

**STATE AGENCY ACTION REPORT**  
**ON APPLICATION FOR CERTIFICATE OF NEED**

**A. PROJECT IDENTIFICATION**

1. Applicant/CON Action Number

**Columbia Palms West Hospital, L.P./CON #9514**  
**d/b/a Palms West Hospital**  
13001 Southern Boulevard  
Loxahatchee, Florida 33407-1150

Authorized Representative: Scott Cihak  
(561) 798-3300

**Tenet St. Mary's Inc./CON #9515**  
**d/b/a St. Mary's Medical Center**  
901 45<sup>th</sup> Street  
West Palm Beach, Florida

Authorized Representative: Bob Greene  
(469) 893-6018

2. Service District/Subdistrict/County

District 9

**B. PUBLIC HEARING**

No public hearing was held regarding the following proposed projects. Letters of support were submitted by Columbia Palms West.

**Columbia Palms West Hospital, L.P. (CON #9514)** provided numerous letters of support. Some of them include: The Florida Pediatric Critical Care, P.A., Wellington Pediatrics, Palms West Radiology Associates, Pediatric Neurology & Epilepsy Center, Children's Gastroenterology of South Florida, P.A., Center for Advanced Pediatric Surgery and Associates in Pediatric Cardiology. Most of the letters indicated that the approval of the project would enhance the level of existing services in the community.

**Tenet St. Mary's, Inc. (CON #9515):** No letters of support were submitted by the applicant.

**C. PROJECT SUMMARY**

**Columbia Palms West Hospital, L.P. (CON #9514):** Palms West, a licensed 117-bed acute care hospital located in Palm Beach County, District 9, is proposing to establish a five-bed Level II Neonatal Intensive Care Unit (NICU) through the delicensure of five Level II NICU beds at Lawnwood Regional Medical Center a 365-bed facility located in St. Lucie County of District 9. Lawnwood is currently licensed for 10 Level II NICU, 260 acute care, 36 adult psychiatric, 33 hospital-based skilled nursing unit and 26 comprehensive medial rehabilitation beds. Although these two hospitals are not owned by the same entity, the parent company for both owning entities is HCA/The HealthCare Company. The proposed project will not involve additional Level II NICU beds in the district rather; it will relocate underutilized Level II district beds. The applicant states that this project is in coordination with an exempt expansion of women's and infant services five-bed special care/step down nursery for its "Your New Life Center." The applicant has conditioned to provide a minimum of 15 percent of its patient days to Medicaid recipients and two percent to charity patient in the NICU. Lawnwood Regional Medical Center is a Medicaid disproportionate share provider for fiscal year 2001/2002 and Palms West isn't. Lawnwood's current condition on its 10 Level II NICU beds is 82.9 percent total annual patient days to Medicaid and 1.5 percent to indigent.

The total project cost is estimated at \$1,174,704. Construction costs are projected at \$586,500 and the project will involve 2,346 gross square feet (GSF) of new construction.

**Tenet St. Mary's, Inc. (CON #9515)** owns and operates St. Mary's Medical Center, a 460-bed for profit general hospital. St. Mary's is licensed for 338 acute care beds, 22 Level II NICU beds, 10 Level III NICU beds, 40 adult psychiatric beds and 50 comprehensive medical rehabilitation beds. The applicant proposes to expand its existing 22-bed Level II neonatal intensive care unit by seven beds and delicense seven acute care beds. In December of 1999 the Agency approved CON #9252 for the addition of Level II beds at St. Mary's. The proposal was to expand the Level II unit by nine beds and close the seven-bed unit at Good Samaritan. However, IHS the prior owner of the hospital, sold St. Mary's and Good Samaritan Hospital to Tenet. However, Tenet never transferred the approved CON.

Therefore, the seven beds have remained at Good Samaritan Hospital since 1999, unused at zero occupancy.

Tenet has proposed to condition to provide 45 percent Medicaid/charity care. The proposed project cost is projected to be \$855,533 and will involve 1,290 GSF of renovation and \$257,574 in construction costs.

**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 26, Number 30, dated July 27, 2001 of the Florida Administrative Weekly, a fixed need pool of zero beds was published for Level II Neonatal Intensive Care Unit beds in District 9 for the January 2004 planning horizon.

District 9 has 80 licensed Level II neonatal intensive care beds and 16 approved Level II beds. The eighty beds have an average 12-month occupancy rate of 57.28 percent.

St. Mary's is applying for additional beds, while Palms West is seeking to transfer beds from within the district. Each applicant indicates it is applying under special (not normal) circumstances.

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

As stated above, the 80 Level II NICU beds in District 9 experienced an occupancy rate of 57.28 percent for the time period specified in Rule.

- b. **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 II neonatal intensive care beds at hospitals with Level II neonatal intensive care services seeking additional Level II beds is demonstrated in the absence of need shown under the formula specified in paragraph (3)(c) of this rule if the occupancy rate for their Level II beds exceeded an average of 90 percent as computed by the agency for the same period specified in subparagraph (3)(c)2.**

Tenet St. Mary's Inc., meets the "special circumstances" defined in Rule with a Level II NICU occupancy rate of 99.99 percent for the period specified in rule. However, Palms West does not. Both applicant's also contend there are other not normal circumstances within the district that indicate the need for additional beds. Columbia Palms West Hospital is discussed under c. below, other special circumstances.

**Tenet St. Mary's Hospital, Inc. (CON #9515)** states that the application is being filed based on not normal circumstances experienced at St. Mary's. They are as follows:

- AHCA has agreed with and approved the addition of Level II beds at St. Mary's via CON #9252 which was previously issued to St. Mary's previous owner for nine beds. Due to an oversight in transferring ownership of the hospital, the CON was not transferred to the new owner, thus requiring this application as, in essence, a replacement application. However, while it is true that nine additional Level II NICU beds were approved for St. Mary's hospital under CON #9252, that CON was approved based on seven Level II beds being delicensed from Good Samaritan Hospital and eight acute care beds being delicensed at St. Mary's Hospital. Although the applicant is proposing to delicense an equal number of acute care beds at St. Mary's, it is not proposing to close the Level II NICU at Good Samaritan.
- Waiver from RPICC to operate the NICU beds in overflow areas due to lack of alternatives for placement of RPICC babies.
- Excess occupancy during the past two years, with occupancy averaging 100 percent
- Fluctuation in daily census as compared to average occupancy
- Increasing transport activity from outlying area hospitals which have built up a reputation for low risk births for their community residents.
- Level II units in Level III hospitals treat more severe neonates than Level II units in hospitals without Level III units thereby often time eliminating a Level II only hospital as an alternative.
- Increasing number of births at St. Mary's in the past, which are estimated to continue to the future.

St. Mary's states that it represents in excess of 20 percent of the countywide births and approximately 17 percent of the births throughout the district. The applicant states that both its Level II and Level III units have operated at excessive occupancy levels during the past few years. According to AHCA Hospital Bed Need Projections- July 2001 batching cycle for the period of January - December 2000, St. Mary's occupancy was at 99.99 percent. Additionally, the Treasure Coast Health Council indicates that St. Mary's Level II and Level III NICU units were over 100.00 percent occupancy for the second quarter of 2001. St. Mary's is also seeking expansion of its Level III unit in a separate application (CON #9515).

