condition the award of the certificate of need to a minimum of 29.09 percent of total patient days for Medicaid and a minimum of one percent for charity care. The applicant is not a disproportionate share provider for FY 2001-2002.

St. Joseph's Hospital, Inc. (CON #9493): As stated above, the applicant is proposing a combined minimum of 25 percent of its Level III NICU patient days to Medicaid/charity care/indigent patients. St. Joseph's Hospital is not designated as a Medicaid disproportionate share provider for FY 2001-2002. St. Joseph's currently provides neonatal intensive care services to children's medical services patients, charity care patients, Medicaid patients and private pay patients.

Refer to E.4.i. below for further discussion.

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) The establishment of Level III neonatal intensive care services shall not normally be approved unless the hospital also provides Level II neonatal intensive care services. Hospitals may be approved for Level II neonatal intensive care services without providing Level III services. In a comparative review, preference for the approval of Level II beds shall be given to hospitals, which have both Level II neonatal intensive care beds and Level III neonatal intensive care beds.**

University Community Hospital, Inc. (CON #9492) has an established 10-bed Level II unit only.

St. Joseph's Hospital, Inc. (CON #9493) has Level II and Level III NICU beds.

- (2) **Applicants proposing to provide 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.**

Both applicants propose to assure developmental follow-up on patients discharged from the program. Both applicant's discharge planning team will conduct follow-up checks on discharged patients to monitor outcomes of care and appropriate referrals for care.

c. Ch. 59C-1.042(5), Florida Administrative Code - Minimum Unit Size.

University Community Hospital, Inc. (CON #9492) states that the minimum unit size of 15 beds is inefficient when considering the minimum birth volume requirement in Rule (discussed below under E.3.d.) of only 1,500 births. A look at hospitals with 13 to 18 beds shows that the average number of births at a hospital with this size unit is over 4,000.

**Birth Volumes at Hospitals With Between 13 and 18 Level III Beds
July 1999 - June 2000**

District	Hospital	Level III Beds	Births
4	Baptist Medical Center Jacksonville	15	3,332
7	Florida Hospital	13	7,278
8	Lee Memorial Healthpark	13	3,549
10	Plantation General Hospital	18	3,984
1	Sacred Heart Hospital of Pensacola	18	3,310
2	Tallahassee Memorial RMC	17	4,184
6	Tampa General Hospital	18	2,548
State	Average	16	4,026

Data Source: AHCA's Patient Discharge Data, 7/99-6/00, DRG's 386 - 391.

This proposal according to the applicant will promote the utilization and efficiency of neonatal services at UCH. Notably, the occupancy levels at smaller NICU units are just as high as larger units. The following table shows occupancy rates at all Level III NICU providers, grouped by hospitals above the 15-bed minimum unit size and those below the minimum unit size.

**Comparison of Level III NICU Providers
Above and Below the Minimum Unit Size, CY 2000**

DIST	HOSPITAL	LIC. BEDS	PATIENT DAYS	OCCUP.
FACILITIES WITH 15 OR MORE BEDS				
1	SACRED HEART HOSPITAL	18	5,886	89.34%
2	TALLAHASSEE MEMORIAL	17	4,773	76.71%
3	SHANDS AT THE UNIV OF FLA	20	6,522	89.10%
4	SHANDS AT JACKSONVILLE (UNIV.)	43	14,138	89.83%
4	BAPTIST M.C. JACKSONVILLE	15	4,588	83.57%
5	ALL CHILDREN'S HOSPITAL	24	9,206	104.80%
6	ST. JOSEPH'S HOSPITAL	27	8,562	86.64%
6	TAMPA GENERAL HOSPITAL	18	6,509	98.80%
7	ARNOLD PALMER HOSPITAL	44	9,628	59.79%
10	BROWARD GENERAL MED CTR	27	5,263	53.26%
10	MEMORIAL OF HOLLYWOOD	19	6,768	97.33%
10	PLANTATION GENERAL HOSP.	18	4,712	71.52%
11	JACKSON MEMORIAL HOSP.	66	19,936	82.53%
11	MIAMI CHILDREN'S HOSPITAL	23	6,195	73.59%
	TOTAL	379	112,686	81.24%
FACILITIES WITH FEWER THAN 15 BEDS				
5	MEASE HOSPITAL & CLINIC DUNEDIN	5	375	20.49%
6	BRANDON REGIONAL HOSPITAL	8	2,111	76.24%
7	FLORIDA HOSPITAL	13	7,566	159.02%
8	LEE MEMORIAL - HEALTHPARK	13	4,369	91.82%
8	SARASOTA MEMORIAL HOSPITAL	7	1,937	75.60%
9	ST MARY'S HOSPITAL, INC.	10	4,647	126.97%
9	WEST BOCA MEDICAL CENTER	5	1,372	74.97%
11	BAPTIST HOSPITAL OF MIAMI	7	1,658	64.72%
11	NORTH SHORE MED. CTR.	5	1,073	58.63%
	TOTAL	60	25,108	94.54%

Data Source: *AHCA's Hospital Bed Need Projections - July 2001 Batching Cycle.*

Good Samaritan Hospital and Bethesda Memorial Hospital were excluded from this example since their Level III beds were not in service in CY 2000.

In addition to economies, quality of care is apparent in small Level III nurseries, the applicant states. The intent of minimum unit size standards is to establish centers that specialize in tertiary care services, maintaining high quality as a result of increased numbers of procedures. However, in most cases, the same physician groups are practicing at multiple facilities. This is also the case for this project, where the physicians have staff privileges at both University Community Hospital and St. Joseph's Hospital. Therefore, quality concerns with performing too few procedures does not exist. As previously noted, the applicant has agreed to condition award of the CON upon provisions that will promote a high quality of care unit.

St. Joseph's Hospital, Inc. (CON #9493): The minimum unit size for Level III NICU beds is 15. The applicant's current Level III NICU bed count is 27. This five-bed proposal will bring the hospital's Level III unit to 32 beds if approved.

- d. **Ch. 59C-1.042(6) - Minimum Birth Volume Requirement. Hospitals applying for Level III neonatal intensive care services shall not normally be approved unless the hospital has a minimum service volume of 1,500 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.**

University Community Hospital, Inc. (CON #9492) experienced 1,589 live births for the period of January - December 2000. Therefore, the minimum birth volume is met.

St. Joseph's Hospital, Inc. (CON #9493): The hospital far exceeds the minimum service volume of 1,500 live births. According to AHCA Discharge data the hospital had 4,777 live births during the period of January - December 2000. The applicant indicates there were 6,412 births during CY 2000. The minimum birth requirement is met.

- e. **Ch. 59C-1.042(7) - Geographic Access. Level II and Level III 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.**

Currently Level II and Level III NICU services are available and accessible within the two hours ground time to 90 percent of the residents of District 6.

