

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

**A. PROJECT IDENTIFICATION**

1. Applicant/CON Action No.

**Genesis Rehabilitation Hospital, Inc./CON #9532**  
d/b/a Brooks Rehabilitation Hospital  
3599 University Blvd. South  
Jacksonville, Florida 32216

Authorized Representative: Charles A. Schauer, President & CEO  
(904) 858-7602

2. Service District/Subdistrict

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

**B. PUBLIC HEARING**

No public hearing was held or requested on the proposed project and no letters of support were received.

**C. PROJECT SUMMARY**

**Genesis Rehabilitation Hospital, Inc. (CON #9532)** d/b/a Brooks Rehabilitation Hospital is a freestanding 127-bed, not-for-profit, rehabilitation hospital, located in District 4, Duval County. The applicant is proposing to add seven comprehensive medical rehabilitation (CMR) beds to its facility at 3599 University Boulevard South in Jacksonville. The seven-bed addition will increase the hospital's number of CMR beds to 143 [127 (existing) + nine (CON #9480) = 136 + seven proposed in this review = 143], in District 4, St. Johns County. Genesis

operates six off-site facilities in Duval County and one in St. Augustine, in St. Johns County.

According to the *Certificate of Need Predicated on Conditions* page, the applicant, because of the small number of additional bed requested, is not proposing to condition these beds for Medicaid or charity care to patients. However, because there are existing and CON approved (CON #9480) conditions on the facility, a blending of the 136 beds with the proposed seven beds results in a new facility condition of: 3.96 percent of total patient days to Medicaid patients and 1.84 percent of total patient days to charity patients for the 143 beds, if approved.

The total project cost is estimated at \$284,633. Renovation costs are projected at \$77,000 and the project will involve 2,425 gross square feet (GSF) of renovated space.

**D. REVIEW PROCEDURE**

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

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

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

As part of the fact-finding, the consultant, Ed Carter, analyzed the application with consultation from the financial analyst, John

Williamson reviewed the financial data and architect Joel Hill, who evaluated the architectural and the schematic drawings.

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

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

**1. Fixed Need Pool**

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

In Volume 28, Number 4, dated January 25, 2002 on page 375 of the Florida Administrative Weekly, a fixed need pool of seven beds was published for comprehensive medical rehabilitation beds in District 4 for the July 2007 planning horizon.

District 4 has 167 licensed comprehensive medical rehabilitation beds and nine approved beds. The comprehensive medical rehabilitation beds in District 4 experienced an occupancy rate of 84.54 percent during the period July 2000 through June 2001. The proposed project is responding to published-need.

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

District 4 has 167 licensed comprehensive medical rehabilitation beds that experienced an occupancy rate of 84.54 percent during the period July 2000 through June 2001:

<b>Occupancy Rates District 4</b>			
Facility	# Beds	County	Occupancy % (7/00 - 06/01)
Brooks Rehabilitation Hospital	127	Duval	88.14%
Memorial Hospital-Ormond/Peninsula	40	Volusia	73.13%
Total/Average	167		84.54%

Source: Florida Hospital Bed and Service Utilization by District January 25, 2002.

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

The applicant is seeking beds within the fixed need projection of seven CMR beds in District 4.

**2. Local Health Plan Preferences**

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

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

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

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

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

The applicant states that it has formal transfer agreements with area hospitals, nursing homes and other service providers such as services transportation, transitional living, and orthotics specialists. Documentation of these transfer agreements was not included in this application.

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

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

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

The applicant has not formally committed to provide care to the medically indigent population as a part of this CON application. However, as indicated earlier blending the existing condition on the 136 beds with the proposed seven beds results in a new facility condition of: 3.96 percent of total patient days to Medicaid patients and 1.84 percent of total patient days to charity patients for the 143 beds, if approved.

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

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

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

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

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

#### **General Provisions:**

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

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

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

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

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

The nine CON approved (CON #9480) bed addition and these seven beds will be allocated as follows:

Seven beds - CVA (Stroke) Program  
Eight beds - Spinal Cord Injury/Ortho/Neuro/Programs  
One bed - Brain Injury Program

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

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

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

The applicant is responding to the published need for seven additional CMR beds in District 4. To accommodate the seven new beds, the applicant intends to convert four private rooms to semi-private rooms, and two ADL suites to semi-private rooms.