The applicant also states that it is important to consider monthly fluctuations to depict the significant occupancy issues being faced by the Level II NICU. The applicant provided a table on page nine, which provides the monthly information for two years, which reflect a continuous average occupancy of 100 percent. According to the applicant, St. Mary's exceeded 100 percent capacity six months of the year ending June 30, 2000 and five months in the year ending June 30, 2001 for a combined total of 11 months.

The applicant indicates that the high occupancy and daily peaks indicate an actual need for as many as 40 Level II NICU beds at St. Mary's. At this level the applicant indicates that there would be sufficient beds for all patients and the high peaks will be met at an 80 percent occupancy level. However, the applicant indicates that its physical plant can accommodate seven additional beds without significant renovation. The seven beds will increase the Level II NICU to 29 beds.

Based on current Level II patient days and a modest increase by the planning horizon, it appears that a 29-bed Level II NICU can be supported at St. Mary's. However, this does not consider the re-implementation of Level II NICU services at its sister facility, Good Samaritan Hospital.

The applicant also indicates that the proposed program will have no negative impact on existing providers. However, six of the eight existing NICU Level II providers in the district are operating below 80 percent occupancy (80 percent is the standard). The applicant's other facility Good Samaritan, which has been closed since October 1999 is expected to reopen its maternity care in January 2002, according to a Palm Beach Post article dated October 17, 2001. Since the seven beds at Good Samaritan have never been delicensed they can still be used for Level II NICU care. Tenet can alleviate some of the over crowding and overutilization at St. Mary's with the seven underutilized beds at Good Samaritan. Although St. Mary's meets the special circumstances defined in Rule, the applicant did not consider the seven approved beds at

Wellington Regional Medical Center. The proposed project appears to be a bit premature. In addition there are six other Level II NICU providers in the district that are below the 80 percent occupancy standard.

**c. Other Special Circumstances:**

**Columbia Palms West Hospital (CON #9514)** proposes the delicensure of five of 10 underutilized Level II NICU beds at Lawnwood Regional Medical Center. Lawnwood's CY 2000 utilization averaged 27.21 percent. The applicant presented what it contends is a not normal circumstance in that it believes transferring NICU Level II beds from a hospital with 1,175 annual births to a hospital with fewer (1,100) annual births will improve utilization. It is noted that AHCA discharge data for the year ended December 2000, shows Lawnwood Regional Medical Center had 1,119 births rather than 1,175. and Palms West had only 958 live births rather than 1,100, for the same period.

The applicant presented 11 elements that it considered demonstrate need to transfer these beds from Wellington to Palms West. However, while two charts and two maps were presented to illustrate three of the 11 elements, none were discussed in any detail. The applicant states in two of the 11 elements that "In 1999<sup>1</sup>, Wellington's approved 10-bed Level II NICU application demonstrated a need for more than 12 Level II NICU beds in the western part of the county" and "Employing the conservative need methodology in this application, both Wellington and Palms West's NICU will be well utilized and will reduce the strain on St. Mary's RPICC NICU, which receives patients from around the region and state." Although the applicant alludes to a need methodology it will present in this application, no need methodology was presented. Therefore it is assumed the applicant is referring to Wellington's need methodology presented in CON #9253 and CON #9330 as demonstration that more beds are needed in the western portion of the district. Wellington Regional Medical Center sought in both CON's to establish 10 Level II NICU beds in the same general area of the district as Palms West and also submitted a partial request for seven beds. The applicant notes that Wellington's application showed need for 12 additional beds. However, Wellington's application only showed need in both applications for a seven-bed unit, although the minimum bed size for a Level II NICU is 10 beds. Wellington's contention for need was based on its live birth volume, service area, population growth and the medical center's position in the community as a growing service area provider. Whereas, the applicant provided no documentation to substantiate need. However, the

---

<sup>1</sup> NOTE: Wellington's application to establish 10 Level II NICU beds, initially denied but later approved as a result of an administrative hearing, was submitted in the February 2000 batching cycle, not in 1999 as the applicant states.

Agency's initial decision on CON #9253 denied Wellington's application. That initial decision was overturned in a final order and a 10-bed unit was approved. CON #9330 was later voluntarily withdrawn because of the issuance of CON #9253 for 10 level II NICU beds. Although in the recommended order to reverse the Agency's initial decision and the administrative law judge (ALJ) determined that there was significant growth in the area which demonstrated special circumstances for additional beds, need for 12 beds was never determined by either the ALJ or the Agency in its final order. Regardless of whether need for 10 beds or 12 beds was determined, there are 10 CON approved, unimplemented, beds at Wellington Regional Medical Center and in adopting the need methodology presented in that application, the applicant appears to be contending that there is need for an additional two, rather than five, Level II NICU beds at Palms West.

However, unlike Wellington, the applicant is not seeking to establish new beds in the district, but is rather proposing to transfer five of the 10 underutilized beds from one area of the district the applicant contends is not growing as rapidly as the area to which it proposes to move the beds. The applicant did not provide population data for females between the ages of 15 and 44 for Lawnwood's service area, nor project utilization in the five remaining beds. Taking calendar year (CY) 2000 patient days in the 10 Level II beds to see what utilization would have been had the hospital only had five licensed Level II NICU beds results in an occupancy of only 54.58 percent. Without zip code population data for females age 15-44, the reviewer could not project what the utilization by the planning horizon might be in these beds. However, with general growth anticipated for the area, it is doubtful that these beds will become well utilized in the near future. The applicant indicates that Palms West's primary and secondary service area is expected to reach approximately 1,278,000 by 2005 (according to EOG, Claritas, US Census). However, population estimates published by AHCA indicate that Palm Beach County's total population is only projected to reach 1,164,447 by July of 2005. Further, the applicant does not indicate what the hospital's service area female population age 15-44 currently is to establish a base year from which a growth percentage can be determined. However, data from population estimates by AHCA, September 2000 indicate that the female cohort aged 15-44 is expected to increase by less than two percent from 2001 to 2004 in Palm Beach County and less than one percent in District 9. For the years 2001 to 2005 the population growth of the same female cohort is expected to increase 2.4 percent annually in the district. Schedule 5 shows utilization by year two at 85.48 percent with 1,560 patient days in the five Level II NICU beds. The applicant states that neonates are expected to remain in the NICU for 12 days on average. However, the average ALOS for Level II NICU units is between 8.5 and 9.0 days. This indicates that the applicant expects to have 130 annual admissions by 2004.

Recalculating the applicant's proposal for 130 admissions based on an average length of stay of 8.5 days results in 1,105 patient days. This is well below the 1,560 patient days proposed on Schedule 5 by the applicant. The applicant states in response to other criterion, that the average daily census will be 4.3 by 2004. As noted earlier, Palms West had 958 live births in CY 2000. According to AHCA discharge data, of the 958 live births, less than three percent of the live births were coded anything other than "normal delivery". Although it can be expected to receive new Level II patients should this application be approved, the applicant's projects still appear high.