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

- (1) **Physician Staffing: Level III 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.**

University Community Hospital, Inc. (CON #9492): Dr. Keith S. Kanarek is the Medical Director of the Level II NICU program and will also direct the proposed Level III NICU program. Dr. Kanarek is board-certified in pediatrics and neonatal-perinatal medicine. His internships in obstetrics & gynecology, pediatrics, and residency in cardiology were done at Baragwanath Hospital in Johannesburg, Republic of South Africa. The applicant provided evidence that his senior internship in pediatrics was

done at Rothschild Hospital in Haifa, Israel, his Neonatology Fellowship was at Vanderbilt University Medical Center in Nashville, Tennessee and in 1980, he was awarded Outstanding Clinical Teacher in Pediatrics from the University of South Florida. Dr. Kanarek currently serves as the director of the neonatal fellowship program, the pediatric residency training program, and the pediatric nutrition support team, and is acting chief of the neonatal section at the University of South Florida. His past experience includes director of the neonatal intensive care units at Tampa General Hospital and Orlando Regional Medical Center. Dr. Kanarek's resume appears in the Additional Information Section behind Tab 13 in the application.

In addition to Dr. Kanarek, one neonatologist and six perinatologists have privileges at University Community Hospital.

St. Joseph's Hospital, Inc. (CON #9493) states that there are four neonatologists on staff providing 24-hour coverage at the hospital. The applicant indicates that the neonatology service is headed by Kenneth Solomon, M.D., a board-certified neonatologist. The other neonatologists on the staff include Richard Sheridan, M.D., Mohan Rao, M.D., and Dushan Martinasek, M.D. The applicant also states that in addition to this neonatal support it also has a broad range of maternal fetal/perinatologist specialists on staff in support of the NICU services.

- (2) Nursing Staffing: The nursing staff in Level II and Level III 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 and Level III neonatal intensive care units must be registered nurses.**

University Community Hospital, Inc. (CON #9492): The director of the Women's Center is Margie Mueller Boyer, RNC, MS, the person in the position of head nurse referred to in this provision. Ms. Boyer's resume appears in the additional information section at the end of the application. Prior experience for Ms. Boyer includes that of perinatal clinical nurse specialist at University Community Hospital, courtesy faculty at the University of South Florida, College of Nursing, and nurse manager for a 55-bed high risk antepartum/mother-infant unit.

The lead nurse in the neonatal intensive care unit is Linda L. Labart, ARNP/RN. Ms. Labart's training and experience includes Level III neonatal intensive care services, and she is a certified NRP hospital-based instructor. Her resume appears in the additional information section at the end of the application.

St. Joseph's Hospital, Inc. (CON #9493) states it meets these requirements and that the NICU significantly exceeds the 50 percent RN requirement above.

Concerning nurses, the St. Joseph's nursing staff currently is 90 percent + RNs, with only 3.6 FTEs of LPN staff currently used. The applicant's current Level III NICU is under the supervision of Carlen Bardin, RN, BSN.

- (3) **Special Skills of Nursing Staff: Nurses in Level II and Level III 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.**

Each applicant states that its nursing staff already has the required competencies noted above.

- (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 or Level III neonatal intensive care services at all times. There shall be at least one respiratory therapist technician for every four infants receiving assisted ventilation.**

University Community Hospital, Inc. (CON #9492) indicates that the department of respiratory services at University Community Hospital has 54 FTE's with 14 Level IV neonatal therapists. The applicant indicates that each respiratory therapists is NALS/NRP certified which is supplemented by continuing education to enhance competencies.

St. Joseph's Hospital, Inc. (CON #9493) states that its current staff meets the requirements of two cardiopulmonary/respiratory staff therapists with expertise in the care of neonates to be available 24 hours a day.

- (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 or Level III neonatal intensive care services. Hospitals providing Level II or Level III 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 micro studies.

University Community Hospital, Inc. (CON #9492) has blood gas determination available 24 hours a day, seven days a week. The equipment is operated and maintained by the respiratory therapy department. The applicant indicates the department is staffed so that blood gas determination is available around-the-clock.

St. Joseph's Hospital, Inc. (CON #9493) provides all the above including blood gas determination, obstetric ultrasound, on-site x-ray, and clinical laboratory services available 24 hours, seven days a week.

- (6) **Nutritional Services: Each hospital with Level II or Level III 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.**

University Community Hospital, Inc. (CON #9492): Brenda Jahen-Giraldez, MA, RD, LD/N and Karen Higgins, MS, RD, LDN as clinical dietitians managers are qualified by education, training and experience to provide services to patients and their parents the applicant states

St. Joseph's Hospital, Inc. (CON #9493) states that it has comprehensive nutritional support services to meet the dietary needs of the mother and infant and provides counseling following discharge.

- (7) **Social Services: Each hospital with Level II or Level III 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.**

University Community Hospital, Inc. (CON #9492) indicates that Carol Lynn Cunningham is the case manager responsible for conducting all Utilization Review activities, including discharge for women, children and neonatal discharges. In coordination with the attending physician and the neonatologist and/or perinatologist development assessments are conducted.

St. Joseph's Hospital, Inc. (CON #9493) states that it provides a comprehensive array of social service support to the families of its NICU patients, including counseling, development evaluation, and referrals to appropriate community resources.

- (8) **Developmental Disabilities Intervention Services: Each hospital that provides Level II or Level III 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.**

University Community Hospital, Inc. (CON #9492) provides all of the above services. Ms. Margie Mueller Boyer, will coordinate the hospital's resources to perform developmental assessments, provide intervention, and develop parental support and education.

St. Joseph's Hospital, Inc. (CON #9493) provides in-hospital developmental evaluation of all NICU patients to assess the need of any specific interventions and parental support and educational activity.

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

University Community Hospital, Inc. (CON #9492) provided discharge training materials in the additional information section of its application. The hospital has in place a discharge planning process.

St. Joseph's Hospital, Inc. (CON #9493): According to the applicant, the hospital has in place a comprehensive discharge planning process for all patients admitted to the NICU.

- g. **Ch. 59C-1.042(10), Florida Administrative Code - Level III Neonatal Intensive Care Unit Standards:** The following standards shall apply to Level III neonatal intensive care services:

- (1) **Pediatric Cardiologist.** A facility providing Level III neonatal intensive care services shall have a pediatric cardiologist, who is either board certified or board eligible in pediatric cardiology, available for consultation at all times.

University Community Hospital, Inc. (CON #9492) has seven pediatric cardiologists on staff at the hospital. They are listed on page 20 of the application.

St. Joseph's Hospital, Inc. (CON #9493): There are 11 pediatric cardiologists associated with Pediatric Cardiology Associates and all are board-certified or board-eligible.

