

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

**A. PROJECT IDENTIFICATION**

1. Applicant/CON Action Number

**Martin Memorial Medical Center, Inc./CON #9517**  
P. O. Box 9010  
Stuart, Florida 34995

Authorized Representatives: Richmond M. Harman, CEO  
Christopher H. Coffey  
Director of Planning  
(561) 287-5200

2. Service District/Subdistrict

District 9, Subdistrict 2, (Martin & St. Lucie Counties)

**B. PUBLIC HEARING**

A public hearing was not requested and there were no letters of support concerning the proposed project.

**C. PROJECT SUMMARY**

**Martin Memorial Medical Center, Inc. (CON #9517)** proposes to transfer 29 acute care beds from Martin Memorial Hospital South to Martin Memorial Medical Center's main campus. The applicant is a non-profit corporation, which operates a 236-bed facility consisting of 231 acute care and five Level II NICU beds located in Stuart, Martin County, Florida. The applicant also operates Martin Memorial Hospital - South, a 100-bed acute care facility, which is also located in Stuart. Martin Memorial Medical Center's main campus's 231 acute care beds averaged 71.79 percent occupancy during the 12 months ending December 2000, while Martin Memorial South's 100 acute care beds averaged 57.69 percent occupancy during that same period.

The applicant proposes to condition CON approval only on the location of the two facilities. However, the applicant indicates that this project is contingent upon the approval of CON #9506, which would add 20 comprehensive medical rehabilitation beds at Martin Memorial South if approved. Martin Memorial South's 100 acute care beds are conditioned pursuant to CON #5296 to provide a minimum of two percent of annual patient days to Medicaid and 0.77 percent to charity patients.

The proposed project consists of 3,715 GSF of renovation with no new construction. Construction costs are projected at \$464,375. Total project costs are projected at \$743,883.

**D. REVIEW PROCEDURE**

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

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

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

As part of the fact-finding, the consultant, James B. McLemore, analyzed the application in its entirety with consultation from the financial analyst, Roger L. 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 projects with the criteria and application content requirements found in Florida Statutes, Sections 408.035, and 408.037; applicable rules of the State of Florida, Chapter 59C-1 and 59C-2, Florida Administrative Code (F.A.C.), and the Local Health Plan.

**1. Fixed Need Pool**

- a. Does the project proposed respond to need as published by a fixed need pool? Or does the project proposed seek beds or services in excess of the fixed need pool? Ch. 59C-1.008(2), Florida Administrative Code.**

On July 27, 2001, AHCA published a fixed need pool (FNP) in Volume 27, Number 30, Florida Administrative Weekly (F.A.W.) of zero (0) for additional acute care hospital beds licensed under Chapter 395, Florida Statutes, in District 9, Subdistrict 2 (Martin and St. Lucie Counties).

District 9, Subdistrict 2 has a total of 717 licensed acute care beds and 24 CON approved beds. The licensed beds experienced an occupancy rate of 69.76 percent during the period January through December 2000. As noted above, Martin Memorial Medical Center's main campus's 231 acute care beds averaged 71.79 percent while Martin Memorial South's 100 acute care beds averaged 57.69 percent occupancy during CY 2000.

The proposed project is not submitted in response to the fixed need pool, but rather, involves the transfer of beds from Martin Memorial South to Martin Memorial. The applicant indicates that this project is contingent upon the approval of CON #9506, which proposes to establish a 20-bed comprehensive medical rehabilitation unit at Martin Memorial South. The proposed project will not result in an increase in the number of acute care beds in District 9, Subdistrict 2.

**b. Approval Under Special Circumstances; Rule 59C-1.038(5):**

**Regardless of the subdistrict's average annual occupancy rate, need for additional acute care beds at an existing hospital is demonstrated if the hospital's average occupancy rate based on inpatient utilization of all licensed acute care beds is at or exceeds 80 percent. The determination of the average occupancy rate shall be made based on the average 12 months occupancy rate for the reporting period specified in section (4) above. Proposals for additional beds submitted by facilities qualifying under this subsection shall be reviewed in context with the applicable review criteria in Section 408.035, Florida Statutes.**

Not applicable. Martin Memorial Medical Center's main campus's 231 acute care beds averaged 71.79 percent while Martin Memorial South's 100 acute care beds averaged 57.69 percent occupancy during the 12 months ending December 2000.