The applicant compares its proposal to move five of the 10 beds at Lawnwood to Palms West to the Agency's 1999 approval of a District 5 application in which Mease Hospital proposed to move certain services, including its Level II and III NICU services from its underutilized Dunedin facility to its Countryside facility, which was experiencing a higher growth rate. However, each application is reviewed and a decision is rendered based on individual merit. There are critical differences between these two applications, with the most significant being that the District 5 project was a large project that moved several entire services from one of Meases's two hospitals in Pinellas County to the other. The applicant is proposing to move one half of one service from one hospital to another. Because the proposal will leave five Level II NICU beds at Lawnwood, these two projects cannot be compared.

As indicated below under Agency Rule criteria, the applicant is not proposing to establish the minimum Level II NICU size defined in Rule. Demonstration of need based on a utilization of 80 percent or more in 10 beds is the benchmark set in Rule to assure quality of care. One of the reasons an applicant might seek to transfer beds, as was demonstrated in Meases's CON application discussed above, is to improve the quality of care being provided to neonates in the district. Although the applicant believes that this transfer of beds will improve quality of care in the district, as discussed below under E. 4.b., while there are quality of care concerns at Lawnwood, the applicant is not proposing to discontinue Level II NICU services at that hospital. Further, it is proposing to reduce the number of beds at Lawnwood from the 10-bed minimum to five beds, creating more quality of care concerns. Additionally, the project, if approved, will result in two units below the minimum size at both hospitals with little explanation or guarantees in the form of CON conditions regarding how either hospital plans to ensure quality care in either unit. Examples of CON conditions that might have been, but were not, provided by the applicant to demonstrate how it will ensure quality in a small unit include:

## CON Action Number: 9514 & 9515

- A board-certified neonatologist on call, in house, 24-hours a day;
- Maintenance of neonatal CPR certification and recertification every two years for all attending;
- Demonstration of 24-hours availability of subspecialists to include pediatric surgery, anesthesia, cardiology, ophthalmology and perinatology;
- Annual review of neonatologist or nursing policies and procedures relevant to the delivery of nursing care to high risk newborn;
- Participation in continuous outcome monitoring of all infants admitted and cared for in the NICU, to include major categories of morbidity as well as mortality;
- Maintenance of a developmental follow-up clinic to analyze and report long-term outcomes as well as short-term outcomes mentioned above.
- Participation of attending neonatologists in a quality assurance peer review program to include quarterly review of the above-mentioned outcomes statistics, including short-term morbidity, mortality and developmental outcomes, with a quarterly filing with the AHCA of outcome information on the State of Florida forms titled "Infant Demographics and Outcomes, Level II and III NICUs" pages 1 through 4
- To quarterly file with AHCA the information requested on State of Florida forms titled "Infant Demographics and Outcomes, Level II and III NICUs" pages 1 through 4
- An annual morbidity and mortality review by a board-certified neonatologist from a tertiary care RPICC agreed to by AHCA and the applicant.

The applicant's argument to transfer Level II NICU beds from Lawnwood Regional Medical Center to Palms West was vague and lacked detail. Specific documentation needed to assess the need for the transfer of beds was not included in the application.

Specific to CON #9514, the applicant proposed the "transfer" of beds from one of its facilities to another. The following criteria should be considered in the review of bed transfer proposals. The applicant did not specifically respond to these criteria.

- **Efficiency:** The applicant's projected cost per adjusted patient day of \$1,440 in year one and \$1,453 in year two is between the group median and highest values of \$1,180 and \$2,001 in year one and \$1,212 and \$2,005 in year two. The application is considered cost efficient when compared to the control group.

- Access: The applicant proposes to condition CON approval to 15 percent Medicaid/charity care. However, beds are proposed to be moved from a Medicaid Disproportionate Share Provider to a non-Medicaid Disproportionate Share Provider. There is no evidence that residents are unable to access these services or that access will be improved to the medically indigent.
- Quality of Care: The applicant has the ability to provide quality of care, but has not shown it can ensure quality care in a five-bed Level II NICU.
- Competition: The proposed NICU II project was compared to all other hospitals in the state with approved NICU II programs. Schedule 7, total gross revenue for the NICU II only is projected to be \$2,135,599 for year two. With 730 patient days anticipated the gross revenue (gross charges) per patient day computes to \$2,925. This is between the median and the highest in the state of \$1,580 and \$3,245, which indicates, the services are reasonably priced in comparison to other providers and should have a positive impact on competition.

## **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-1.030(2)(c), Florida Administrative Code.**

The District 9 October 2000 CON Allocation Factors Report provides the following preferences for applications pertaining to Level II neonatal intensive care beds:

- 1. Priority shall be given to applicants who demonstrate a commitment to or have an historical record of serving Medicaid, charity, indigent and underserved populations.**

**Columbia Palms West Hospital (CON #9514)** proposes to condition this application on 15 percent of its patient days in the five bed Level II NICU to Medicaid recipients and 2.0 percent to charity patients. According to 1999 AHCA data the applicant provided 11.5 percent of its patient days were provided to Medicaid patients.

**Tenet St. Mary’s, Inc. (CON #9515)** has a commitment to and has a history of serving Medicaid, charity and indigent populations. The applicant is one of eleven designated RPICC providers in the state. The table below provided by the applicant is the historical payor mix experience for neonates at the hospital for DRG 385-390. The applicant has agreed to condition approval of the CON on 45 percent of its patient days to Medicaid/charity patients.

<b>Percent of DRG 385-DRG 390 Admissions by Payor at St. Mary’s Medicaid Center</b>				
<b>Payor</b>	1997	1998	1999	2000
<b>Medicaid</b>	61.9	61.5	56.7	55.6
<b>Government</b>	0.3	1.4	3.1	1.9
<b>Self/Pay/Underinsured</b>	7.4	7.1	4.6	5.2
<b>All Other</b>	30.4	30.0	35.6	37.3
<b>Total</b>	100.0	100.0	100.0	100.0

Source: AHCA database and Hospital historical information

**3. Agency Rule Preferences**

**Please indicate how each applicable preference for the type of service proposed is met. Chapter 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.**

See local preference above and 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) 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 unit beds and Level III neonatal intensive care unit beds.**

St. Mary's Hospital has Level II and Level III NICU beds and therefore has continuity of care. However, Columbia Palms West has no NICU beds.

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

**Columbia Palms West (CON #9514)** proposes developmental follow-up care.

**Tenet St. Mary's Inc. (CON #9515):** Through the Child Development Center the team will conduct follow-up checks on discharged patients and monitor outcomes of care and make appropriate referrals for care.

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

**Columbia Palms West Hospital, Inc. (CON #9514):** As mentioned previously, the applicant is proposing to transfer five beds from Lawnwood Regional to Palms West. Lawnwood currently has 10 Level II NICU beds. The proposed transfer would make both units a five-bed Level II NICU unit, which is below the minimum 10-bed requirement by rule. (Refer to E. 1 above for further discussion).

