

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

**A. PROJECT IDENTIFICATION**

1. Applicant/CON Action Number

**Wellington Regional Medical Center, Inc. (CON #9518)**  
2623 W. Jetton Avenue  
Tampa, Florida 33629

Authorized Representative: Thomas A. Davidson  
(813) 251-5470

2. Service District/Subdistrict

District 9/Subdistrict 5 (Palm Beach County)

**B. PUBLIC HEARING**

A public hearing was not requested or held and there were no letters of support for the project.

**C. PROJECT SUMMARY**

**Wellington Regional Medical Center, Inc. (CON #9518)**, a proprietary hospital system and a subsidiary of Universal Health System, Inc., operates Wellington Regional Medical Center, a 120-bed general acute care hospital located in Palm Beach County. The hospital is licensed for 104 acute care beds and 16 adult substance abuse beds. The applicant has been approved to establish 10 Level II NICU beds and delicense the 16 adult substance abuse beds.

The applicant proposes to add seven acute care beds to be located in space already in existence on the third floor of the hospital. The applicant is conditioning this project to a minimum of seven percent of seven beds' patient days to be provided to Medicaid and charity care patients combined. The applicant is currently conditioned to provide two percent of its patient days in the 104 acute care beds to Medicaid recipients. Blending the existing condition with this proposal results in a minimum of 2.31 percent of annual patient days in the 111 acute care beds being provided to Medicaid recipients.

The total project cost is estimated at \$80,618. Construction costs are projected at \$16,000 and the project will involve 1,344 GSF of renovated space.

**D. REVIEW PROCEDURE**

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

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

Section 59C-1.010(2) (b), Florida Administrative Code, allows no application amendment information subsequent to the application being deemed complete. The burden of proof to entitlement of a certificate rests with the applicant. As such, the applicant is responsible for the representations in the application. This is attested to as part of the application in the Certification of the applicant.

As part of the fact-finding, the consultant, 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 as part of the application.

**E. CONFORMITY OF PROJECT WITH REVIEW CRITERIA**

The following indicate the level of conformity of the proposed project with the criteria and application content requirements found in Florida Statutes, sections 408.035, and 408.037; applicable rules of the State of Florida, Chapter 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-1.038, Florida Administrative Code.**

In Volume 27, Number 30, dated July 27, 2001 of the Florida Administrative Weekly, a fixed need pool of zero beds was published for acute care beds in District 9, Subdistrict 5 for the July 2001 batching cycle. The agency, pursuant to rule, shall not normally approve applications for new or additional acute care hospital beds in any acute care subdistrict as specified in Rule 59C-2.100, Florida Administrative Code, unless the average occupancy rate for all existing acute care hospital beds is at or exceeds 75 percent in the respective subdistrict, or the following provisions in Subsection (5) of the rule are met.

The subdistrict occupancy rate for acute care beds was 71.90 percent during calendar year 2000.

**b. Chapter 59C-1.038(5): Approval Under Special Circumstances. 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). 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. Chapter 59C-1.038(5), Florida Administrative Code.**

For the appropriate period as specified by rule, calendar year 2000, the hospital's 104 acute care beds averaged 55.81 percent occupancy. Therefore, the applicant does not meet this rule requirement. However, the applicant provides other factors for consideration.

**c. Other Special Circumstances:**

**Applicants may also apply under other facility specific circumstances if they can demonstrate that demographic and market factors and/or other factors justify the addition of more beds.**

Wellington Regional Medical Center, Inc. proposes to add seven acute care beds at its hospital. The applicant contends that the need to add seven acute care beds at Wellington Medical Center is justified based on five circumstances. These circumstances are (1) the hospital has experienced significant growth in its inpatient utilization over the past six years, (2) the hospital's service area is experiencing substantial population growth and is expected to continue to experience such growth, (3) hospitals in Subdistrict 5 are beginning to achieve generally higher utilization levels, (4) no new construction required because the project will use existing space, thus no significant incremental capital cost, and (5) configuration of the rooms and their location on the hospital's third floor renders them unsuitable for alternative uses.

The table below illustrates the hospital's growth in utilization of its acute care beds over the past six years:

**Acute Care Bed Utilization at Wellington Regional Medical Center  
CY 1995 - 2000**

	1995	1996	1997	1998	1999	2000
Patient days	11,663	13,945	15,729	16,725	18,917	21,245
% Occupancy	29.4	36.6	41.4	44.1	49.8	55.8
% increase in Pt days from prior year		24.9	12.8	6.3	13.1	12.3
5 yr avg growth						13.7%

Source: CON 9518 Application, Exhibit 1, from AHCA Florida Hospital Bed & Service Utilization by District.