**c. Other Special Circumstances:**

In support of special circumstances for the approval of this project, the applicant provides the following chart showing the proposed distribution of beds.

<b>Martin Memorial Medical Center, Inc.</b>		
<b>Existing vs. Proposed Bed Complement CONs 9517 &amp; 9506</b>		
	Current Beds	Proposed Beds
<i>Martin Memorial Hospital</i>		
Acute Care	231	260
NICU	5	5
<i>Martin Memorial South</i>		
Acute Care	100	71
Comprehensive Medical Rehabilitation*	0	20*
Total	336	356*

Source: CON #9517, page 3.

\*Note: The System's additional 20 beds are proposed as CMR beds under CON #9506, which is also under review in the July 2001 batching cycle.

The applicant points out that its overall licensed acute care bed count will not increase as a result of this project. However, the applicant contends that the proposed distribution will better match the needs of the population the applicant serves. A discussion of its occupancy at both Martin Memorial and Martin Memorial South during the period of September 2000 through August 2001 tends to support this contention. AHCA utilization data for CY 2000 also shows higher utilization in Martin Memorial's 231 beds than Martin Memorial South's 100 beds (71.79 percent compared to 57.69 percent). Preliminary AHCA utilization data indicates that Martin Memorial's peak season (January - March 2001) utilization was 82.92 percent compared to 64.14 percent at Martin Memorial South.

The applicant states that Martin Memorial is proposing to transfer the 29 beds proposed to be "displaced" by the creation of the CMR unit at the South campus in order to retain its 331 licensed acute care beds<sup>1</sup> and that this application is contingent upon approval of CON #9506. This statement indicates that apart from its perceived need to retain all of its acute care beds, the applicant sees no real need in the subdistrict for this transfer. Should utilization exceed 80 percent at its main campus during a 12-month period, the applicant may add up to 23 acute care beds through the CON exemption process.

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<sup>1</sup> Martin Memorial has 231 acute beds and Martin Memorial South has 100 acute care beds.

**2. Local Health Plan**

**Is need for the project proposed supported by the applicable district plan? ss. 408.035(1), 408.037(1), Florida Statutes.**

The October 2000 District 9 CON Allocation Factors Report lists the following preferences relevant to acute care beds:

- a. Priority shall be given to area hospitals, which can show a commitment to or an historical record of service to Medicaid/indigent, handicapped and underserved population groups.**

Martin Memorial Medical Center, Inc. does not propose to condition the application to the provision of Medicaid or charity care. The applicant is currently conditioned to provide two percent of its patient days to Medicaid and 0.77 percent to charity care in the 100 acute care beds at Martin Memorial South. The applicant indicates that it has a long history of providing care to medically indigent patients and Medicaid and Medicaid HMO patients accounted for 1,147 or 6.4 percent of the total admissions for the 12 months ending September 30, 2000. There is no indigent/charity condition on the 231 acute care beds at Martin Memorial's main campus. The transfer of 29 acute care beds from Martin Memorial South to the main campus could result in a reduction to access to care to the medically indigent.

According to AHCA data, the District 9 average for conventional Medicaid days was 6.8 percent during FY 1999. Martin Memorial provided 3.2 percent of its total (includes both facilities) patient days to conventional Medicaid patients. The applicant is below the district average. However, Martin Memorial provided 2.2 percent of its total patient days to charity care, which meets the district average. Martin Memorial Medical Center, Inc. is not certified as a Medicaid Disproportionate Share Provider for State Fiscal Year 2001-2002.

- b. Priority shall be given to applicants who can document cost containment practices in their facilities. Cost containment practices, such as sharing services with other hospitals, enhance efficient resource utilization and help to avoid duplication.**

The applicant states that personnel of both its hospitals routinely work together to achieve economies of scale in such areas as human resources, accounting, information systems, purchasing, and marketing.