**Tenet St. Mary's, Inc. (CON #9515)** meets the intent of this requirement and is licensed for 22 Level II NICU beds.

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

**Columbia Palms West Hospital, Inc. (CON #9514):** According to AHCA discharge data Lawnwood Regional Medical Center had 1,093 births, just above the 1,000 minimum live births. However, Palms West Hospital is under the minimum live births at 958.

**Tenet St. Mary's Hospital, Inc. (CON #9515):** According to AHCA discharge data St. Mary's Hospital had 3,590 births for the 12-month period ending December 2001.

- 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 11.

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

- (1) **Physician Staffing: Level II or 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.**

**Columbia Palms West Hospital, Inc. (CON #9514)** provided a listing for doctors by specialty for pediatrics. However, it did not indicate that services would be directed by a neonatologist or a group who are board-certified or board-eligible and on active staff at the hospital.

**Tenet St. Mary's Hospital, Inc. (CON #9515):** According to the applicant the NICU units are staffed by eight neonatologists, all of whom are board-certified in pediatrics and neonatology by the American Board of Pediatrics. The NICU medical director is David Kanter, who is board-certified in neonatology and pediatrics. In addition the applicant states that there are 39 pediatric sub-specialists on St. Mary's Medicaid staff.

- (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.**

**Columbia Palms West Hospital, Inc. (CON #9514)** indicates that its current and future staff has and will have the required expertise and experience. Additionally, the applicant indicates that the curriculum vitae of nurse leadership and staff were included in the application, however the reviewer did not find them.

**Tenet St. Mary's Hospital, Inc. (CON #9515):** The neonatal intensive care unit is under the direction of Mary Jo Bulfin, RNC, BSN. The applicant indicates that 80 percent of the nursing personnel assigned to each work shift in the unit are registered nurses.

- (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.**

**Columbia Palms West Hospital, Inc. (CON #9514)** provided a table of the nursery nurses, their years of experience and the number of years at Palms West. However, the applicant did not indicate whether or not any of the nurses were trained in the specialties listed above.

**Tenet St. Mary's Hospital, Inc. (CON #9515)** states that the hospital nursing staff already has the required competencies. All NICU staff members are required to maintain NPR Certification through the American Heart Association and American Academy of Pediatrics. The general NICU and specific competencies among NICU nurses and respiratory therapists at St. Mary's are shown in the following table provided by the applicant.

<b>Skill/Competency</b>	<b>RN and LPN</b>	<b>Respiratory Therapists</b>
Neonatal Resuscitation Program	84	14
Neonatal Transport	20	12
Neonatal Resuscitation Program	8	1
CPR Instructor	5	-
NICU Nursing Skills Lab	84	14
NICU Respiratory Therapists	-	10
Special Procedures/Conscious Sedation	8	-
Post Anesthesia Recovery	42	-

Source: CON #9515 page 28

- (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.**

**Columbia Palms West Hospital, Inc. (CON #9514)** states that this person is currently on staff, but did not provide a name.

**Tenet St. Mary's Hospital, Inc. (CON #9515)** states that its staff meets the requirements of at least one certified/registered respiratory care practitioner 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 microstudies.**

**Columbia Palms West Hospital, Inc. (CON #9514)** indicates that these services are currently available.

**Tenet St. Mary's Hospital, Inc. (CON #9515)** has blood gas determination available 24 hours, seven days a week. The hospital provides all the above including on-site x-ray, and clinical laboratory services 24 hours, seven days a week. Anesthesiologists are on staff and anesthesia is available within 30 minutes.

- (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.**

**Columbia Palms West Hospital, Inc. (CON #9514)** indicates that these services are currently available.

**Tenet St. Mary's Hospital, Inc. (CON #9515):** According to the applicant it has designated registered and licensed dietitians assigned to the NICU. Amanda Held is responsible for the nutrition services provided in the NICU.

- (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.**

**Columbia Palms West Hospital, Inc. (CON #9514)** indicates that these services are currently available.

**Tenet St. Mary's Hospital, Inc. (CON #9515)** describes the duties of the social worker in assisting the patient's family, including identification and referral to needed resources in the community.

- (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.**

**Columbia Palms West Hospital, Inc. (CON #9514)** indicates that these services are currently available.

**Tenet St. Mary's Hospital, Inc. (CON #9515)** provides in-hospital intervention services for infants identified as being high risk for developmental disabilities to include developmental assessment, intervention, physical, speech and audiology therapy along with parental support, and education.

- (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.**

**Columbia Palms West Hospital, Inc. (CON #9514)** indicates that these services are currently available.

**Tenet St. Mary's Hospital, Inc. (CON #9515):** According to the applicant it has an interdisciplinary staff responsible for discharge planning of all hospital patients that provide family counseling and referrals to appropriate community agencies. Kim Bainter, RN is the lead person on the unit for discharge planning.

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

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

**Columbia Palms West Hospital, Inc. (CON #9514)** indicates Palms West is committed to meet or exceed the above requirement. Additional staff recruitment will take place within HCA's existing facilities, which provides for minimal or no impact on other providers the applicant states. Schedule 6, which would show the number of staff projected for this project, was not submitted. Only Schedule 6A was provided, which shows staffing for all currently licensed programs, but does not include the proposed NICU.

Therefore, it could not be determined from pro formas submitted that the applicant will meet or exceed this criterion.

**Tenet St. Mary's Hospital, Inc. (CON #9515)** claims that the nurse to neonate ratio is at least 1:4 in the Level II NICU at all times. Also the hospital exceeds the requirement that 80 percent of the nurses be registered nurses according to the applicant. Schedule 6 shows adequate staffing for the proposed project.

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

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

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

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

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

Both applicants indicate that they have all the required equipment above.

**i. 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.**

**Columbia Palms West Hospital, Inc. (CON #9514)** states that it currently participates with area systems and is developing the appropriate transport policies, procedures and protocols for a receiving Level II NICU provider. The applicant included in the application a copy of a transfer agreement between Palms West and Plantation General Hospital.

**Tenet St. Mary's Hospital, Inc. (CON #9515)** has its own transport team under the direction of John Bankston, MD, the transport medical director. The applicant states that in conjunction with Dr. Bankston, there are 20 NICU registered nurses and 12 respiratory therapists who provide neonatal transport in a geographical area extending north to Indian River and west to Glades.

**j. Ch. 59C-1.042(12) - Transfer Agreements: A hospital providing only Level II neonatal intensive care services shall provide documentation of a transfer agreement with a facility providing Level III neonatal intensive care services in the same or nearest service district for patients in need of Level III services. 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.**

See previous response above.

- k. **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 indicate 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.**

**Columbia Palms West Hospital, Inc. (CON #9514):** The applicant only states that the high rate of utilization at existing Level III/II providers makes timely transport difficult from the western area of the county. The applicant indicates that its service area is located in the western half of Palm Beach County. An adequate assessment of need to transfer beds from Lawnwood to Palms West cannot be determined, because of the limited information provided by the applicant. Additionally, although the applicant appears to adopt Wellington Regional Medical Center's need discussion primarily because it is located in the western half of the county, it does not appear to have considered the fact that a 10-bed Level II NICU was approved and are not yet implemented for that hospital. As noted previously, there are 16 CON approved Level II NICU beds in District 9.