- (2) **Nurse to Neonate Staffing Ratio.** Hospitals shall have a nurse to neonate ratio of at least 1:2 in Level III NICUs at all times. At least 50 percent of the nurses shall be registered nurses.

University Community Hospital, Inc. (CON #9492) proposes a staffing ration of 1:2, which meets the requirement stated above.

St. Joseph's Hospital, Inc. (CON #9493) indicates it meets this standard and is currently staffed at a ratio above the 1:2 staffing level. The applicant included a copy of its NICU staffing model in appendix M of the application.

- (3) **Requirements for Level III NICU Patient Stations. Each patient station in a Level III NICU shall have, at a minimum:**
- a. **Eighty square feet per infant;**
 - b. **Two wall mounted suction outlets preferably equipped with a unit alarm to signal loss of vacuum;**
 - c. **Twelve 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 non-invasive blood pressure monitoring device for every three beds;**
 - k. **At least one portable suction device; and**
 - l. **Availability of devices capable of measuring continuous arteria; oxygenation in the patient**

Both applicants indicate that they are in compliance with all of the requirements above. Refer to the architectural review below in E.4.h.

- (4) **Equipment Required to be Available to Each Level III NICU on demand:**
- a. **An EKG machine with print-out capacity;**
 - b. **Portable suction equipment; and**
 - c. **Not less than one ventilator for every three beds**

Each applicant indicates that it has all the required equipment above available.

h. Ch. 59C-1.042(11) - Emergency Transportation Services: Each hospital providing Level II neonatal intensive care services or Level III 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 or Level III 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 10D-66.52, Florida Administrative Code.**

University Community Hospital, Inc. (CON #9492) provides emergency transportation services as part of the Hillsborough County emergency transportation system. In addition, the hospital contracts with several providers of emergency management services (EMS) to transport patients. These include: Florida EMS, Grayline and AMT.

St. Joseph's Hospital, Inc. (CON #9493) provides its own neonatal and perinatal inter-facility emergency transportation services on a 24-hour basis by ground and air. According to the applicant during CY 2000 the transport team completed 158 neonatal transports, with the majority of transports from the greater Tampa Bay area into St. Joseph's NICU/pediatric intensive care unit.

- i. **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. Facilities providing Level III neonatal intensive care services shall not unreasonably withhold consent to transfer agreements which provide for transfers based upon availability of service in the Level III facility, and which will be applied uniformly to all patients requiring transfer to Level III, as defined in subparagraph (2)(e)2. An applicant for Level II or Level III 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.**

University Community Hospital, Inc. (CON #9492) indicates that it has transfer agreements with All Children's Hospital, St. Joseph's Women's Hospital and Tampa General Hospital. A copy of the transfer protocols was included in the application.

St. Joseph's Hospital, Inc. (CON #9493): As stated above the applicant has a wide range of transport agreements with area hospitals without Level III services allowing for broad access to its existing NICU resources. In Appendix N of the application the applicant provided its transport information.

- j. **Ch. 59C-1.042(13) - Data Reporting Requirements: All hospitals with Level II or Level III 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.**

Both applicants state that they will continue to provide all data required by the agency in this section of the rule.

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.**

University Community Hospital, Inc. (CON #9492) provides additional information because it recognizes that this response to published need, if approved, will establish a Level III NICU with a bed compliment below the 15-bed minimum unit size specified in Rule. The applicant seeks to provide assurances to the Agency that approval of this project will not create an inefficient unit unable to provide a high quality of care to Level III neonates. The applicant states that there are several "not normal" circumstances that justify establishing a five-bed unit at UNC:

1. UCH exceeds the minimum annual birth volume of 1,500 and is a provider of Level II NICU services. Also, UCH's existing 10-bed Level II nursery will be expanded to accommodate the proposed five Level III beds, and they will essentially be operated as an overall NICU nursery of 15 beds.
2. Existing providers can add Level III NICU providers based on their institution-specific occupancy, under paragraph (3)(g) of the NICU Rule, in the absence of district-wide fixed need. This necessarily has the effect of removing any chance for there to be a fixed need of 15 Level III NICU beds in District 6. Although Level III NICU services are defined as tertiary services and as such should not be available at every acute care hospital in the district, as the applicant notes below (in #3), UNC is a tertiary care center, currently offering Level II NICU and comprehensive medical rehabilitation services.
3. UCH is a major institution in District 6, is a tertiary care hospital, has a large OB program, and already provides Level II NICU services. A five-bed unit will allow the hospital to expand an existing program, offering more complex and comprehensive care to its patients.
4. UCH's proposed five-bed unit can achieve the economies associated with a 15-bed Level III NICU unit, because the five beds will be included as an overall NICU nursery of 15 beds. By providing its Level II and Level III NICU beds as part of one overall unit, UCH in effect meets the very same objective of a 15-bed Level III NICU unit.

5. UCH can offer a high quality program and Level III service with five beds.
6. Nearly half (11 out of 25) of the existing Level III NICU units in the state are less than 15 beds. Hence, UCH's proposed five-bed unit is not an unprecedented or unique proposal.
7. Tampa General Hospital, an existing Level III NICU provider in the district provided written support for the UCH Level III Program. This support appears as Exhibit 1-3 in the application. Specifically, the letter states, "University Community Hospital serves a rapidly growing area of Hillsborough County with many young families. It is appropriate to have Level III services available to serve this population." However, UNC's Level II 10-bed NICU experienced an occupancy of only 54.13 percent during calendar year 2000.

The applicant also contends that an approval of UCH's proposed Level III beds would achieve and promote at least the following:

- a. Will promote a continuum of care for mothers and newborns at UCH, and promote a vertically integrated system of OB and Neonatal Services at UCH.
- b. Will promote and enhance quality of care and patient satisfaction for the delivery of OB and Neonatal care.
- c. Will promote and enhance the availability, accessibility, and balanced distribution of Level III NICU services in Hillsborough County and the district.
- d. Will promote flexibility and options in the treatment of sick newborns
- e. Will balance regionalization with enhancements in service delivery.

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- f. Will promote the utilization and efficiency of Neonatal services at UCH.
- g. Will provide the only realistic opportunity for UCH to be approved for Level III NICU services in the foreseeable future.

The applicant states that it has experienced a growing utilization in its existing Level II NICU unit even though the Level II NICU utilization in District 6 as a whole has been fairly constant. As shown below, the applicant provided a table that shows from 1998 – 2000, the Level II NICU patient days at UCH grew over 16 percent per year; in contrast, the Level II NICU days in District 6 as a whole slightly decreased.

Also, for the first six months of 2001, UCH reports 1,297 patient days of care for Level II NICU services. Reported patient days for the prior year period was 1,051, indicating that utilization has grown by more than 23 percent since last year.