- c. Priority shall be given to an applicant who proposes to use existing space rather than new construction, including space created by previous voluntary delicensure of underutilized or unused beds and/or through transfer of beds within a subdistrict.**

The applicant is proposing to transfer 29 acute care beds from Martin Memorial South which experiences less utilization to the more highly utilized Martin Memorial main campus. However, this project is contingent on the approval of CON #9506, which would approve 20 CMR beds at Martin Memorial South.

### **3. Agency Rule Criteria**

**Does the project respond to preferences stated in agency rules? Indicate how each applicable criteria for the type of service proposed is met.**

**Ch. 59C-1.031-.044, Florida Administrative Code.**

#### **Priority Considerations.**

- a. Priority consideration for initiation of new acute care services or capital expenditures shall be given to applicants with a documented history of providing services to medically indigent patients or a commitment to do so.**

The applicant's provision of care to Medicaid and charity was previously discussed in 2. a. above in Local Health Plan Preferences.

- b. When there are competing applications within a subdistrict, priority consideration shall be given to the applications which meet the need for additional acute care beds in a particular service through the conversion of existing underutilized beds.**

There are no competing applications for additional acute care beds in District 9, Subdistrict 2. The applicant is proposing the transfer of acute care beds from one campus to the other.

**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.**

The applicant indicates its projected average annual occupancy masks significant variation based on season of the year, day of the week and type of unit at the hospital. As noted above, should occupancy over a 12-month period exceed 80 percent at the main campus, the applicant may add up to 23 acute care beds through the CON exemption process, six beds fewer than are being proposed. Further, the applicant has shown no access problem and has not demonstrated need for 29 additional beds. Martin Memorial and Martin Memorial South are approximately 5.5 miles from each other at an average driving distance of approximately 10 minutes<sup>2</sup>.

Approval of this project will result in Martin Memorial Hospital South having fewer than 100 beds even if CON #9506 is approved. It is doubtful that this proposal will positively impact efficiency of service or quality of care in the subdistrict.

As previously discussed, the average occupancy for acute care beds in District 9, Subdistrict 2, was 69.76 percent for the time period of January through December 2000.

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<sup>2</sup> Source: Internet Yahoo Maps powered by Mapquest.com.

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The following table shows the occupancy rate for all facilities in District 9, Subdistrict 2 for the 12-month period ending December 31, 2000.

<b>District 9, Subdistrict 2 Acute Care Occupancy Rates CY 2000</b>		
Hospital	# of Acute Care Beds	Percent Occupancy
St. Lucie Medical Center	126	91.93
Lawnwood Regional Medical Center	260	61.86
Martin Memorial Medical Center	231	71.79
Martin Memorial Hospital South	100	57.69
<b>TOTALS</b>	<b>717</b>	<b>69.76</b>

Source: AHCA Hospital Bed and Service Utilization Volume II July 2001 Batching Cycle.

Martin Memorial Medical Center has the second highest utilization of the four hospitals in the subdistrict while Martin Memorial South has the lowest occupancy in the subdistrict.

Need for the project is not 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.

- b. Does the applicant have a history of providing quality of care? Has the applicant demonstrated the ability to provide quality of care? ss. 408.035(3); 408.035(12), Florida Statutes.**

**Martin Memorial Hospital, Inc. (CON #9517)** indicates that it has been cited as one of the top 100 performing hospitals of all hospitals in 1998, 1999, and 2000 by HCIA-Sachs, a Baltimore based health care information company and William H. Mercer, a New York based human resources management consulting firm. The hospital is accredited by the Joint Commission on Accreditation of Health Care Organizations (JCAHO) and received a score of 93 on its most JCAHO recent survey in July 2001. The applicant also states that the hospital's parent organization, Martin Memorial Health System, was the first in Florida to receive JCAHO accreditation as a network of services. These accreditations demonstrate the hospital's capacity for quality patient care.

The applicant is licensed by the state, (#4102, exp. June 30, 2003) and certified to participate in the Medicare and Medicaid programs. The applicant has no current deficiencies associated with its license. Records on file with the Agency show that during the period from October 24, 1997 through September 18, 2001, Martin Memorial Medical Center has had 26 complaints filed with the Agency, all of which are now closed. Four of the complaints involved patient care issues and six of the complaints were COBRA/Emergency access issues. Only one of the COBRA allegations was confirmed: "Patient with a C2 fracture not accepted by transfer from another hospital without a reciprocal agreement". This complaint was closed on December 13, 2000.