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

The applicant currently participates in both the Medicare and Medicaid programs and with the addition of seven more CMR beds will continue its participation in both programs without any changes.

**b. Required Staffing and Services.**

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

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

2. **Other Required Services.** In addition to the physician services, CMR inpatient services shall include at least the following services provided by qualified personnel:

1. **Rehabilitation nursing**
2. **Physical therapy**
3. **Occupational therapy**
4. **Speech therapy**
5. **Social services**
6. **Psychological services**
7. **Orthotic and prosthetic services**

The applicant provides a range of services that significantly exceed the minimum requirements addressed in rule (see page 2-6 through 2-17, of the application).

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

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

As mentioned previously, the applicant does not intend to condition the approval of this application for the provision of care to Medicaid and charity care patients. However, Brooks Rehabilitation Hospital currently serves this patient population and intends to continue doing so. The applicant provided the following information to demonstrate its commitment to Medicaid and charity patients.

**Historical Provision of Medicaid and Charity Care for Selected Years**

	Percent of Days 1998	Percent of Days 1999	Percent of Days 2000	Percent of Days 2001
Medicare	56.7	57.0	57.5	60.1
Medicaid	7.0	6.1	5.7	5.0
Charity	1.3	1.1	0.8	0.6

Source: CON Application #9532

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

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

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

Refer to Section 4. b. below.

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

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

The seven additional beds will provide services to the same categories of patients as currently served at the facility, adults and children/adolescents.

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

See response to #1. above.

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

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

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

As an existing entity, the applicant has a formal recruitment and retention program which has been successful in the past, meeting staffing requirements. It anticipates continued success in this regard. The applicant is projecting 9.75 new FTEs as a result of the proposed project.

**5. Expected sources of patient referrals.**

The applicant expects current referral patterns to remain unchanged as a result of the proposed seven-bed addition.

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

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

<b>Projected Patient Days by Payor</b>		
Payor Source	Year 1	Year 2
Self Pay	242	252
Medicare	1,276	1,330
Medicaid	106	110
Insurance	24	25
PPO/HMO	474	494
Total	2,122	2,212

Source: CON #9532, Schedule 7B.

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

The applicant states that it makes available a pre-determined amount of uncompensated care at no cost or at a reduced cost to eligible individuals/families in need of such care. This amount is estimated to be approximately two percent of the projected annual gross patient revenues. Eligibility is determined by utilizing the current guidelines issued by the State of Florida and/or the current federal poverty income guidelines, AHCA.

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

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

**4. Statutory Review Criteria**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Brooks Rehabilitation Hospital is not a statutory teaching hospital nor is the proposed project's primary purpose research or physician education. However, the facility is committed to assuring employees that they are equipped with the technical skills and expertise to provide clinical care that meets the highest standards of practice.

The hospital also participates in an extensive student clinical internship program encompassing a large number of disciplines; offers student scholarships in physical therapy, occupational therapy, and speech therapy; the facility is used as a classroom for local colleges' allied health programs; and the hospital's rehabilitation specialists participate as adjunct faculty at local colleges.

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

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

**Short-term position:**

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

**Long-term position:**

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

**Capital requirements:**

Schedule 2 indicates the applicant has \$78.9 million in capital projects. Schedule 2 did not include maturities of long-term debt. The audited financial statements show long-term debt of \$3.0 million through year one of the project, which brings the total capital needs to \$81.9 million.

**Available capital:**

Funding for the proposed projects is coming from cash from operations in the amount of \$3.1 million. The audited financial statements of the applicant indicate it has cash and current investments of \$4.1 million, \$6.6 million in assets reserved for capital projects, and \$4.1 million in annual cash flows or \$16.4 million through year 2 of the project. The applicant is owned by Genesis Health, Inc. d/b/a Brooks Health System, which provided a letter of commitment indicating its willingness to meet the funding needs of this project. However, no supporting documentation of its ability (its audited financial statements) was provided. The parent company stated in the commitment letter it has \$12.7 million in cash and \$152.7 million in board-designated funds.

**Conclusion:**

Based on its audited financial statements, the applicant has adequate funding strength to meet the capital needs of the project under review. The applicant stated that funding for other capital projects is coming from a 30 percent equity contribution and the balance from the issuance of tax-exempt debt. While a funding letter was provided, along with discussion of its ability to fund the projects, adequate proof of its ability was not provided. Funding for all capital projects is not fully assured.