District 6 Level II Utilization, 1998 – 2000

Hospital	Level II Beds	Patient Days			Annual Growth
		1998	1999	2000	
Tampa General Hospital	24	3,011	3,118	2,434	-10.09%
St. Joseph's Hospital	15	4,144	4,010	4,081	-0.76%
Lakeland Regional Medical Center	15	4,093	4,469	4,577	5.75%
Brandon Regional Hospital	14	3,385	4,260	3,333	-0.77%
Winter Haven Hospital Regency	11	2,775	2,788	2,661	-2.08%
University Community Hospital	10	1,464	1,749	1,981	16.32%
Manatee Memorial Hospital	6	1,774	1,203	1,451	-9.56%
Total District 6	95	20,646	21,597	20,518	-0.31%

Data Source: *AHCA's Hospital Bed Need Projections*, for the years indicated.

Notably, the occupancy levels at smaller NICU units are just as high as larger units. The following table shows occupancy rates at all Level III NICU providers, grouped by hospitals above the 15-bed minimum unit size and those below the minimum unit size.

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**Comparison of Level III NICU Providers
Above and Below the Minimum Unit Size, CY 2000**

DIST	HOSPITAL	LIC. BEDS	PATIENT DAYS	OCCUP.
FACILITIES WITH 15 OR MORE BEDS				
1	SACRED HEART HOSPITAL	18	5,886	89.34%
2	TALLAHASSEE MEMORIAL	17	4,773	76.71%
3	SHANDS AT THE UNIV OF FLA	20	6,522	89.10%
4	SHANDS AT JACKSONVILLE (UNIV.)	43	14,138	89.83%
4	BAPTIST M.C. JACKSONVILLE	15	4,588	83.57%
5	ALL CHILDREN'S HOSPITAL	24	9,206	104.80%
6	ST. JOSEPH'S HOSPITAL	27	8,562	86.64%
6	TAMPA GENERAL HOSPITAL	18	6,509	98.80%
7	ARNOLD PALMER HOSPITAL	44	9,628	59.79%
10	BROWARD GENERAL MED CTR	27	5,263	53.26%
10	MEMORIAL OF HOLLYWOOD	19	6,768	97.33%
10	PLANTATION GENERAL HOSP.	18	4,712	71.52%
11	JACKSON MEMORIAL HOSP.	66	19,936	82.53%
11	MIAMI CHILDREN'S HOSPITAL	23	6,195	73.59%
	TOTAL	379	112,686	81.24%
FACILITIES WITH FEWER THAN 15 BEDS				
5	MEASE HOSPITAL & CLINIC DUNEDIN	5	375	20.49%
6	BRANDON REGIONAL HOSPITAL	8	2,111	76.24%
7	FLORIDA HOSPITAL	13	7,566	159.02%
8	LEE MEMORIAL - HEALTHPARK	13	4,369	91.82%
8	SARASOTA MEMORIAL HOSPITAL	7	1,937	75.60%
9	ST MARY'S HOSPITAL, INC.	10	4,647	126.97%
9	WEST BOCA MEDICAL CENTER	5	1,372	74.97%
11	BAPTIST HOSPITAL OF MIAMI	7	1,658	64.72%
11	NORTH SHORE MED. CTR.	5	1,073	58.63%
	TOTAL	60	25,108	94.54%

Data Source: *AHCA's Hospital Bed Need Projections - July 2001 Batching Cycle.*

Good Samaritan Hospital and Bethesda Memorial Hospital were excluded from this example since their Level III beds were not in service in CY 2000.

The table above shows that the average occupancy for all Level III units in the state of 15 beds or more was 81.24 percent, while the smaller units of less than 15 beds averaged 94.54 percent.

The applicant points out that its service area extends into Pasco County, where there are no licensed Level II or III NICU beds. Therefore, availability of Level III NICU beds will be increased from a regional perspective.

University Community Hospital demonstrates the ability to provide quality of care. A copy of their accreditation by the Joint Commission on Accreditation of Healthcare Organizations is included in the application. The quality of care provided by other hospitals in the district is not questioned by the applicant. Refer to E. 4. b. below for further discussion of the hospital's quality of care.

As discussed in above, the applicant expects to achieve efficiencies in its services to neonates by adding Level III services to its existing 10-bed Level II unit. However, as previously noted, UNC's 10-bed Level II NICU only experienced an average occupancy of 54.13 percent during calendar year 2000. Preliminary data submitted for the period July 1, 2000 through June 30, 2001 shows only a slight increase in occupancy to 61.01 percent.

St. Joseph's Hospital, Inc. (CON #9493) states that with more than 6,000 births per year, demand for the hospital's Level III NICU service is large and conservatively expected to grow by five percent in coming years. Compounding the volume constraints are the hospital's specialty perinatal and fetal surgery programs and pediatric cardiology and pediatric cardiovascular surgery programs which drive additional NICU volume to the hospital. The applicant seeks to increase the availability of Level III NICU services. The other two Level III programs in District 6 are at or close to capacity. As shown in the table below, Tampa General's program has consistently been operating at or above target occupancy levels. Brandon Regional with the recent addition of three approved beds is already at 76.24 percent for the most recent reporting period. In addition to ensuring the continued availability of St. Joseph's Level III NICU services, the proposed bed expansion will also ensure that St. Joseph's patients and residents of District 6 continue to have access to adequate Level III services that applicant states.

The applicant successfully operates a 27-bed Level III NICU service and a 15-bed Level II NICU service as well as a nationally recognized fetal surgery program and a 16-bed pediatric intensive care unit and a six-bed pediatric cardiac intensive care unit. The clinical operations in each of these specialty areas support the provision of high quality, care to the critically ill patients treated in the service area.

The applicant is JCAHO accredited and has a history of providing quality of care. The quality of care provided by other hospitals in the district is not questioned by the applicant. Refer to E. 4. b. below for further discussion of the hospital's quality of care.

District 6 has three existing providers of Level III NICU services in the district, with a total of 53 licensed beds and an average occupancy rate of 89.31 percent for CY 2000. Over the past three years, there has been a tremendous growth in Level III NICU utilization and existing beds are at full capacity. The following table shows Level III NICU utilization in District 6 from 1998 to 2000.

District 6 Level III NICU Utilization for CY 2000

Hospital	Beds	CY 1998		CY 1999		CY 2000		3-Year Growth
		Patient Days	Occup.	Patient Days	Occup.	Patient Days	Occup.	
St. Joseph's Hosp.	27	7,790	79.05%	7,692	78.05%	8,562	86.64%	9.91%
Tampa Gen. Hosp.	18	4,325	65.83%	4,836	73.61%	6,509	98.80%	50.50%
Brandon Reg. Hosp.	8*	1,564	85.70%	2,523	138.25%	2,111	76.24%	34.97%
District 6 Total	53	13,679	74.95%	15,051	82.47%	17,182	89.31%	25.61%

Data Source: *AHCA's Hospital Bed Need Projections, July 2001*

* Brandon Regional Hospital was licensed for 5 beds through January, 2000.