The hospital reported 11,663 patient days in the 12-month period ending December 31, 1995, which increased to 21,245 in the 12-month period ending December 31, 2000. According to the applicant the utilization growth has averaged 13.7 percent per year over this five-year period. The applicant indicates that it projects the hospital will have 23,822 patient days during CY 2001, or 62.8 percent utilization. However, this leaves an average of approximately 38 unoccupied beds ( $104 \times .628 = 65.31$ ) on any day.

The applicant discusses the hospital's service area population growth. Wellington Regional Medical Center, Inc. states that the adult population of the hospital's service area is expected to grow at a rate of 1.9 percent per year between 2001 and 2006 using Claritas population projections. The applicant also discusses how Subdistrict 5 acute care utilization rate of growth since 1995 exceeds the district's average. However, two other subdistricts also have a rate of growth since 1995 that exceeds the district's average.

The table below illustrates peak seasonal utilization trends during the first quarter (January through March) for each year 1995 through 2000 at Wellington Regional Medical Center.

**Wellington Regional Medical Center  
First Quarter (Jan-Mar) Utilization  
1995 - 2000**

	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>
Patient days	3,084	3,995	4,617	4,571	5,430	5,991	6,234
% Occupancy	32.9	42.2	49.3	48.8	58.0	64.0	66.6
% increase in Pt days from prior year		29.5	15.6	-1.0	18.8	10.3	4.1
5 yr avg growth							12.4%

Source: CON Application 9518, Exhibit 8.

These data show that the first quarter in 1995, which is the hospital's peak season, utilization was 32.9 percent and by 2001 it reached 66.6 percent, according to the applicant. However, data reported to AHCA indicates that the January - March 2001 peak season patient days were 6,088 or 65.04 percent. Regardless, a 65 or 66 percent occupancy rate for the hospital's quarterly seasonal peak in 2001 does not suggest need for an additional seven acute care beds.

The applicant, in support of its project, looks at the low cost of implementing the additional seven acute care beds into service. The space on the third floor that will house the new beds is already configured to hospital code, according to the applicant. The applicant stresses that it does not have a reasonable alternative use for its existing substance abuse unit, which will be delicensed when the Level II NICU is added, and implies that this lack of an alternative supports need for additional acute care beds.

The applicant presented three need methodologies that deal with different growth rate assumptions as follows:

- Methodology 1: Service area population growth (1.9 percent per year between 2001 and 2006).

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- Methodology 2: The annual rate of growth projected by the Office of the Governor for Palm Beach County (2.4 percent) for the period from 2000 to 2006.
- Methodology 3: The annual rate of growth in patient days experienced by the applicant as of CY 2000 (13.7 percent). It is noted that the applicant indicates this growth applied to projected CY 2001 patient days is 13.5 percent.

Each of the above methodologies is a projection of future utilization by month for calendar years 2000 through 2006. In addition, in Exhibit 13, the applicant constructs a composite utilization projection that utilizes the average patient days projected by all three methodologies above. These methodologies indicate to the applicant that during the peak season of CY 2001, the facility needs one or two additional beds just to operate at capacity (100 percent). Actual occupancy for the 12 months ending June 30, 2001 is only 59.17 percent and the January – March 2001 peak season was 65.04 percent. The applicant's projections are not reasonable because they are contradicted by the hospital's actual experience.

A significant facet of its projection of need in these methodologies involves the historical growth of patient days and projecting the growth forward five years. The applicant anticipates 25,436 patient days in the 12 months ending December 31, 2004 (year two of the project), with occupancy in 111 beds at 62.6 percent. The applicant has not shown numeric need for an additional seven acute care beds at Wellington Regional.

A more conservative method of projecting need for additional beds considers current utilization, is population-based and does not anticipate a market share increase or an increase in average length of stay (ALOS). The total patient days projected at Wellington during the period January through December 2001 are 23,822, according to the applicant in Exhibit 1. The applicant's Exhibit 4 indicates that Wellington Regional's service area population in 2001 is 493,439, which would yield a use rate per 1,000 population of 48.2. Applying this use rate to the projected service population in 2006 of 542,128 would yield 26,419 patient days in 2006. This leads to an occupancy rate of 65.2 percent in the 111 beds. Even without the proposed project, there would still be a projected low occupancy rate of 69.59 percent in the 104 beds based on the use rate of 48.2.