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

The proposed project does not address the need for special equipment or services that are not reasonably or economically accessible in adjacent districts.

- d. Is this project to be located in a 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 applicant's facilities are not teaching hospitals and the project's primary purpose is not research or physician education. However, the applicant indicates it does maintain affiliations with universities, community colleges, vocational training programs and research centers for a variety of educational and training programs. The applicant lists affiliations with Florida Atlantic University, Indian River Community College, Barry University and the University of Florida.

- e. **What resources, including health manpower, management personnel and funds for capital and operating expenditures, are available for the project accomplishment and operation? ss. 408.037(6), Florida Statutes.**

**Martin Memorial Medical Center, Inc. (CON #9517)** indicates that this project will not require additional health manpower and management personnel. Schedule 6 indicates that in year two the applicant proposes 1,719 FTE staff, which is the same as proposed for year one.

The applicant's audited financial statements for the periods ending September 30, 2000 and 1999 were analyzed for the purpose of evaluating the applicant's ability to provide the capital and operational funding necessary to implement the project. The following is a list of accounts and ratios used in the analysis:

	<u>09/30/2000</u>	<u>09/30/1999</u>
Current Assets	\$ 63,098,000	\$ 54,008,000
Cash and Current Investment	\$ 24,421,000	\$ 10,970,000
Assets Restricted for Capital Projects	\$ 10,318,000	\$ 9,576,000
Total Assets	\$ 182,096,000	\$ 187,602,000
Current Liabilities	\$ 25,225,000	\$ 32,061,000
Total Liabilities	\$ 122,061,000	\$ 132,372,000
Total Equity	\$ 60,035,000	\$ 55,230,000
Net Operating Revenues	\$ 176,485,000	\$ 167,267,000
Interest Expense	\$ 5,452,000	\$ 4,087,000
Net Profit - Operations	\$ 4,641,000	\$ (2,104,000)
Net Income	\$ 8,051,000	\$ 2,264,000
Cash Flow from Operations	\$ 9,898,000	\$ 4,798,000
Working Capital	\$ 37,873,000	\$ 21,947,000
Current Ratio (CA/CL)	2.5	1.7
Cash Flow to Current Liabilities (CFO/CL)	0.4	0.1
Long-Term Debt to Equity (TL-CL/TE)	1.6	1.8
Times Interest Earned (NPO+Int/Int)	1.9	0.4
Equity to Total Assets (TE/TA)	33.0%	29.4%
Operating Margin (NPO/NOR)	2.6%	-1.4%
Total Margin (NI/NOR)	4.6%	1.4%
Return on Assets (NI/TA)	2.8%	1.2%
Operating Cash Flow to Assets (CFO/TA)	5.4%	2.6%

**Short-term position:**

The applicant's current ratio of 2.5 is good for Florida Hospitals. The working capital (current assets less current liabilities) of \$37.9 million is also good. The ratio of cash flow to current liabilities of 0.4 is about average. The applicant has a satisfactory short-term position.

**Long-term position:**

The long-term debt to equity of 1.6 indicates the applicant's long-term debt is high when compared to its equity. The cash flows to assets of 5.4 percent, the operating margin of 2.6 percent, and the total margin of 4.6 percent all indicate a mediocre long-term position. The total equity of \$60 million with the equity to assets of 33.0 percent is adequate. Overall the applicant has a satisfactory long-term financial position.

**Capital requirements:**

Schedule 2 indicates capital projects of \$48.4 million, which included \$7.6 million maturities of long-term debt.

**Available capital:**

The schedule indicated \$12.8 million cash in hand, \$26.4 million from cash flows, and \$9.2 million from tax-exempt revenue bonds would fund these projects. The applicant's most recent audited financial statements disclosed \$24.4 million cash on hand, \$10.3 million in board designated funds, and \$9.9 million in cash flows. Extending this same cash flow to 2005 would produce \$49.5 million which when added to the current cash on hand and board designated funds makes \$84.2 million potentially available to fund these projects.