As the data show, Level III NICU utilization in District 6 has increased over 25 percent from 1998 to 2000 and existing providers are struggling to meet demand. As a result of the increasing utilization and projected births in the district, the Agency published a need of five Level III NICU beds for the January 2004 planning horizon. Need for additional beds are evidenced by the extent of utilization of like and existing services in the service area.

- 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.**

University Community Hospital, Inc. (CON #9492) University Community Hospital is accredited by the Joint Commission on Accreditation of Health Care Organizations (JCAHO). A copy of the certificate appears in Exhibit 4b-1. In addition, licensure records maintained by the AHCA, Health Quality Assurance, Office of Licensure and Certification, demonstrate that the hospital has not had any COBRA violations or other violations with respect to the treatment of patients and the operation of the hospital. The hospital also participates in both the federal Medicare and Medicaid programs.

University Community is also the recipient of the 2001 VHA Leadership Award in the category of Clinical Effectiveness for a Health Care System. This award recognizes UCH's development of a more efficient and safer medication use system. The medication system resulted in a cost avoidance of approximately \$1 million related to adverse drug events and saved \$1.2 million in cost-avoidance through formulary management. Select VHA health care organizations are honored annually for their exemplary work to improve community health, clinical effectiveness, operational performance and service, and supply chain management. University Community Hospital's commitment to patient safety is exemplified by its medication use system being employed as a national model for safe practice.

The hospital has an active and responsive utilization review and quality assurance program.

St. Joseph's Hospital, Inc. (CON #9493) is accredited by the Joint Commission on Accreditation of Healthcare Organization. The hospital's quality of care is monitored throughout its healthcare system through the total quality management program. The applicant operates a nationally recognized fetal surgery program. The hospital has many approvals and accreditation documenting the quality of care provided by the organization. Examples of this recognition is included on pages 62-64 of the application.

- 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.

University Community Hospital, Inc. (CON #9492) is not proposing services in an area that is not reasonably and economically accessible in adjacent service areas.

St. Joseph's Hospital, Inc. (CON #9493) states that only 15 percent of fetal surgery referrals to St. Joseph's NICU were from Florida during CY 2000. The expanded NICU services will be an integral component of this national specialty practice, providing specialty care, according to the applicant, that is not reasonably or economically accessible in adjacent service areas.

- 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.**

University Community Hospital, Inc. (CON #9492) is not a statutorily defined teaching hospital and according to the applicant the Women's Center and neonatal intensive care unit are not affiliated with any training programs. The applicant indicates that it has in-service staff training and a continuing education program.

St. Joseph's Hospital, Inc. (CON #9493) is not a statutorily defined teaching hospital, but according to the applicant St. Joseph's NICU service is involved with cutting edge medical research and medical education activities in support of the hospital's fetal therapy program. In addition to the fetal therapy educational/research link, the hospital offers a wide array of educational programs for physicians, patients, their families and the staff of the facility.

- 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.

University Community Hospital, Inc. (CON #9492): The applicant's current ratio of 2.4 indicates current assets are over two times that of short-term liabilities, a good position. The working capital (current assets less current liabilities) of \$60 million is a significant amount. The ratio of cash flow to current liabilities of 0.4 is a little below the average for Florida hospitals. The applicant has a satisfactory short-term position.

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The long-term debt to equity of 1.3 is weaker than the average for Florida hospitals. The cash flow to assets of 5.1 percent is a little below average. The most recent year had an operating profit of \$0.6 million, which resulted in a margin of 0.3 percent, a relatively low level. The total equity of \$132 million with the equity to assets of 38.4 percent is adequate. The applicant has a fair long-term position.

Schedule 2 indicates the applicant has total capital projects of \$119 million. This amount did not contain maturities of long-term debt; however, the audited financial statements indicated maturities long-term debt, through 2004 would be \$15 million. Total funding needs would therefore be \$134 million.

Schedule 2 indicates funding for these projects will come from cash in hand of \$49 million, and cash flows of \$70 million. The audited balance sheet shows \$16 million cash and investments, \$47 million assets limited to use for capital projects, and \$17 million annual cash flows. The total, including cash flows through 2004 would be \$131 million.

Based on the cash on hand, designated assets, and cash flows of the applicant, funding for this and all other capital projects will possibly be available. The applicant's financial strength will enable it to borrow additional funds if needed. Therefore funding for all capital needs should be available as needed.

St. Joseph's Hospital, Inc. (CON #9493): The applicant's current ratio of 1.8 indicates current assets are almost two times that of short-term liabilities, an adequate position. The working capital (current assets less current liabilities) of \$34 million is a significant amount. The ratio of cash flow to current liabilities of 0.7 is satisfactory for Florida hospitals. The applicant has a good short-term position.

The long-term debt to equity of 1.1 is weaker than the average for Florida hospitals. The cash flow to assets of 6.1 percent is just below average. The most recent year had an operating profit of \$21 million, which resulted in a margin of 4.9 percent, an average level. The total equity of \$217 million with the equity to assets of 43.3 percent is strong. The applicant has a good long-term position.

Schedule 2 indicates the applicant has total capital projects of \$36 million. This amount did not contain maturities of long-term debt; however, the audited financial statements indicated maturities long-term debt, through 2003 would be \$19 million. Total funding needs would therefore be \$55 million.

Schedule 2 indicates funding for these projects will come from cash in hand. The audited balance sheet shows \$2 million cash and investments and \$24 million average cash flows for the most recent two years. The total, including cash flows through 2003 would be \$74 million.

Based on the cash on hand and cash flows of the applicant, funding for this and all other capital projects should be available as needed.

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

University Community Hospital, Inc. (CON #9492): 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 group 7. 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.

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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. The adjustment is made to factor out the outpatient revenues in the per patient day computation.

Net revenue per adjusted patient day (NRAPD) of \$1,350 in year one and \$1,398 in year two is between the control group lowest and median values of \$1,328 and \$1,603 in year one and \$1,364 and \$1,646 in year two. The lowest level is generally viewed as the practical lower limit on economies of operation. With net revenues falling between the lowest and median level, the facility is expected to consume health care resources in proportion to the services provided. (See Comparative Table). The 1999 actual NRAPD for this hospital was \$ 1,221, which was between the lowest and median in that year.

Projected cost per adjusted patient day of \$1,326 in year one and \$1,350 in year two is between the group lowest and median values of \$1,147 and \$1,422 in year one and \$1,178 and \$1,461 in year two. This application is considered cost-efficient when compared to the control group. (See Comparative Table). The 1999 actual CAPD for this hospital was \$1,217, which was just above the median in the group.