Wellington Regional Medical Center has the lowest occupancy rate of the six hospitals in Subdistrict 5. The average occupancy rate in the subdistrict is 71.90 percent. Although it is noted that the hospital is located in a rapidly growing area of the state, as stated above, it has not been demonstrated that there is need for seven additional acute care beds.

The applicant did not discuss impact of the project on existing providers. The applicant did not state that any area residents had a problem accessing acute care services.

**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, Florida Administrative Code.**

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.**

Wellington Regional Medical Center, Inc. proposes to condition the application to provide "7.0 percent combined Medicaid and charity care in its proposed new beds". The applicant is currently conditioned to provide two percent of its patient days in the 104 acute care beds to Medicaid recipients. Blending the existing condition with this proposal results in a minimum of 2.31 percent of annual patient days in the 111 beds being provided to Medicaid and charity care recipients combined.

The following chart shows the hospital's service levels to indigent and underserved patients for fiscal year 1999 according to the applicant.

Wellington Regional Medical's Medicaid, Charity and Self-Pay  
Fiscal Year 1999

Patient Type	Charges (000's)	% of Total Charges	Patient Days	Percent of Total Patient Days
Medicaid	6,949	5.7%	1,291	6.8%
Self Pay	4,915	4.0%	692	3.6%
Charity	220	0.2%	NA	NA
Total	12,084	9.9%	1,983	10.4%

Source: CON Application 9518 page 15

According to AHCA data, the District 9 average for conventional Medicaid days was 6.8 percent. The applicant meets the district average and exceeds the subdistrict average. However, its charity care provision is less the subdistrict and district averages. The hospital 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 submitted a table, Exhibit 15, that illustrates cost reductions of almost nine percent have occurred between 1998 and 1999 in almost all cost centers except nursing.

The hospital does participate in a number of shared services with other area hospitals according to the applicant which includes the following:

- Healthy Start Home Visiting Program
- Healthy Mothers, Healthy Babies
- Participation in St. Mary's Hospital Child Development Center
- Participation in Palm Beach County Public Health Unit & Children's Medicaid Service

- 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 states that it is proposing to license the seven acute care beds in space that is already constructed to hospital code and equipped to accommodate inpatient care.

**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. Also see 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 5. The applicant is proposing the addition of seven acute care beds in existing space.

**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 incorporates by reference, in response to this criterion, the narrative and exhibits in the need section of the application. The quality of care provided by other hospitals in the district is not questioned by the applicant. Refer to E. 4. b. below for further discussion.

The applicant contends that in terms of efficiency, this project is the best use of its resources because the project would entail very minor expenditures. It is not clear that the addition of these beds will improve efficiency in the subdistrict because need projections show that they will not be well used.

The applicant did not state that any area residents had a problem accessing acute care services. As discussed above in E. 1, the applicant has not shown need for any additional acute care beds.

As previously discussed, the average occupancy for acute care beds in District 9, Subdistrict 5, was 71.90 percent for the time period of January through December 2000.

The following table shows the occupancy rate for all facilities in District 9, Subdistrict 5 for the 12-month period ending December 31, 2000.

<b>District 9, Subdistrict 5 Acute Care Occupancy Rates CY 2000</b>		
Hospital	# of Acute Care Beds	Percent Occupancy
Bethesda Memorial Hospital	303	67.06
Boca Raton Community Hospital	384	68.94
Delray Medical Center	290	79.88
JFK Medical Center	367	83.77
Wellington Regional Medical Center	104	55.81
West Boca Medical Center	171	57.88
<b>TOTALS</b>	<b>1,619</b>	<b>71.90</b>

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

Wellington Regional 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 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.**

Wellington Regional is accredited by the Joint Commission on Accreditation of Health Care Organizations. The applicant included a copy of the hospital's JCAHO accreditation letter in Appendix 1 of the application. The hospital has a comprehensive performance improvement plan that sets forth the authority and governing structure for performance monitoring, which exhibits its ability to provide quality of care.

A review of the facility's licensure file reveals one confirmed complaint that was closed on January 30, 2001. There were two investigations involving physical plant and life safety code violations at the hospital, which were confirmed. The facility was required submit a corrective action plan which was approved. The investigations were closed on September 26, 2001.