**Tenet St. Mary's Hospital, Inc. (CON #9515):** The applicant's main reason for the expansion of the Level II NICU is the high occupancy currently experienced in St. Mary's 22-bed unit. As stated previously, the unit has exceeded its licensed occupancy for most of the year. The excess occupancy is somewhat attributed to the closing of Good Samaritan Hospital's NICU Level II in 1999. Before the closing of Good Samaritan's Level II unit, the 22-bed unit at St. Mary's had a occupancy rate of 71 percent. The applicant states that the proposed project will provide a reallocation of the licensed beds from underutilized acute care beds to overutilized Level II NICU beds and more appropriately meet the needs of the patients, physicians and staff. However, the applicant does not mention the underutilized Level II beds at Good Samaritan (also licensed by Tenet) that have been closed since October 1999, nor did the applicant mention seven beds that Wellington Regional Medical Center received approval for in an administrative hearing. The applicant can

alleviate some of the excess occupancy by reopening the seven beds at Good Samaritan. According to the Palm Beach Post, it is the applicants intentions to reopen this unit in January of 2002. The balance between staffing, services and patient needs can easily be achieved with the reopening of the seven beds at Good Samaritan. The applicant did not demonstrate there was a Level II NICU access problem in the district, only that there was a hospital specific problem. Although, access would be enhanced at the proposed facility, the applicant did not demonstrate need for the additional beds in the district.

The table below represents the period January through December 2000 utilization data for each Level II NICU provider in the district:

<b>DISTRICT 9 LEVEL II NICU OCCUPANCY</b>			
County	Hospital	Level II Beds	Percent Occupancy
Martin	Martin Memorial	5	7.92%
Ft. Pierce	Lawnwood Regional Med. Ctr.	10	27.21%
Palm Beach	Palm Beach Gardens Med. Ctr.	5	18.91%
Palm Beach	Bethesda Memorial Hospital	12	68.28%
<b><i>Palm Beach</i></b>	<b><i>Good Samaritan Hospital</i></b>	<b><i>7</i></b>	<b><i>0.00%</i></b>
<b><i>Palm Beach</i></b>	<b><i>St. Mary's Hospital</i></b>	<b><i>22</i></b>	<b><i>99.99%</i></b>
Palm Beach	West Boca Medical Center	9	85.97%
Palm Beach	Boca Raton Community	10	38.31%
Total		80	57.28%

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

As noted earlier, there are 16 CON approved beds in District 9, six at West Boca Medical Center and 10 at Wellington Regional Medical Center. As reflected in the table above, District 9's utilization does not exceed 80 percent.

- 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.**

**Columbia Palms West Hospital, Inc. (CON #9514)** is JCAHO accredited and has a history of providing quality of care. The applicant did not provide any Performance Improvement Plans, nor discuss quality of care at Palms West. Licensure records do not indicate any cobra violations at Palms West. Regarding Lawnwood, the Joint Commission on Accreditation of Healthcare Organizations found that Lawnwood violated at least five quality and safety standards during inspections in June and July of 2001. The hospital was given a preliminary denial of accreditation. Lawnwood has appealed the commission's decision. In addition, records on file with the Agency show that during the period from February 5, 1998 through November 27, 2001, Lawnwood Regional Medical Center has had 36 complaints filed with the Agency, all of which

are now closed. Sixteen of the complaints involved patient care issues and five of the complaints were COBRA/Emergency access issues. Only one of the COBRA allegations was confirmed.

**Tenet St. Mary's Hospital, Inc. (CON #9515)** is accredited by the Joint Commission on Accreditation of Healthcare Organizations. The applicant currently has a Performance Improvement Plan in place and states that the plan promotes awareness and provide guidance in the systematic, continuous improvement of clinical practice, support services and leadership, fundamental to achieving the hospital's mission of performance excellence. Licensure records show no confirmed COBRA violations.

- 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.**

The proposed projects do not involve special equipment or services that are not reasonably or economically accessible in adjacent districts.

- 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.**

The proposed projects will not be located in a teaching hospital. According to the applicants the projects will affect the clinical needs of health professional training programs. St. Mary's has several programs in place to provide clinical and continuing education for its staff and for other interested persons in the community.

- 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.

**Columbia Palms West Hospital, L.P. (CON #9514):** The applicant's current ratio of 2.2 indicates current assets are over two times that of short-term liabilities, an adequate position. The working capital (current assets less current liabilities) of \$8 million is a satisfactory amount. The ratio of cash flow to current liabilities of 1.6 is good. The applicant has a strong short-term position.

The long-term debt to equity of 0.0 indicates the applicant has no long-term debt, an excellent position. The cash flow to assets of 14.8 percent is very good. The most recent year had an operating profit of \$12 million, which resulted in a margin of 15.0 percent, a very good level. The total equity of \$69 million with the equity to assets of 90.8 percent is very strong. The applicant has an excellent long-term position.

Schedule 2 indicates the applicant has total capital projects of \$49.6 million. The audited financial statements disclosed no significant long-term debt; therefore the \$49.6 million would be the total funding needed.

Schedule 2 indicates funding for these projects will come from cash in hand of \$1.8 million and the balance assured but not on hand. A letter from the parent, HCA states it will fund this project up to a cost of \$3 million and up to \$6 million for the expansion of Women's and Children's services. The letter hinted at funding other projects by stating, "HCA expects to finance Palms West Hospital capital projects with internally generated and/or borrowed funds." HCA's Form 10-K shows total assets of \$17.6 billion, stockholders' equity of \$4.4 billion, revenues of \$16.7 billion, operating profit of \$600 million, and cash flows of \$1.5 billion.

The applicant's cash flows will be able to fund part of the capital projects. If we assume the parent, HCA will provide funding for the balance of the capital projects then all funding should be available as needed. Even without the parent's assistance, the applicant's strong financial position should enable it to borrow additional funds as needed.

**Tenet St. Mary's Hospital, Inc. (CON #9515)** was incorporated in the State of Florida on April 6, 2001. To satisfy the Florida Statutes requiring an audit of the applicant the balance sheet as of May 31, 2001 was presented. This financial statement indicated the total assets consisted of \$1,000 due from Tenet HealthSystem Medical, Inc. The offsetting credit account was shareholder's equity - common stock of \$1,000.

Effective July 1, 2001 the applicant acquired certain assets of St. Mary's Medical Center. The projections in this application are for the operation of St. Mary's Medical Center. The applicant's ultimate parent is Tenet Healthcare Corporation.

Schedule 2 indicates the applicant has total capital projects of \$25.8 million.

Schedules 2 notes and Schedule 3 indicate funding for these projects will come from the ultimate parent, Tenet Healthcare Corporation. A letter attached behind Schedule 2 from Tenet Healthcare Corporation states it will provide funding for this project and all other capital needs. The audited financial statements of Tenet Healthcare Corporation reveals \$13 billion in assets, \$4 billion in shareholders' equity, \$249 million in operating profits, and \$582 million cash flows from operations.

The strong financial position of the ultimate parent, Tenet Healthcare Corporation, along with its commitment to provide funding for the applicant provide adequate proof of the availability of funding for the capital projects list.