**Conclusion:**

Funding should be available as needed for this and all other capital projects.

- i. **What is the immediate and long-term financial feasibility of the proposal? ss. 408.037(8), Florida Statutes.**

A comparison of the applicant's estimates to the control group values provides for an objective evaluation of financial feasibility, (the likelihood that the services can be provided under the parameters and conditions contained in Schedules 7 and 8), and efficiency, (the degree of economies achievable through the skill and management of the applicant). In general, projections that

approximate the median are the most desirable, and balance the opposing forces of feasibility and efficiency. In other words, as estimates approach the highest in the group, it is more likely that the project is feasible, because fewer economies must be realized to achieve the desired outcome. Conversely, as estimates approach the lowest in 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 4. Per diem rates are projected to increase by an average of 3.64 percent per year. Inflation adjustments were based on the most current Florida Hospital Input Price Index.

Net revenue per adjusted patient day (NRAPD) of \$1,226 in year one and \$1,243 in year two are between the control group lowest and median values of \$1,101 and \$1,350 in year one and \$1,131 and \$1,387 in year two. With net revenues per adjusted patient day falling between the lowest and the median, the hospital is expected to consume health care resources in proportion to the services provided. (See Comparative Table). The 1999 actual NRAPD for this hospital was \$1,126, which fell just below the group median in that year.

Projected cost per adjusted patient day of \$1,215 in year one and \$1,231 in year two are between the control group lowest and median values of \$1,019 and \$1,318 in year one and \$1,046 and \$1,353 in year two. (See Comparative Table). Compared to the control group these costs are efficient. The 1999 actual data reported the hospital's costs per adjusted patient day of \$1,163, which was just above the group's median.

The year two operating profit for the hospital of \$1.7 million computes to an operating margin per adjusted patient day of \$12 which falls between the peer group lowest and median of \$-338 and \$36. The computed operating margin ratio is 1.0

percent. The hospital's operating margin ratio in 2000 was 2.6 percent and the previous year had an operating loss ratio of - 1.4 percent. The project is expected to result in a reduction in the operating surplus in year two of \$-53,663. This application appears to be financially feasible.

**COMPARATIVE TABLE**

<b>CON # 9517</b>					
<b>Martin Memorial</b>	2005	YEAR 2	<u>INFLATION ADJ.</u>		
	YEAR 2	ACTIVITY	<u>VALUES</u>		
	ACTIVITY	PER DAY	Highest	Median	Lowest
<b>1999 DATA Peer Group 4</b>					
ROUTINE SERVICES	305,313,000	2,165	1,014	537	306
INPATIENT AMBULATORY	0	0	139	51	11
INPATIENT ANCILLARY SERVICES	0	0	3,881	2,146	1,216
OUTPATIENT SERVICES	195,248,000	1,384	2,217	1,348	769
OTHER OPERATING REVENUE	7,984,000	57	137	10	1
TOTAL REVENUE	508,545,000	3,606	6,618	4,131	2,602
DEDUCTIONS FROM REVENUE	333,293,000	2,363	*	*	*
NET REVENUES	175,252,000	1,243	1,781	1,387	1,131
EXPENSES					
ROUTINE	46,673,000	331	385	203	145
ANCILLARY	49,600,000	352	585	460	333
AMBULATORY	7,729,000				
OVERHEAD	69,565,532	493	919	616	407
OTHER	0	0			
TOTAL EXPENSES	173,567,532	1,231	1,694	1,353	1,046
OPERATING INCOME	1,684,468	12	312	36	-338
		1.0%			
PATIENT DAYS	84,679		NOT INFLATION ADJUSTED		
ADJUSTED PATIENT DAYS	141,046				
TOTAL BED DAYS AVAILABLE	122,640				
ADJ. FACTOR	0.6004				
TOTAL NUMBER OF BEDS	336				
PERCENT OCCUPANCY	69.0%		80.5%	51.1%	13.0%
<u>PAYER TYPE</u>		PATIENT DAYS % TOTAL			
MEDICARE	47,183	55.7%	78.5%	56.5%	25.8%
COMMERCIAL	7,381	8.7%			
MEDICAID	4,380	5.2%	17.1%	5.6%	0.7%
PRIVATE	6,081	7.2%			
HMO/PPO	19,017	22.5%	61.5%	27.2%	5.1%
OTHER	637	0.8%			
TOTAL	84,679	100.0%			