- 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 healthcare 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 project will not be located in a teaching hospital, nor is the project's primary purpose research or physician education. The applicant currently has education and training available for its employees.

- 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.**

The audited financial statements for the periods ending December 31, 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:

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	<u>12/31/2000</u>	<u>12/31/1999</u>
Current Assets	\$ 12,643,000	\$ 12,545,000
Cash and Current Investment	\$ 129,000	\$ 12,000
Assets Restricted for Capital Projects	\$ 0	\$ 0
Total Assets	\$ 37,307,000	\$ 33,165,000
Current Liabilities	\$ 6,511,000	\$ 5,122,000
Total Liabilities	\$ 54,206,000	\$ 51,465,000
Total Equity	\$ (16,899,000)	\$ (18,300,000)
Net Operating Revenues	\$ 53,390,000	\$ 44,578,000
Interest Expense	\$ 0	\$ 0
Net Profit - Operations	\$ 585,000	\$ 555,000
Net Income	\$ 1,401,000	\$ 1,564,000
Cash Flow from Operations	\$ 2,980,000	\$ 114,000
Working Capital	\$ 6,132,000	\$ 7,423,000
Current Ratio (CA/CL)	1.9	2.4
Cash Flow to Current Liabilities (CFO/CL)	0.5	0.0
Long-Term Debt to Equity (TL-CL/TE)	-2.8	-2.5
Times Interest Earned (NPO+Int/Int)	NA	NA
Equity to Total Assets (TE/TA)	-45.3%	-55.2%
Operating Margin (NPO/NOR)	1.1%	1.2%
Total Margin (NI/NOR)	2.6%	3.5%
Return on Assets (NI/TA)	1.6%	4.7%
Operating Cash Flow to Assets (CFO/TA)	8.0%	0.3%

**Short-term position:**

The applicant's current ratio of 1.9 indicates current assets are almost twice that of short-term liabilities, an adequate position. The working capital (current assets less current liabilities) of \$6.1 million is also adequate in relation to the entity's size. The ratio of cash flow to current liabilities of 0.5 is about average for Florida hospitals. The applicant has a satisfactory short-term position.

**Long-term position:**

The long-term debt to equity of -2.8 reflects the negative equity, a weak position. The cash flow to assets of 8.0 percent is good. The most recent year had an operating profit of \$585,000, resulting in a margin of 1.1 percent, a relatively low level. The negative total equity of \$-16.9 million with the equity to assets of -45.3 percent is very weak. Because of the positive earnings and good cash flows the applicant eventually may be able to overcome the large negative equity. Due primarily to the very significant negative equity, the applicant has a weak long-term position.

**Capital requirements:**

Schedule 2 indicates the applicant has total capital projects of \$18.3 million.

**Available capital:**

Schedule 2 indicates funding for these projects will come from the parent corporation, Universal Health Services. The audited balance sheet of the parent shows cash on hand of \$10.5 million, funds restricted for construction of \$37.3 million and cash flows of \$182 million. The cash, restricted assets and cash flows through 2003 totals \$594 million. The parent had total assets of \$1.7 billion and equity of \$717 million. A letter from Universal Health Services, inc. states it will fund this project in an amount not to exceed \$500,000. The letter does not commit to funding other capital projects.

**Conclusion:**

Funding for this project should be available from the parent. The applicant is able to fund some additional capital projects; however, its financial situation does not indicate it is capable of funding all capital projects. If we assume the parent will fund the capital projects list as indicated in the notes to Schedule 2, then funding for all projects should be available as needed.

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

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.

Net revenue per adjusted patient day (NRAPD) of \$1,389 in year one and \$1,443 in year two between the control group median and highest values of \$1,165 and \$1,547 in year one and \$1,197 and \$1,589 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 \$1,128, which was between the group median and highest in that year.

Projected cost per adjusted patient day of \$1,258 in year one and \$1,286 in year two is between the group median and highest values of \$1,166 and \$1,286 in year one and \$1,198 and \$1,321 in year two. This application is considered cost efficient when compared to the control group. (See Comparative Table). The 1999 actual data reported the applicant's costs per adjusted patient day of \$1,082, which was between the group's median and highest values.