The year two operating profit for the hospital of \$7.7 million computes to an operating margin per adjusted patient day of \$48 which falls between the peer group lowest and median of \$-71 and \$73. The operating margin computes to 3.5 percent, which is around average for Florida hospitals. The applicant's 2000 and 1999 audited income statement operating margins are 0.3 percent and 0.9 percent respectively. The 1999 financial data submitted to the agency shows the hospital with an operating margin per adjusted patient day of \$4, which is significantly below the projected margin. The projected margin, while average by state standards is somewhat optimistic compared to the hospital's historical activity. This project is expected to contribute \$217,330 to the facility's operating surplus.

Considering the projections taken as a whole, this project appears to be financially feasible.

COMPARATIVE TABLE

University Community 1999 DATA Peer Group 7	2004	YEAR 2	INFLATION ADJ. VALUES		
	YEAR 2	ACTIVITY	Highest	Median	Lowest
	ACTIVITY	PER DAY			
ROUTINE SERVICES	492,985,143	3,099	868	590	338
INPATIENT AMBULATORY	0	0	117	46	30
INPATIENT ANCILLARY SERVICES	0	0	3,496	2,485	1,449
OUTPATIENT SERVICES	281,379,906	1,769	1,710	1,180	735
OTHER OPERATING REVENUE	2,681,650	17	144	17	9
TOTAL REVENUE	777,046,699	4,884	5,521	4,365	2,628
DEDUCTIONS FROM REVENUE	554,646,329	3,486			
NET REVENUES	222,400,370	1,398	1,859	1,646	1,364
EXPENSES					
ROUTINE	38,273,959	241	355	225	189
ANCILLARY	86,496,432	544	705	536	444
AMBULATORY	12,335,551				
OVERHEAD	77,582,423	488	938	645	470
OTHER	0	0			
TOTAL EXPENSES	214,688,365	1,350	1,742	1,461	1,178
OPERATING INCOME	7,712,005	48	341	73	-71
		3.5%			
PATIENT DAYS	100,929		NOT INFLATION ADJUSTED		
ADJUSTED PATIENT DAYS	159,085				
TOTAL BED DAYS AVAILABLE	149,285				
ADJ. FACTOR	0.6344				
TOTAL NUMBER OF BEDS	409				
PERCENT OCCUPANCY	67.6%		82.0%	57.0%	24.0%
<u>PAYER TYPE</u>	PATIENT DAYS	% TOTAL			
MEDICARE	35,101	34.8%	75.0%	52.0%	19.0%
COMMERCIAL	2,305	2.3%			
MEDICAID	7,658	7.6%	24.0%	6.0%	2.0%
PRIVATE	3,793	3.8%			
HMO/PPO	51,224	50.8%	59.0%	27.0%	9.0%
OTHER	849	0.8%			
TOTAL	100,930	100.0%			

St. Joseph's Hospital, Inc. (CON #9493) : 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 group 7. 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.

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. The adjustment is made to factor out the outpatient revenues in the per patient day computation.

Net revenue per adjusted patient day (NRAPD) of \$1,280 in year one and \$1,318 in year two is between the control group lowest and median values of \$1,156 and \$1,395 in year one and \$1,187 and \$1,433 in year two. The lowest level is generally viewed as the practical lower limit on economies of operation. With net revenues falling between the lowest and median level, the facility is expected to consume health care resources in proportion to the services provided. (See Comparative Table). The 1999 actual NRAPD for this hospital was \$ 1,169, which was between the lowest and median in that year.

Projected cost per adjusted patient day of \$1,221 in year one and \$1,256 in year two is between the group lowest and median values of \$999 and \$1,238 in year one and \$1,026 and \$1,272 in year two. This application is considered cost efficient when compared to the control group. (See Comparative Table). The 1999 actual CAPD for this hospital was \$1,114, which was just below the median in the group.

The year two operating profit for the hospital of \$16.7 million computes to an operating margin per adjusted patient day of \$62 which falls between the peer group lowest and median of \$-71 and \$73. The operating margin computes to 4.7 percent, which is around average for Florida hospitals. The applicant's 2000 and 1999 audited income statement operating margins are 4.9 percent and 5.4 percent respectively. The 1999 financial data submitted to the agency shows the hospital with an operating margin per adjusted patient day of \$55. This project is expected to contribute \$1.3 million to the facility's operating surplus.

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Considering the projections taken as a whole, this project appears to be financially feasible.

CON # 9493					
St. Joseph's 1999 DATA Peer Group 7	2004	YEAR 2	<u>INFLATION ADJ. VALUES</u>		
	YEAR 2	ACTIVITY	Highest	Median	Lowest
	ACTIVITY	PER DAY			
ROUTINE SERVICES	179,196,563	667	756	513	295
INPATIENT AMBULATORY	0	0	102	40	26
INPATIENT ANCILLARY SERVICES	713,614,891	2,658	3,045	2,163	1,262
OUTPATIENT SERVICES	313,791,813	1,169	1,489	1,027	640
OTHER OPERATING REVENUE	3,357,950	13	125	15	7
TOTAL REVENUE	1,209,961,217	4,507	4,807	3,801	2,288
DEDUCTIONS FROM REVENUE	856,148,230	3,189			
NET REVENUES	353,812,987	1,318	1,618	1,433	1,187
EXPENSES					
ROUTINE	60,530,249	225	309	196	164
ANCILLARY	132,204,050	492	614	466	387
AMBULATORY	0				
OVERHEAD	144,421,453	538	817	561	410
OTHER	0	0			
TOTAL EXPENSES	337,155,752	1,256	1,517	1,272	1,026
OPERATING INCOME	16,657,235	62	341	73	-71
		4.7%			
PATIENT DAYS	198,108		NOT INFLATION ADJUSTED		
ADJUSTED PATIENT DAYS	268,481				
TOTAL BED DAYS AVAILABLE	313,535				
ADJ. FACTOR	0.7379				
TOTAL NUMBER OF BEDS	859				
PERCENT OCCUPANCY	63.2%		82.0%	57.0%	24.0%
<u>PAYER TYPE</u>	<u>PATIENT DAYS</u>	<u>% TOTAL</u>			
MEDICARE	57,530	29.0%	75.0%	52.0%	19.0%
COMMERCIAL	8,941	4.5%			
MEDICAID	22,585	11.4%	24.0%	6.0%	2.0%
PRIVATE	7,053	3.6%			
HMO/PPO	88,757	44.8%	59.0%	27.0%	9.0%
OTHER	13,245	6.7%			
TOTAL	198,111	100.0%			

- g. Will the proposed project foster competition to promote quality and cost-effectiveness? ss. 408.035(9), Florida Statutes.**

University Community Hospital (CON #9492) projects managed care to represent 50.8 percent of its patient days. This is between the control group median and highest levels of 27.0 percent and 59.0 percent and is similar to the hospital's own 1999 managed care level of 50.7 percent. The applicant's level of managed care will have a significant positive impact on competition, to promote quality assurance and cost-effectiveness.