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

**Columbia Palms West Hospital, L.P. (CON #9514):** 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 3. 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.

**CON Action Number: 9514 & 9515**

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. In addition, the SNF activity of the applicant was factored out of the projections since it is not in the control data.

Net revenue per adjusted patient day (NRAPD) of \$1,703 in year one and \$1,734 in year two is between the control group median and highest values of \$1,231 and \$1,960 in year one and \$1,264 and \$2,013 in year two. The highest level is generally viewed as the practical upper limit on economies of operation. With net revenues falling between the median and highest level, the facility is expected to consume health care resources in proportion to the services provided. (See Comparative Table). The 1999 actual NRAPD for this hospital was \$1,197, which was between the median and highest in that year. NRAPD is not likely to increase by over \$500 per day between 1999 and 2004 in the current national economy. Net revenues are likely overstated.

Projected cost per adjusted patient day of \$1,440 in year one and \$1,453 in year two is between the group median and highest values of \$1,180 and \$2,001 in year one and \$1,212 and \$2,005 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 \$1,050, which was between the median and highest in the group.

The year two operating profit for the hospital of \$20.6 million computes to an operating margin per adjusted patient day of \$282 which falls between the peer group median and highest of \$30 and \$455. The 1999 hospital financial data submitted to the agency shows the hospital with an operating margin per adjusted patient day of \$147, which is below the projected margin. The projected operating margin computes to 16.2 percent, which is very high for Florida hospitals. The applicant's 2000 and 1999 audited income statement operating margins are 15.0 percent and 10.8 percent respectively. This project contributes \$413,390 to the facility's operating margin. The projected margins are somewhat high caused in part by the likely overstatement of net revenues. Considering the projections taken as a whole, this project is financially feasible albeit at a lower profit margin.

**CON Action Number: 9514 & 9515**

<b>CON # 9514</b>					
<b>Palms West 1999 DATA Peer Group 3</b>	2006	YEAR 2	<u>INFLATION ADJ. VALUES</u>		
	YEAR 2	ACTIVITY	Highest	Median	Lowest
	ACTIVITY	PER DAY			
ROUTINE SERVICES	37,018,335	505	883	556	315
INPATIENT AMBULATORY	0	0	124	42	5
INPATIENT ANCILLARY SERVICES	234,265,432	3,198	2,908	1,727	781
OUTPATIENT SERVICES	181,189,819	2,474	2,101	1,238	387
OTHER OPERATING REVENUE	520,885	7	44	12	0
TOTAL REVENUE	452,994,471	6,184	5,126	3,750	2,079
DEDUCTIONS FROM REVENUE	325,961,035	4,450	*	*	*
NET REVENUES	127,033,436	1,734	2,013	1,264	920
EXPENSES					
ROUTINE	15,647,075	214	357	194	103
ANCILLARY	29,597,516	404	573	379	172
AMBULATORY	3,845,403				
OVERHEAD	40,944,688	559	1,108	579	407
OTHER	16,376,406	224			
TOTAL EXPENSES	106,411,088	1,453	2,055	1,212	893
OPERATING INCOME	20,622,348	282	455	30	-155
		16.2%			
PATIENT DAYS	49,533		NOT INFLATION ADJUSTED		
ADJUSTED PATIENT DAYS	73,252				
TOTAL BED DAYS AVAILABLE	52,925				
ADJ. FACTOR	0.6762				
TOTAL NUMBER OF BEDS	145				
PERCENT OCCUPANCY	93.6%		74.7%	51.2%	26.8%
<u>PAYER TYPE</u>					
	PATIENT	% TOTAL			
	DAYS				
MEDICARE	12,216	24.7%	66.4%	36.2%	12.9%
COMMERCIAL	1,155	2.3%			
MEDICAID	7,304	14.7%	27.3%	11.5%	3.7%
PRIVATE	2,039	4.1%			
HMO/PPO	25,290	51.1%	61.5%	37.5%	3.8%
OTHER	1,530	3.1%			
TOTAL	49,534	100.0%			

**Tenet St. Mary's Hospital, Inc. (CON #9515):** 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 5. 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 \$1,185 in year one and \$1,203 in year two is between the control group median and highest values of \$1,144 and \$1,519 in year one and \$1,175 and \$1,560 in year two. The highest level is generally viewed as the practical upper limit on economies of operation. With net revenues falling between the median and highest level, the facility is expected to consume health care resources in proportion to the services provided. (See Comparative Table). The 1999 actual NRAPD for this hospital was \$918, which was a little below the median of \$1,036 in that year.

**CON Action Number: 9514 & 9515**

Projected cost per adjusted patient day of \$1,105 in year one and \$1,110 in year two is between the group lowest and median values of \$704 and \$1,145 in year one and \$723 and \$1,176 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 \$1,087, which was between the median and highest in the group. The increase in costs from 1999 to year one, 2004 was \$18, or less than two percent over the four-year period. The administrative and overhead costs of \$140 per patient day in year one and \$144 in year two are significantly below the group's lowest of \$328 in year one and \$337 in year two. The hospital's administrative and overhead costs per patient day in 1999 was \$401, which was just below the highest in the group. It is not likely the administrative and overhead costs would be as low as projected.

The year two operating profit for the hospital of \$13.5 million computes to an operating margin per adjusted patient day of \$93 which falls between the peer group median and highest of \$5 and \$287. The operating margin computes to 7.7 percent, which is good for Florida hospitals. The 1999 financial data submitted to the agency shows the hospital with an operating loss margin per adjusted patient day of \$-168. This project contributes \$323,402 to the facilities operating margin.

The projected revenues, total costs, and profits are reasonable when compared to the group data. There are significant deviations from the historical data, especially in the area of the administrative and overhead costs and the operating margin. However, since the hospital is being reorganized under new ownership the historical activities may not be that comparable to the projections. Even though, there is serious doubt the administrative and overhead costs would be as low as projected. This understatement of cost in the one category could carry over to reflect the possibility of projected total costs being too low. In my opinion, considering the projections taken as a whole, this project is financially feasible.

**CON Action Number: 9514 & 9515**

<b>CON # 9515</b>					
<b>Tenet St. Mary's 1999 DATA Peer Group 3</b>	2004	YEAR 2	<u>INFLATION ADJ. VALUES</u>		
	YEAR 2	ACTIVITY	Highest	Median	Lowest
	ACTIVITY	PER DAY			
ROUTINE SERVICES	not available		709	500	263
INPATIENT AMBULATORY	not available		80	38	17
INPATIENT ANCILLARY SERVICES	not available		3,443	1,699	910
OUTPATIENT SERVICES	not available		1,816	1,202	230
OTHER OPERATING REVENUE	not available		142	12	1
TOTAL REVENUE	not available		5,513	3,483	1,436
DEDUCTIONS FROM REVENUE	not available		*	*	*
NET REVENUES	174,923,153	1,203	1,560	1,175	743
EXPENSES					
ROUTINE	49,261,834	339	259	206	133
ANCILLARY	68,030,951	468	560	380	211
AMBULATORY	23,178,113				
OVERHEAD	20,967,194	144	611	523	337
OTHER	0	0			
TOTAL EXPENSES	161,438,092	1,110	1,297	1,176	723
OPERATING INCOME	13,485,061	93 7.7%	287	5	-199
PATIENT DAYS	98,139		NOT INFLATION ADJUSTED		
ADJUSTED PATIENT DAYS	145,413				
TOTAL BED DAYS AVAILABLE	170,455				
ADJ. FACTOR	0.6749				
TOTAL NUMBER OF BEDS	467				
PERCENT OCCUPANCY	57.6%		88.0%	51.0%	22.0%
<u>PAYER TYPE</u>	<u>PATIENT</u>	<u>% TOTAL</u>			
	DAYS				
MEDICARE	not available		76.0%	44.0%	22.0%
COMMERCIAL	not available				
MEDICAID	not available		22.0%	7.0%	1.0%
PRIVATE	not available				
HMO/PPO	not available		60.0%	37.0%	5.0%
OTHER	not available				
TOTAL	not available				