The year two operating profit for the hospital of \$7.2 million computes to an operating margin per adjusted patient day of \$157 which falls between the peer group median and highest values of \$5 and \$287. The operating margin ratio computes to 10.9 percent. The project is expected to account for a \$289,825 addition to the operating surplus in year two. The audited financial statements indicated the hospital had an operating profit of \$585,000 in 2000, and a similar amount in 1999 of \$555,000. The operating margins for these profits were 1.1 percent and 1.2 percent respectively.

The projected net revenues and costs per patient day are reasonable when compared to the control group and the applicant's own 1999 activity. The operating profitability of 10.9 percent of revenues is in the top 20 percent of Florida hospitals which is considered very good financial results from operations. This profit level at 10.9 percent is significantly higher than the hospital's relatively stable profits in 2000 and 1999 of 1.1 percent and 1.2 percent. It is probable that the operations will be financially feasible but at a lower level of profit than projected.

**COMPARATIVE TABLE**

CON # 9518					
Wellington 1999 DATA Peer Group 5	2004	YEAR 2	INFLATION ADJ.		
	YEAR 2	ACTIVITY	VALUES		
	ACTIVITY	PER DAY	Highest	Median	Lowest
ROUTINE SERVICES	112,449,590	2,450	722	509	268
INPATIENT AMBULATORY	0	0	81	39	17
INPATIENT ANCILLARY SERVICES	0	0	3,506	1,730	927
OUTPATIENT SERVICES	88,934,630	1,938	1,850	1,224	235
OTHER OPERATING REVENUE	1,533,903	33	144	13	1
TOTAL REVENUE	202,918,123	4,421	5,614	3,547	1,462
DEDUCTIONS FROM REVENUE	136,706,089	2,978	*	*	*
NET REVENUES	66,212,034	1,443	1,589	1,197	756
EXPENSES					
ROUTINE	10,019,377	218	264	210	135
ANCILLARY	22,880,356	498	570	387	215
AMBULATORY	2,882,327				
OVERHEAD	23,228,571	506	623	533	343
OTHER	0	0			
TOTAL EXPENSES	59,010,631	1,286	1,321	1,198	736
OPERATING INCOME	7,201,403	157	287	5	-199
		10.9%			
PATIENT DAYS	25,436		NOT INFLATION ADJUSTED		
ADJUSTED PATIENT DAYS	45,900				
TOTAL BED DAYS AVAILABLE	40,515				
ADJ. FACTOR	0.5542				
TOTAL NUMBER OF BEDS	111				
PERCENT OCCUPANCY	62.8%		88.0%	51.0%	22.0%
PAYER TYPE	PATIENT	% TOTAL			
	DAYS				
MEDICARE	5,482	21.6%	76.0%	44.0%	22.0%
COMMERCIAL	0	0.0%			
MEDICAID	1,691	6.6%	22.0%	7.0%	1.0%
PRIVATE	935	3.7%			
HMO/PPO	17,184	67.6%	60.0%	37.0%	5.0%
OTHER	144	0.6%			
TOTAL	25,436	100.0%			

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

The applicant projects managed care for the total facility to represent 67.6 percent of its patient days. This is above the control group highest level of 60.0 percent and is above the hospital's own 1999 managed care level which was the highest in the group of 60.0 percent of patient days.

The applicant's level of managed care will have a significant positive impact on competition, to promote quality assurance and cost-effectiveness. However, the proposed project, the addition of seven beds, will have significantly less overall impact than the total proposed 111-bed facility.

**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.**

This proposal is to convert seven "delicensed" beds on the third floor of the hospital to acute care beds. According to the applicant, these patient rooms were "built to hospital codes and equipped with all the fixed equipment such as access to gases, nurse call systems".

The application does not include the date that these rooms were built, but from the plans submitted, the rooms do not meet some requirements of the Florida Accessibility Code for Building Construction. Since this is renovation, there is no requirement that these shortcomings be corrected.

The application states that these seven patient rooms (originally built as acute care beds) were delicensed. If the beds were delicensed and used as some other type of space, then the medical gas lines would have to have been capped and other minor changes would have been necessary, such as adjustments to the HVAC System. Since they were not continually in use as patient beds, then they will now have to be renovated to restore this functionality. The total construction cost of \$16,000 should be adequate for any conversion. The application does not identify exactly what the renovation will entail, but it appears to be somewhat more than simply cosmetic changes. In either case, the budget appears to be reasonable.

The application includes a partial third floor plan indicating the spaces affected by this application. A list of applicable codes did not appear to be in the material submitted, but since this is existing space, the architectural requirements are not extensive, and the architect/engineer will be required to meet any applicable codes during renovation, including engineering provisions.