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

**Martin Memorial Medical Center (CON #9517)** projects managed care to represent 22.5 percent of its patient days. This is below the control group median level of 27.2 percent and is materially below the hospital's own 1999 managed care level of 30.0 percent of patient days. If we assume this projected level of managed care is reasonable, it will have no significant positive impact on competition, to promote quality assurance and cost-effectiveness.

- h. Are the proposed costs and methods of construction reasonable? ss. 408.035(10), Florida Statutes.**

**Martin Memorial Medical Center, Inc. (CON #9517)** proposes to add 29 acute care beds and the their current functions include existing patient bedrooms, a physical therapy space, chart rooms and storage rooms. All spaces that are not currently used as licensed beds must be renovated, recognizing the different air and air pressure requirements as well as architectural, electrical and other changes which will have to occur.

There are four types of patient bedrooms that are proposed to be constructed to house the 29 relocated beds. Square footages range from 113 SF to 124 SF for private rooms and 198 SF to 217 SF for semi-private rooms. These sizes are acceptable and meet the requirements of Chapter 59A-3. A few of the semi-private rooms have the minimum allowed clearances around the beds, but the areas available for renovation are existing and certain elements obviously cannot be changed. The rooms with minimum clearances appear to have been designed in order to provide an accessible toilet/bath room.

The majority of these new patient rooms have accessible toilet/bath rooms. Only one has a 30" x 60" wheelchair-accessible shower, but there may be other rooms in the facility with these larger showers. There is no requirement for showers to be this size, but most facilities include them when possible. Most of the other new rooms are designed to have smaller but still accessible showers.

Ten of the new rooms on the 3<sup>rd</sup> Floor housing 15 patients have doors across the corridors between the rooms and the nearest nurse station. This door situation needs to be reevaluated or redesigned in order for this space to become patient rooms. The existing space is composed of a gym, therapy and an office that will be converted. There may be some reason that the doors are shown to remain in place, but a clarification would be helpful. The proposed layout is not ideal for either the patient or staff, but it is probably the best that can be done in an existing building.

The existing hospital is fully sprinklered. The design of the new patient rooms is, with the exception noted above, well thought-out and indicates that the architectural firm has spent some time developing this schematic plan. They also have extensive healthcare experience.

The ancillary spaces that support the new patient rooms and the nurses' stations are existing and work well in their relationships to the staff and the patients with the 3<sup>rd</sup> floor exception noted above.

The design professional contracts are expected to be signed in February, 2002 and the projected completion date of the project is August, 2003. The time frame appears realistic for a renovation project such as this. The plan sheets provided show the affected floors of the existing building, as well as the site plan.

The list of applicable codes in the Application refers to the new Florida Building Code, which should be adopted in January 2002. Some other codes are listed without edition dates. The list is far from complete and not always correct, but the design professionals will no doubt know which codes are applicable at the time actual design development is begun.

Smoke compartmentation is shown, as well as the rating of some individual rooms. This is acceptable for a schematic plan, but must be developed before the project is finalized.

- 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.**

<b>District 9 Hospitals Medicaid and Charity Care Fiscal Year 1999</b>		
Facility	*Medicaid% of total patient days	Charity % of total patient days
Bethesda Memorial Hospital	11.5%	3.5%
Boca Raton Community Hospital	1.0%	0.5%
Columbia Hospital Palm Beaches	20.2%	0.6%
Port St. Lucie Medical Center	6.2%	1.7%
Columbia Raulerson Hospital	5.0%	2.5%
Columbia Palms West Hospital	11.5%	0.0%
Delray Community Hospital	2.5%	0.8%
Everglades Memorial Hospital	46.8%	2.1%
Glades General Hospital	27.3%	3.8%
Good Samaritan Hospital	6.6%	1.4%
Indian River Memorial Hospital	5.4%	3.3%
JFK Medical Center	5.0%	0.4%
Jupiter Hospital	0.8%	0.6%
Lawnwood Regional Medical Center	17.1%	3.5%
<b>Martin Memorial Medical Center</b>	<b>3.2%</b>	<b>2.2%</b>
Palm Beach Gardens Medical Center	1.8%	0.0%
Sebastian Hospital	1.9%	1.2%
St. Mary's Hospital	21.9%	6.4%
Wellington Regional Medical Center	6.8%	0.2%
West Boca Medical Center	4.6%	0.0%
<b>District 9 Facility Average</b>	<b>6.8%</b>	<b>2.2%</b>