The proposed NICU III project was compared to all other hospitals in the state with approved NICU II programs. Schedule 7, total gross revenue for the NICU III only is projected to be \$3,642,222 for year two. With 1,461 patient days anticipated the gross revenue (gross charges) per patient day computes to \$2,493. This is just below the median in the state of \$2,544, which indicates, the services are reasonably priced in comparison to other providers and should have a positive impact on competition to promote quality assurance and cost-effectiveness.

St. Joseph's Hospital, Inc. (CON #9493) projects managed care to represent 44.8 percent of its patient days. This is between the control group median and highest levels of 27.0 percent and 59.0 percent and is similar to the hospital's own 1999 managed care level of 43.5 percent. The applicant's level of managed care will have a significant positive impact on competition, to promote quality assurance and cost-effectiveness.

The proposed NICU III project was compared to all other hospitals in the state with approved NICU III programs. Schedule 7, total gross revenue for the NICU III only is projected to be \$4,530,518 for year two. With 1,513 patient days anticipated the gross revenue (gross charges) per patient day computes to \$2,994. This is between the median and highest in the state of \$2,544 and \$5,205, which indicates, the services are reasonably priced in comparison to other providers and should have a positive impact on competition to promote quality assurance and cost-effectiveness.

August 2001 Hospital Cycle				
CON #	Project Cost	NICU III Avg. Chg/Day	Total Hospital Operating Cost/Day	NICU III Incremental Cost/Day
9492	\$ 1,279,594	\$ 2,493	\$ 2,127	\$ 942
9493	\$ 1,052,480	\$ 2,994	\$ 1,702	\$ 863

- 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).**

University Community Hospital, Inc. (CON #9492): The proposal is to add the 15 Level III NICU Beds to augment the existing 10 Level II NICU beds. To add the new beds, a 3rd floor patio will be enclosed and a new mechanical room constructed and placed in service. The existing mechanical room will be removed and the new nursery, sleep room and office will be constructed. The majority of the square footage will be gained with the enclosure of the patio.

The application includes partial plans of the 3rd floor with existing and proposed layouts shown and a large scale plan of the proposed renovated area. The new NICU area is adjacent to the existing Level II space and both of these spaces are part of a larger neonatal suite. The proposed location should be ideal because of its placement and the existence of the suite with control points and cross-corridor doors.

The building is fully sprinklered and the plans submitted show the smoke compartment walls and the ratings of sensitive spaces.

The contracts with the design professionals are expected to be signed in December, 2001 and the projected completion date of the project is December, 2002. The time frame for the actual renovation appears to be reasonable. However, only 60 days have been allowed from the signing of the design professional contracts to final approval of the documents by AHCA. This is probably not enough time for design and the AHCA Office of Plans and Construction's review.

The list of applicable codes on the floor plan does not take into account that the new Florida Building Code is expected to be adopted in January 2002. Other selected codes are listed, but the list will have to be revised as new editions of existing Codes are adopted. This is not a major issue.

The schematic plans submitted were done by an architectural firm that has extensive healthcare experience. The resulting design is well planned and it is evident that there has been much thought in deciding to locate the new spaces in the best adjacency possible within the existing suite. Constructing a new mechanical room and re-constructing it in another location is not something that is decided lightly because of expense and down-time. It is obvious that the cost consideration involved in this decision indicated that it was worth the expense to relocate the mechanical room in order to place the new beds where they would work best.

St. Joseph's Hospital, Inc. (CON #9493): The proposal is to add five Level III NICU Beds to augment the existing 15 Level II and 27 Level III NICU beds at the St. Joseph's Women's Hospital. To add the new beds, there will be an expansion and renovation of spaces on the 2nd Floor. This space is for audiology evaluation and breastfeeding and is currently vacant.

The enclosed plans indicate that the configuration will include an expansion of the existing nurse station of the NICU. Also, an adjacent storage room is being expanded and it appears that some renovation to the existing NICU is proposed. Some walls to define the existing bed areas appear to be shown as new. The application is more focused on the addition of the new beds than the other changes that appear on the drawings.

The application includes partial plans of the 2nd floor with existing and proposed layouts and a large-scale plan of the renovated area. The new NICU area is adjacent to the existing NICU space and is part of a larger suite. The proposed location should be ideal because of its placement and the existence of the suite with control points and cross-corridor doors. The new nurses' station is open to the new five-bed area similar to the way it relates to the existing bed spaces.

The contracts with the design professionals are expected to be signed in January 2002 and the projected completion date of the project is November 2002. The time frame for the project may be over optimistic. Assuming that the contracts are executed on the first of January and the AHCA approval is at the last of April, this gives only four months from the signing of the design professional contracts to final approval of the Documents by the AHCA Office of Plans and Construction's. Since the applicant has experience with hospital construction projects, it can be assumed that an architect (and probably a contractor) will be on board to allow the proposed timetable to be work. There is no indication of who provided the submitted plans.

There did not appear to be a list of applicable codes included in the application, but this is not a major architectural issue. When and if the project is started, the applicable codes will have to be followed, especially the new Florida Building Code which is expected to be adopted in January 2002.

The scope of the project is relatively uncomplicated with minor demolition and straightforward architectural impact. The costs appear to be reasonable for such work.

- 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.**

University Community Hospital, Inc. (CON #9492) provided its history of services to the Medicaid and charity care patient in the table below. The applicant has a history of providing services to Medicaid and the medically indigent. University is willing to condition the award of the certificate of need to a minimum of 29.09 percent of total patient days for Medicaid days and a minimum of one percent for charity care days.

**Utilization by Payer, University Community Hospital, Inc.
Years 1997 through 2000**

Item	1997	1998	1999	2000
Medicare Patient Days ^(a)	32,917	35,129	34,429	36,489
Percent of Patient Days	35.8%	36.0%	33.7%	35.6%
Medicaid Patient Days ^(a)	4,861	5,727	6,589	7,129
Percent of Patient Days	5.3%	5.9%	6.5%	7.0%
Self Pay/Charity Care Days	4,349	3,000	3,796	3,584
Percent of Patient Days	4.7%	3.1%	3.7%	3.5%
Total Patient Days	91,919	97,664	102,150	102,443
	\$	\$	\$	\$
Medicare Net Revenues ^(a)	40,486,195	42,630,955	45,580,816	47,782,471
Percent of Net Revenues	29.5%	28.5%	26.4%	27.8%
Medicaid Net Revenues ^(a)	4,447,096	4,958,370	6,286,023	7,024,771
Percent of Net Revenues	3.2%	3.3%	3.6%	4.1%
Self Pay/Charity Revenues	1,778,345	1,404,998	1,759,923	2,170,938
Percent of Net Revenues	1.3%	0.9%	1.0%	1.3%
Total Net Revenues	137,170,765	149,725,743	172,507,245	171,805,897

Data Source: Data come from the hospital and is reported to the Agency.