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

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

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

Comparative data were derived from hospitals in peer groups that reported data in 2000; the applicant will be compared to the hospitals in peer group 18. Per diem rates are projected to increase by an average of 3.3 percent per year. Inflation adjustments were based on the most current Florida Hospital Input Price Index.

Projected net revenue per adjusted patient day (NRAPD) of \$833 in year one and \$887 in year two is between the control group median and highest values of \$666 and \$1,113 in year one and \$686 and \$1,146 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 2000 actual NRAPD for this hospital was \$724, between the group median and highest values of \$562 and \$758.

Projected cost per adjusted patient day of \$742 in year one and \$776 in year two is between the control group median and highest values of \$691 and \$985 in year one and \$712 and \$1,015 in year two. (See Comparative Table). Compared to the control group these costs are efficient. The 2000 actual data reported for Genesis Rehabilitation Hospital's costs per adjusted patient day was \$672, between the group median and highest values of \$605 and \$719.

The year two operating profit for the hospital of \$5.8 million computes to an operating margin per adjusted patient day of \$111 which falls between the peer group median and highest values of -\$16 and \$122 respectively. The operating margin indicates that net revenues are proportional to costs. The computed operating margin ratio is 12.5 percent.

This application appears to be financially feasible.

**Comparative Table**

CON # 9532 Genesis Rehabilitation Hospital, Inc. 2000 DATA Peer Group 18	2004	YEAR 2	VALUES ADJUSTED		
	ACTIVITY	ACTIVITY	FOR INFLATION		
		PER DAY	Highest	Median	Lowest
ROUTINE SERVICES	24,518,351	472	892	445	260
INPATIENT AMBULATORY	55,647	1	6	0	0
INPATIENT ANCILLARY SERVICES	46,123,904	888	1,698	801	516
OUTPATIENT SERVICES	10,634,549	205	587	177	17
OTHER OPERATING REVENUE	0	0	39	4	0
TOTAL REVENUE	81,332,451	1,565	3,178	1,438	1,041
DEDUCTIONS FROM REVENUE	35,241,580	678	*	*	*
NET REVENUES	46,090,871	887	1,146	686	458
EXPENSES					
ROUTINE	8,242,056	159	288	121	73
ANCILLARY	8,430,489	162	297	174	103
AMBULATORY	2,149,784				
OVERHEAD	20,684,583	398	489	405	291
OTHER	808,822	16			
TOTAL EXPENSES	40,315,734	776	1,015	712	467
OPERATING INCOME	5,775,137	111	122	-16	-114
		12.5%			
PATIENT DAYS	45,169		VALUES NOT ADJUSTED		
ADJUSTED PATIENT DAYS	51,963		FOR INFLATION		
TOTAL BED DAYS AVAILABLE	52,195				
ADJ. FACTOR	0.8692				
TOTAL NUMBER OF BEDS	143				
PERCENT OCCUPANCY	86.5%		99.4%	87.8%	30.3%
PAYER TYPE		PATIENT			
		DAYS			
		% TOTAL			
MEDICARE	26,766	59.3%	86.7%	77.8%	42.7%
COMMERCIAL	3,683	8.2%			
MEDICAID	2,857	6.3%	13.9%	4.4%	0.7%
PRIVATE	2,042	4.5%			
HMO/PPO	9,821	21.7%	30.5%	10.7%	0.0%
OTHER	0	0.0%			
TOTAL	45,169	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 to represent 21.7 percent of its patient days. This is between the control group median and highest value of 10.7 and 30.5 percent. The 2000 actual data reported for Genesis Rehabilitation Hospital's was 23.9 percent, the second highest level reported. The projected levels if realized, is not likely to increase competition to promote quality assurance and cost-effectiveness.

- h. Are the proposed costs and methods of construction reasonable?. Do they comply with statutory and rule requirements? ss. 408.035(10), Florida, Statutes; Ch. 59A-3 or 59A-4, Florida Administrative Code.**

The request is for an additional seven CMR beds to be added to the existing 127 beds and the recently approved nine beds at Brooks Rehabilitation Hospital. Section 4h of the application shows that five private rooms on the third floor will be converted to semi-private and that two ADL suites on the fourth floor are also to be converted to semi-private rooms.