**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.**

**Columbia Palms West Hospital, L.P. (CON #9514)** projects managed care to represent 51.1 percent of its patient days. This is between the control group median and highest levels of 37.5 percent and 61.5 percent and is similar to the hospital's own 1999 managed care level of 49.9 percent. Overall, 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 II project was compared to all other hospitals in the state with approved NICU II programs. Schedule 7, total gross revenue for the NICU II only is projected to be \$8,895,120 for year two. With 1,560 patient days anticipated the gross revenue (gross charges) per patient day computes to \$5,702. This is above the highest in the state of \$3,288 which indicates, the services are priced high in comparison to other providers and should have no positive impact on competition to promote quality assurance and cost-effectiveness. Gross revenue per patient day for Lawnwood Regional Medical Center's NICU, the facility currently operating these beds was \$1,926. It appears this application projects charges for these transferred NICU II beds that are almost 300 percent of the current charges for these beds. The disparity between the applicant's estimates and Lawnwood's experience call the estimates into question and suggest that a simple error in the projections may have occurred.

**Tenet St. Mary's Hospital, Inc. (CON #9515):** Schedule 7 was not presented for the hospital; therefore the managed care percentage could not be calculated. The hospital's 1999 managed care level was 32.6 percent, which was less than the median for the group of 37 percent. If we assume a similar level of managed care it will have minimal positive impact on competition, to promote quality assurance and cost-effectiveness.

The proposed NICU II project was compared to all other hospitals in the state with approved NICU II programs. Schedule 7, total gross revenue for the NICU II only is projected to be \$2,135,599 for year two. With 730 patient days anticipated the gross revenue (gross charges) per patient day computes to \$2,925. This is between the median and the highest in the state of \$1,580 and \$3,245, 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.

<b>Comparative Table for NICU II District 9</b>				
CON #	Project Cost	NICU II Avg Chg/Day	Total Hospital Operating Cost/Day	NICU II Incremental Cost/Day
9514	\$ 1,174,704	\$5,702	\$1,453	\$672
9515	\$ 855,533	\$2,925	\$1,110	\$590

- 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).**

**Columbia Palms West Hospital, L.P. (CON #9514):** This proposal is to add five Level II NICU beds to the hospital in Loxahatchee. This would be done through the delicensure of five comparable beds at Lawnwood Regional Medical Center. The proposed project would be located in a new fourth floor addition to the hospital. The building would be expanded horizontally above the third floor. The original design was planned for this expansion so there would be no negative impact on the site or the part of the building under construction.

The unit would also contain a nurse station and toilet, clean and soiled holding, equipment storage, physician’s dictation and med prep spaces.

There are also other projects not under consideration in this application, which would be in the new addition. The other functions are related to women and children’s services, so they are directly related to the proposed NICU.

The application includes a site plan, floor plans and large-scale plans of the NICU. All spaces meet the square footage requirements and are logically located to serve the proposed unit.

There are lists of applicable codes included in the application, but they would have to be revised to indicate current editions (when adopted) as well as the new Florida Building Code, which should be in force when these new additions are further along in the planning stage. The site/project should have no problem with hurricane surge inundation because of its height.

The contracts with the design professionals are expected to be signed in December 2001 and the projected completion date of this portion of the project is December 2002. Obviously the designer is aware of existing and proposed construction on the site, so it can be assumed that the schedule is realistic, barring any unforeseen problems.

The schematic plans submitted were done by an architectural firm that has extensive healthcare experience. It is evident that the applicant has worked out a detailed program of spaces and needs with the designer. The resulting design is well planned and the departments and spaces are sized to meet the projected needs.

Since renovations to the hospital are under construction, cost information can be assumed to be accurate for the conditions at the hospital location. Project costs were estimated by the architect/engineering firm.

**Tenet St. Mary's Hospital, Inc. (CON #9515):** This proposal is to add seven Level II NICU beds to the first floor of the hospital in West Palm Beach. This is to be done by the conversion of seven existing acute care beds. According to the application, this CON is supposed to be essentially the same as CON #9252, which was approved by AHCA in December 1999 to add nine Level II NICU beds through the delicensure of seven Level II NICU beds at Good Samaritan and the delicensure of nine acute care beds at St. Mary'.

The plans submitted do not match the plans for CON #9252. The previous submittal was reviewed architecturally by Charles Alby who found "significant architectural concerns of the proposed project". A revised floor plan was submitted after his first review, but there is no paperwork in the file to determine the outcome of any re-review.

The plan sent in with this CON also has significant architectural concerns. Although the area that is proposed to be renovated for the seven beds has changed since 1999, there are still instances where the new layout is not code-compliant. There are three areas in the suite that are labeled “Level II Nursery” and it is not clear which beds are the seven to be added with this CON application.

A total of 27 Level II beds are shown in the suite with ways to distinguish the status of the beds: 18 are labeled “relocated isolettes” but nine beds are indicated as “New Isolettes”. These beds are split between the three nurseries: four “new” beds in each of two spaces and one in the third for a total of nine. Nine beds are two more than the seven that application states. The middle nursery is the one with the most significant architectural problems. Chapter 59A-3 of the Florida Administrative Code requires 8’ clear from the foot of one isolette to the foot of another. The middle nursery does not have this required clearance.

Chapter 59A-3 also requires a hand washing facility “for every four neonatal stations or portion thereof”. The middle nursery with 10 beds has only one lavatory and the southernmost space has only two lavatories for its nine stations. The 8’ clearance is met in the outer two nurseries, but not in the middle one as noted above.

There is another CON application that has been filed concurrently with, and related to this CON. The other request is to add 10 Level III NICU beds. Both projects, if approved will be located in the same area of the hospital. It is not clear what dependencies there are between these two applications. Some new Level III beds are shown on the plan.

The NICU suite appears to satisfy the requirements for ancillary spaces. These support areas are not arranged in the best possible places, but most of the walls and rooms are existing. There is not “a control center in a location that offers a view of all of the neonatal stations”. The nurses’ station is probably intended to fulfill this function, but it does not have the overview required. However, this too is an existing condition and given the level of staffing in the NICU, it is probably not a major issue.