(a): Does not include Medicare HMO or Medicaid HMO days/revenues.

St. Joseph's Hospital, Inc. (CON #9493) has a history of providing Medicaid and charity care. St. Joseph's commits to provide 25 percent of its annual patient days in the Level III NICU to Medicaid/Medicaid HMO/charity/indigent patients.

The following table provides an indication of both facility's commitment to charity and Medicaid, with comparison to the district, based on Fiscal Year (FY) 1999 Actual Data prepared by AHCA.

Medicaid and Charity Care Commitment of the Applicant Compared to the District for Fiscal Year 1999			
Applicant Hospital	FY 99 Conventional Medicaid Days	FY 99 Gross Charity Dollars	FY 99 Gross Charity Percent of Charges
University Community	5.5%	\$2,193,648	2.2%
St. Joseph's	12.2%	\$32,981,247	3.4%
District 6 Average	8.8%	\$19,748,106	3.4%

Source: FY 1999 Actual Data/AHCA.

As reflected in the table, St. Joseph's Hospital's provision of Medicaid is higher than the district average, while University Community is below the district average. St. Joseph's charity care provision reflects exactly the district average and University Community is below.

F. SUMMARY

University Community Hospital, Inc. (CON #9492) proposes to establish five Level III NICU beds through the conversion of five acute care beds at University Community Hospital.

The proposed project cost is \$1,279,594 and will involve 1,422 GSF of renovation and \$535,225 in construction costs.

Need: The applicant is responding to the published fixed need for five Level III NICU beds. However, UCH states that it recognizes that the NICU Rule calls for a 15-bed minimum unit size for a Level III unit. The applicant indicates that there are several "not normal" circumstances that justify UCH meeting the fixed need of five beds even though the minimum unit size is not strictly met. The applicant has proposed certain conditions, which will ensure quality of care. The applicant demonstrated that it could operate an efficient NICU through the combination of 10 Level II and five Level III NICU beds.

Quality of Care: University Community Hospital, Inc. is the recipient of the 2001 VHA Leadership Award in the category of Clinical Effectiveness for a Health Care System. The applicant is also JCAHO accredited and has a history of providing quality of care.

Medicaid/Indigent: The applicant has a history of providing services to Medicaid and the medically indigent. University is willing to condition the award of the certificate of need to a minimum of 29.09 percent of total patient days for Medicaid days and a minimum of one percent for charity care days.

Financial/Cost: Based on the cash on hand, designated assets, and cash flows of the applicant, funding for this and all other capital projects will possibly be available. The applicant's financial strength will enable it to borrow additional funds if needed. Therefore funding for all capital needs should be available as needed. Considering the projections taken as a whole, this project appears to be financially feasible.

Architectural: There are no major architectural concerns.

St. Joseph's Hospital, Inc. (CON #9493) proposes to add five Level III Neonatal Intensive Care Unit (NICU) beds through delicensure of five acute care beds to St. Joseph's Hospital's existing 27-bed Level III NICU, creating a 32-bed unit.

The total project cost is estimated at \$1,052,480. Construction costs are projected at \$540,000 and the project will involve 3,600 gross square feet (GSF) of renovated space.

Need: The applicant is responding to the fixed need pool.

Quality of Care: The facility is accredited by the Joint Commission on Accreditation of Healthcare Organization. The hospital's quality of care is monitored throughout its healthcare system through the total quality management program. The applicant operates a nationally recognized fetal surgery program. St. Joseph's Hospital has a history of providing quality care.

Medicaid/Indigent Care: According to the Certificate of Need Predicated on Conditions page, the applicant is proposing a combined minimum of 25 percent of its Level III NICU patient days to Medicaid/charity care/indigent patients.

Financial/Cost: Funding for this and all other capital projects are likely to be available as needed. This project is expected to contribute \$217,330 to the facility's operating surplus. Considering the projections taken as a whole, this project appears to be financially feasible.

Architectural: The scope of the project is relatively uncomplicated with minor demolition and straightforward architectural impact. The costs appear to be reasonable for such work.

RECOMMENDATION

Approve CON #9492 to establish a five-bed Level III Neonatal Intensive Care Unit (NICU) through the conversion of five acute care beds. Total project costs are \$1,279,594 and involve 1,422 GSF of renovation and \$535,225 in construction costs.

CONDITIONS:

- (1) A board-certified or board-eligible neonatologist on call, in house, 24 hours a day.
- (2) Maintenance of neonatal CPR certification and recertification every two years for all attending neonatologists.

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- (3) Demonstration of 24-hour availability of subspecialists to include pediatric surgery, anesthesia, cardiology, ophthalmology and perinatology.
- (4) Annual review by a neonatologist of nursing policies and procedures relevant to the delivery of nursing care to the high risk newborn.
- (5) Participation in continuous outcome monitoring of all infants admitted and cared for in University Community's neonatal intensive care unit, to include major categories of morbidity as well as mortality.
- (6) Maintenance of a developmental follow-up clinic to analyze and report long-term outcomes as well as short-term outcomes.
- (7) Participation of University Community's attending neonatologists in a quality assurance peer review program to include quarterly review of the above-mentioned outcome statistics, including short-term morbidity, mortality and developmental outcome, with a quarterly filing with AHCA of outcome information on the State of Florida forms titled "Infant Demographics and Outcomes, Level II and Level III NICUs," pages 1 through 4.
- (8) To quarterly file with AHCA the information requested on State of Florida forms titled "Infant Demographics and Outcomes, Level II and Level III NICUs," pages 1 through 4.
- (9) An annual morbidity and mortality review by a board-certified neonatologist from a tertiary care RPICC center approved by the Agency.
- (10) That should AHCA determine, from the outcome monitoring and long-term and short-term outcome analyses and reporting and statistical review required in conditions 4, 6, 7, 8 and 9, above, that the morbidity and mortality levels for the Level III NICU patient population served by University Community is significantly above morbidity and mortality levels of other Level III programs in Florida, as adjusted for consideration of relevant risk factors in the patient populations, or if University Community fails to comply with the reporting and monitoring conditions and other requirements set forth in paragraph 3 of this Stipulation and Settlement Agreement, the AHCA may issue its notice of intent to revoke the CON by serving an administrative complaint upon University Community, pursuant to Section 120.60(5), Florida Statutes (1997), providing University Community with reasonable notice of facts or conduct which warrant the intended action, and providing University Community an adequate opportunity to request a proceeding pursuant to Section 120.569 and 120.57, Florida Statutes (1997).

Deny CON #9493.

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