All five rooms on the third floor have their own toilet and showers that will accommodate a wheelchair. The toilet rooms on the fourth floor are not shown as accessible, but they probably have the proper clearances, since it is required in a rehabilitation hospital that all toilet rooms be accessible.

The five semi-private rooms on the third floor have the required square footage, but the proposed layout of the beds on the large-scale plans does not provide the required clearance at the foot of one bed in each room. From scaling the plans, it appears possible that by rearranging the beds, the required clearances could be achieved, but the applicant would need to verify this.

The conversion of the private rooms to semi-private should be relatively simple, basically adding headwalls to the existing spaces, and the projected costs match reasonably well with the costs projected for CON #9480 in which nine beds were requested and granted.

- 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 4 CMR Hospital Services Medicaid &amp; Charity compared to District Average</b>				
<b>Facility</b>	<b>Number of Beds</b>	<b>County</b>	<b>Medicaid %</b>	<b>Charity %</b>
Brooks Rehabilitation Hospital	127(S)	Duval	6.4%	0.8%
Memorial Hospital - Ormond/Peninsula	40(G)	Volusia	7.6%	0.1%
Total Beds	167			
<b>District Average</b>			<b>6.7%</b>	<b>0.59%</b>

Source: AHCA Financial Review Unit Data  
 (S) = Specialty Hospital  
 (G) = Part of a General Acute Care Hospital

As shown in the chart above, Brooks Medical Care is slightly below the district average and its charity care is above the district average.

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

<b>Historical Provision of Medicaid and Charity Care for Selected Years</b>				
<b>Payor</b>	<b>Percent of Days 1998</b>	<b>Percent of Days 1999</b>	<b>Percent of Days 2000</b>	<b>Percent of Days 2001</b>
Medicare	56.7	56.9	57.5	60.1
Medicaid	7.0	6.1	5.7	5.0
Charity	1.3	1.1	0.8	0.6
Other	35.0	36.0	36.0	34.3
Total	100.0	100.0	100.0	100.0

Source: CON Application #9532. Data provided by the hospital.

The applicant is proposing not to condition these beds for Medicaid or charity care to patients. However, the blending the existing condition on the 136 beds with the proposed seven beds results in a new facility condition of: 3.96 percent of total patient days to Medicaid patients and 1.84 percent of total patient days to charity patients for the 143 beds, if approved. Pro formas show that the applicant does expect to provide care to Medicaid recipients at five percent in the second year of operation.

**F. SUMMARY**

In Volume 28, Number 4, dated January 25, 2002 on page 375 of the Florida Administrative Weekly, a fixed need pool of seven beds was published for comprehensive medical rehabilitation beds in District 4 for the July 2007 planning horizon.

Genesis Rehabilitation Hospital, Inc., proposes to add seven comprehensive medical rehabilitation beds to Brooks Rehabilitation Hospital. The hospital is currently licensed for 127 beds and has CON approval for nine additional beds. -The applicant's hospital is a specialty CMR hospital in Duval County, District 4.

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

**Need:**

The proposed project responds to the fixed need pool projections for seven additional CMR beds for the July 2007 planning horizon.

**Quality of Care:**

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

**Medicaid/Indigent Care:**

The applicant is proposing not to condition these beds for Medicaid or charity care to patients.

**Financial Feasibility:**

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

**Architectural:**

Five private rooms on the third floor will be converted to semi-private and two ADL suites on the fourth floor will also be converted to semi-private rooms. There is a space concern in the five rooms on the third floor that the proposed layout of the beds does not provide the required clearance at the foot of one bed in each room. It appears that by rearranging the beds the required clearances could be achieved, however the applicant would need to verify this. The room conversions should be relatively simple, basically adding headwalls, and the projected costs match reasonably well with the costs projected for the recently approved nine-bed addition (CON #9480).

**G. RECOMMENDATION**

Approve CON #9532 to add seven comprehensive medical rehabilitation (CMR) beds to the existing licensed 127 beds and nine CON approved beds at Brooks Rehabilitation Hospital, creating a 143-bed CMR. The project involves 2,425 GSF of renovation and construction costs of \$77,000. Project costs total \$284,633.

**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**

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