Source: AHCA Financial Data Report for FY 1999.

\*Medicaid represented here reflects conventional Medical days, not Medicaid HMO days

The applicant is not designated as a disproportionate share Medicaid provider for the state fiscal year 2001-2002, per the State Medicaid Office. The following chart indicates the applicant's fiscal year 1999 provision of Medicaid and charity care percentages compared with the district average.

**Comparison of Fiscal Year 1999 Financial Data**

<b>Facility</b>	<b>Percentage Medicaid Patient Days</b>	<b>Percentage Gross Charity Care Days</b>
Martin Memorial Medical Center	3.2%	2.2%
Subdistrict	9.7%	2.6%
District 9 Facility Average	6.8%	2.2%

Source: AHCA 1999 Hospital Financial Data.

As the table above shows, the applicant is below the district Medicaid average and meets the district’s charity care average. However, Martin Memorial is below the subdistrict average in both Medicaid and charity care. Martin Memorial does not propose to condition this project to the provision of care to Medicaid and charity care patients. Schedule 7A shows the applicant projects Medicaid to account for 5.2 percent of year two’s (ending September 30, 2005) total patient days and notes to this schedule indicate charity care will amount to 2.8 percent of gross revenues.

**F. SUMMARY**

**Martin Memorial Medical Center, Inc. (CON #9517)** is a non-profit corporation, which operates a 236-bed acute care facility in Stuart, Martin County, Florida. The applicant also operates Martin Memorial Hospital – South, a 100-bed acute care facility, which is also located in Stuart. The applicant proposes to transfer 29 acute care beds from Martin Memorial Hospital South to Martin Memorial Medical Center’s main campus.

**Need/Special Circumstances**

- AHCA published a fixed need pool (FNP) in Volume 27, Number 30, Florida Administrative Weekly (F.A.W.) of zero (0) for additional acute care hospital beds in District 9, Subdistrict 2.

- The applicant's project is a transfer of beds and therefore the fixed need pool does not apply. The project would transfer beds to the main campus, which has higher utilization than Martin Memorial South. The project is not expected to improve efficiency, quality of care, costs, or competition in the subdistrict. The applicant indicates that the primary reason for this proposal is to retain its acute care bed complement should CON #9506, which would add 20 CMR beds to Martin Memorial South by delicensing 29 acute care beds, be approved. Need to transfer these 29 beds was not shown. It is noted that the applicant can add up to 23 acute care beds through a CON exemption should sufficient occupancy exceed 80 percent over a 12-month period at the main campus.

### **Quality of Care**

- The applicant is JCAHO accredited and is a participant in good standing in the Medicare and Medicaid programs.

### **Financials/Costs**

- The applicant has adequate resources to implement this project.
- The program appears to be financially feasible.

### **Medicaid/Indigent Care**

- Martin Memorial Medical Center, Inc. proposes no conditions to Medicaid or charity care. Schedule 7A shows the applicant projects Medicaid at 5.2 percent of year two's total patient days and Schedule 7A's notes indicate charity care will amount to 2.8 percent of gross revenues.
- During FY 1999, Martin Memorial Medical Center, Inc. provided 3.2 percent of its total patient days to Medicaid and 2.2 percent to charity. Martin Memorial was below the district Medicaid average but met the district's charity care average.

**Architectural**

- The proposed project consists of 3,715 GSF of renovation at a total renovation cost of \$464,375.
- The proposed layout is not ideal for either the patient or staff but is probably the best that can be done with the existing building.

**G. RECOMMENDATION**

Deny CON #9517.

**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**