The application includes a partial first floor plan and larger scale plans of the areas that are affected by this application.

A list of applicable codes did not appear to be in the application, but any construction will have to be in conformance with applicable codes and rules when design development takes place. The new Florida Building Code will be in force before the project is finalized.

The contracts with the design professionals are expected to be signed in January 2002 and the projected completion date of the project is January 2003. The time frame for the renovation appears to be quite reasonable. However, only 10 days have been allowed from completion of the work and initiation of service. This is probably not enough time for the Office of Plans and Construction to survey the facility and prepare the paperwork that is required for building completion and licensure.

The schematic plans submitted were done by an architectural firm that has extensive healthcare experience. It is evident that the applicant has worked out a detailed program of spaces and needs with the designer. The resulting design is as well planned as possible given the existing conditions. However, the clearance requirements above must be rectified.

Project costs seem to be acceptable, especially since this is a renovation.

- 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 table below shows both applicants commitment of care to the medically indigent in District 9.

<b>Co-batched Applicants Commitment to Indigent Care</b>		
<b>Hospital</b>	<b>Proposed Medicaid</b>	<b>Proposed Charity</b>
<b>Palms West</b>	15%	2%
<b>St. Mary's</b>	21.9%	6.4%
<b>District Average</b>	6.8%	2.2%

As shown in the table above, both applicants propose to provide services to Medicaid above the district average, and St. Mary's proposes charity care above the district average.

**Columbia Palms West Hospital, L.P. (CON #9514)** proposes to provide 15 percent Medicaid and two percent charity. According to AHCA 1999 actual data the applicant provided 11.5 percent of its patient days to Medicaid patients.

**Tenet St. Mary's Hospital, Inc. (CON #9515)** has a history of providing health services to Medicaid patients, according to AHCA 1999 actual data, the hospital provided 21.9 percent of its patient days to Medicaid and 6.4 percent to charity. The applicant commits to 45 percent Medicaid/charity and is a Regional Perinatal Intensive Care Center provider. The applicant provided the following table that shows the hospital's overall payor mix experience for the past several years.

<b>Percent of Total Admissions by Payor at St. Mary's Medical Center</b>				
<b>Payor</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>
Medicaid	32.0%	31.1%	29.2%	31.3%
Government	3.5%	3.9%	4.6%	4.8%
Self/Pay	9.0%	8.3%	8.0%	8.6%
All other	55.5%	56.7%	58.2%	55.3%
Total	100.0%	100.0%	100.0%	100.0%

Source: AHCA database and hospital historical information

<b>Percent of DRG through DRG390 Admissions by Payor at St. Mary's Medical Center</b>				
<b>Payor</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>
Medicaid	61.9%	61.5%	56.7%	55.6%
Government	0.3%	1.4%	3.1%	1.9%
Self/Pay	7.4%	7.1%	4.6%	5.2%
All other	30.4%	30.0%	35.6%	37.3%
Total	100.0%	100.0%	100.0%	100.0%

Source: AHCA database and hospital historical information

**F. SUMMARY**

**Columbia Palms West Hospital, L.P. (CON #9514):** Palms West, a licensed 117-bed acute care hospital located in Palm Beach County, District 9, is proposing to establish a five-bed Level II NICU through the delicensure of five Level II NICU beds at Lawnwood Regional Medical Center a 260-bed acute care facility located in St. Lucie County of District 9.

The total project cost is estimated at \$1,174,704. Construction costs are projected at \$586,500 and the project will involve 2,346 gross square feet (GSF) of new construction.

**Need/Special Circumstances:**

A fixed need pool of zero beds was published for Level II NICU services in District 9. The applicant is applying for consideration under “other special circumstances”. The applicant’s not normal circumstance is that it wants to transfer NICU Level II beds from a service that is underutilized to a community that is showing growth and can better utilize the beds. Demonstration of need based on a utilization of 80 percent or more in 10 beds is the benchmark set in Rule to assure quality of care. One of the reasons an applicant might seek to transfer beds is to improve the quality of care being provided to neonates in the district. However, this was not demonstrated by the applicant. This proposal actually raises quality of care concerns at both Palms West and Lawnwood.

**Quality of Care:**

The applicant is JCAHO accredited with commendation and a quality care provider. However, the applicant did not address quality of care issues in a small Level II NICU.

**Medicaid/Indigent Care:**

The applicant proposes to provide 15 percent of its patient days to Medicaid patients and two percent to charity. According to AHCA 1999 actual data the applicant provided 11.5 percent of its patient days to Medicaid patients.

**Financial:**

The applicant's cash flows will be able to fund part of the capital projects. If we assume the parent, HCA will provide funding for the balance of the capital projects then all funding should be available as needed. Even without the parent's assistance, the applicant's strong financial position should enable it to borrow additional funds as needed. The project is financially feasible.

**Architectural:**

There are no architectural concerns with the project.

**Tenet St. Mary's Hospital, Inc. (CON #9515)** proposes to expand its existing 22-bed Level II neonatal intensive care unit by seven beds and delineate seven acute care beds.

The proposed project cost is projected to be \$855,533 and will involve 1290 GSF of renovation and \$257,574 in construction costs

**Need/Special Circumstances:**

Tenet St. Mary's Inc., meets the "special circumstances" defined in rule with a Level II NICU occupancy rate of 99.99 percent for the period specified in rule. The applicant indicates that there are other "not normal" circumstances that lead to the review of this application. Additionally, the applicant did not demonstrate there was a Level II NICU access problem in the district, only that there was a hospital specific problem which may be addressed once its sister facility, Good Samaritan Hospital re-opens its Level II NICU.. Although, access would be enhanced at the proposed facility, the applicant did not demonstrate need for the additional beds in the district.

**Quality of Care:**

The applicant is JCAHO accredited with commendation and a quality care provider.

**Medicaid/Indigent Care:**

The applicant has a history of providing health services to Medicaid patients, according to AHCA 1999 actual data, the hospital provided 21.9 percent of its patient days to Medicaid and 6.4 percent to charity. The applicant commits to 45 percent Medicaid/charity and is a RPICC provider.

**Financial:**

The strong financial position of the ultimate parent, Tenet Healthcare Corporation, along with its commitment to provide funding for the applicant provide adequate proof of the availability of funding for the capital projects list. The project is financially feasible.

**Architectural:**

The plan sent in with this CON has significant architectural concerns. Although the area that is proposed to be renovated for the seven beds has changed since 1999, there are still instances where the new layout is not code-compliant. There are three areas in the suite that are labeled “Level II Nursery” and it is not clear which beds are the seven to be added with this CON application.

Chapter 59A-3 also requires a hand washing facility “for every four neonatal stations or portion thereof”. The middle nursery with 10 beds has only one lavatory and the southernmost space has only two lavatories for its nine stations. The 8’ clearance is met in the outer two nurseries, but not in the middle one.

The resulting design is as well planned as possible given the existing conditions. However, the clearance requirements above must be rectified. It can probably be assumed that the architect who prepared the schematic plans will be contracted for the proposed expansion and this will serve to minimize design and construction timetables.

**G. RECOMMENDATION:**

Deny CON #9514 and CON #9515.

**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**