The contracts with the design professionals are expected to be signed in December 2001 and the projected completion date of the project is October, 2002. The time frame appears to be somewhat disproportionate for a renovation project of this size and cost. Elaboration by the applicant as to the actual scope of the renovation would be necessary to explain the proposed schedule. Other than being somewhat lengthy, there is no reason to consider that the schedule is unreasonable.

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

<b>Medicaid and Charity Care Commitment of the Applicant Compared to the Subdistrict &amp; District for Fiscal 1999</b>			
<b>Applicant Hospital</b>	<b>FY 99 Conventional Medicaid Days</b>	<b>FY 99 Gross Charity Dollars</b>	<b>FY 99 Gross Charity Percent of Charges</b>
Wellington Regional	6.8%	\$220,030	0.2%
West Boca Med. Ctr.	4.6%	34,191	0.0%
JFK Medical Center	5.0%	2,228,117	0.4%
Delray Medical Ctr.	2.5%	3,618,981	0.8%
Bethesda Mem. Hosp.	11.5%	14,103,655	3.5%
Boca Raton Com. Hosp.	1.0%	1,691,799	0.5%
Subdistrict 5 Average	5.4%	3,649,462	1.1%
District 9 Average	6.8%	\$8,436,705	2.2%

**Source: FY 1999 Actual Data/AHCA.**

As reflected in the table, Wellington Regional's provision of Medicaid reflects the district average and exceeds the subdistrict average. Its charity care provision is less the subdistrict and district average.

Wellington Regional is not a Medicaid Disproportionate Share Provider.

**F. SUMMARY**

**Wellington Regional Medical Center, Inc. CON (#9518)** is a 120-bed general acute care hospital located in Palm Beach County. The hospital is licensed for 104 acute care beds and 16 adult substance abuse beds. The applicant has been approved to establish 10 Level II NICU beds and delicense the 16 adult substance abuse beds.

The applicant proposes to add seven acute care beds, which will increase the hospital's total acute care beds to 111.

The total project cost is estimated at \$80,618. Construction costs are projected at \$16,000 and the project will involve 1,344 GSF of renovated space.

**Need/Other Special Circumstances**

The AHCA published no need for acute care beds in District 9, Subdistrict 5.

District 9, Subdistrict 5 has 1,616 licensed acute care beds and ten CON approved beds. The subdistrict occupancy rate for acute care beds was 71.90 percent during the period January through December 2000. Wellington's 104 acute care beds averaged 55.81 percent occupancy rate during the same period.

The applicant is applying outside of the fixed need pool. Need analysis and methodologies presented by the applicant do not demonstrate need for additional beds at the hospital nor did the applicant demonstrate that area residents were unable to access appropriate needed care.

**Quality of Care**

Wellington Regional Medical Center, Inc. provided a copy of a letter that shows accreditation by the Joint Commission on Accreditation of Health Care Organizations (JCAHO).

A review of the facility's licensure file reveals one confirmed complaint that was closed on January 30, 2001. Also there two investigations involving physical plant and life safety code violations at the hospital, which were confirmed on September 26, 2001. These required the hospital to submit a plan of correction.

**Medicaid/Indigent Care**

The applicant is conditioning this project to a minimum of seven percent of its patient days to be provided to Medicaid and charity care patients combined. The applicant is currently conditioned to provide two percent of its patient days in the 104 acute care beds to Medicaid recipients. Blending the existing condition with this proposal results in a minimum of 2.31 percent of annual patient days in the 111 beds being provided to Medicaid recipients.

The applicant is not a Medicaid Disproportionate Share provider.

**Financial Feasibility**

The financial review of the applicant indicates that it has a satisfactory short-term position overall but the long-term debt to equity ratio of -2.8 indicates long-term debt is greater than equity, a weak position. However, with the support of its parent company, Universal Health Systems, Inc., the applicant has adequate funding strength to meet the capital needs of the proposed project.

**Architectural**

The applicant does not identify exactly what the renovation associated with this project will entail, but it appears to be somewhat more than cosmetic changes.

The timetable to implement the beds is approximately 12 months per Schedule 10, which is considered to be somewhat lengthy.

**G. RECOMMENDATION**

Deny CON #9518.

**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: \_\_\_\_\_

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

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Jeffrey N. Gregg  
**Chief, Bureau of Health Facility Regulation**