

STATE AGENCY ACTION REPORT
CON APPLICATION FOR CERTIFICATE OF NEED

A. PROJECT IDENTIFICATION

1. Applicant/CON Action Number

Morton Plant Hospital Association, Inc./CON #9538

d/b/a North Bay Hospital
660 Madison Street
New Port Richey, Florida 34652

Authorized Representative: William M. Jennings, Chief Operating
Officer
(727) 843-4500

New Port Richey Hospital, Inc./CON #9539

d/b/a Community Hospital
P.O Box 996
New Port Richey, Florida 34656

Authorized Representative: William Wagon, Chief Operating Officer
(727) 845-9110

2. Service District/Subdistrict

District 5/Subdistrict 1 (Pasco County)

B. PUBLIC HEARING

A public hearing was not held or requested. However, both projects generated numerous letters of support and opposition from various physicians, provider organizations, governmental representatives and private citizens.

Morton Plan Hospital Association, Inc. (CON #9538): The applicant submitted approximately 163 letters of support for the project. The agency received approximately 29 letters of opposition to the project with 21 of those letters included in a lengthy document from the City of New Port Richey in opposition to both the North Bay and Community Hospital

CON Action Number: 9538 and 9539

projects. The letters of support were similar in content, stating the positive impact of relocating North Bay Hospital to the fast growing Trinity area of Pasco County, where the applicant currently operates the Trinity Outpatient Center. The letters of opposition to the project expressed concern regarding convenience to health care for elderly patients in the New Port Richey area, the profit motive of the applicant in relocating to a more profitable market, and the potential impact of the project on the low income residents in West Pasco County. A letter of opposition was also received from the President/CEO of Helen Ellis Memorial Hospital expressing concern with the potential adverse impact on cost-effectiveness and efficiency in the delivery of hospital services at Helen Ellis. Although Helen Ellis opposes the project due to the close proximity of the proposed hospital, it is not located within the same planning area. The response provided by the City of New Port Richey addressed the potential detrimental impact on the delivery of health care services to the low income and Medicaid residents of New Port Richey. The city's response also addresses (1) the demographics of the New Port Richey and Trinity areas of Pasco County to demonstrate that the Trinity area does not show a disadvantaged population that will utilize the hospital; (2) the lack of convenient access from New Port Richey to the proposed site for the hospital, and (3) the adverse economic impact on the City of New Port Richey especially with regard to the small businesses that surround the current hospital. The city response also addressed potential alternatives to the project but acknowledges that the North Bay site is more constrained with fewer options available than the current Community Hospital site (CON #9539). However, the city response indicates that expansion at North Bay is possible using the city's Community Redevelopment Agency.

New Port Richey Hospital, Inc. (CON #9539): The applicant submitted 12 letters of support for the proposed project. The agency received approximately 35 letters of opposition to the project with 21 of those letters included in a lengthy response from the City of New Port Richey in opposition to both the Community Hospital and the North Bay Hospital relocations. The letters of support were similar in content and addressed the need to replace the older structure with a new and more modern facility and the need to serve the expanding population of West Pasco County. The letters of opposition to the project were also similar in content and expressed concern regarding the potential impact of the project on the low income residents in the New Port Richey area. A letter of opposition was also received from the President/CEO of Helen Ellis Memorial Hospital expressing concern with the potential adverse impact on cost-effectiveness and efficiency in the delivery of hospital services.

CON Action Number: 9538 and 9539

Although Helen Ellis opposed the project due to the close proximity of the proposed hospital, it is not located within the same planning area as the applicant. The response provided by the City of New Port Richey to both the North Port proposal and the Community Hospital proposal addressed the potential detrimental impact on the delivery of health care services to the low income and Medicaid residents of New Port Richey. The city's response also addresses (1) the demographics of the New Port Richey and Trinity areas of Pasco County to demonstrate that the Trinity area does not show a disadvantaged population that will utilize the hospital; (2) the lack of convenient access from New Port Richey to the proposed sites for the hospital as well as to relocated primary care physicians, and (3) the adverse economic impact on the City of New Port Richey especially with regard to the small businesses that surround the current hospital. The city's response also addressed potential alternatives to the project including the city's assistance in obtaining additional land; re-designation or abandonment of public street right of way; the city's construction of multiple level parking garage to accommodate the hospital, the city's development assistance, the construction of needed infrastructure, and tax exempt financing for the construction of the hospital or related facilities.

C. PROJECT SUMMARY

Morton Plant Hospital Association, Inc. (CON #9538) proposes to relocate and construct a replacement facility for the currently licensed 122-bed North Bay Hospital located at 6600 Madison Street, New Port Richey. The selected site is approximately five miles from the current hospital and will be located on 20 plus acres of the 66 acre campus that currently houses the Trinity Outpatient Center opened by Morton Plan in 1996 (2120 Trinity Oaks Boulevard, New Port Richey). The applicant intends to use the current hospital for non-acute care services and provide transportation between the current and proposed campuses.

The applicant is requesting that the CON be conditioned to provide 9.7 percent of gross revenue to combined Medicaid and charity care patients.

According to the applicant, the medical staff of North Bay Hospital includes more than 350 physicians in approximately 40 specialties. The hospital has been in operation for more than 35 years and has undergone a number of ownership changes during that time.

CON Action Number: 9538 and 9539

The hospital was purchased by Morton Plant in 1999 and is west Pasco County's only not-for-profit community hospital. The hospital offers a range of services , including: an ambulatory care center, cardiopulmonary services, diagnostic cardiac catheterization, pain management, a sleep center, a physical therapy center, and outpatient testing. The hospital also offers comprehensive medical rehabilitation services in a 20-bed unit. The hospital/applicant also provides several non-hospital services including home health services, primary care services via Primary Care, Inc., The Harbors' Behavioral Healthcare Network and the Trinity ambulatory complex.

The total costs for the North Bay replacement hospital are estimated to be \$74,120,000. The replacement hospital will consist of 233,313 gross square feet of new construction and construction costs of \$41,543,035.

New Port Richey Hospital, Inc. (CON# 9538) proposes to relocate and replace the 401-bed Community Hospital of New Port Richey. The hospital is presently licensed for 345 acute care beds and 56 adult psychiatric beds. With this project, the hospital proposes to relinquish 25 beds, resulting in a total licensed bed complement of 376.

The applicant does not wish to accept any conditions relative to the issuance of a certificate of need.

The new site will be within a five-mile radius of its current location, with the preferred location south and slightly east of the existing facility.

The replacement hospital will consist of 548,995 square feet and a total cost of \$196,849,328. The estimated construction cost will be \$96,074,125.

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 meet 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, M. Riley Gibson, analyzed the application with consultation from the financial analyst, Roger Bell, who 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 project 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? 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 January 25, 2002, AHCA published a fixed need pool (FNP) in Volume 28, Number 4, Florida Administrative Weekly (F.A.W.) of zero (0) for additional hospital acute care beds in District 5, Subdistrict 1, Pasco County.

District 5, Subdistrict 1 has a total of 748 licensed beds that experienced an occupancy rate of 52.70 percent for the reporting period July 2000 through June 2001. The 345 acute care beds at Community Hospital reported an average occupancy of 43.51 percent for the reported timeframe. North Bay Hospital's 102 acute care beds reported an

CON Action Number: 9538 and 9539

average occupancy of 58.55 percent. The subdistrict's average occupancy rate is above the District 5 average of 48.62 percent.

The proposed projects are not submitted in response to the fixed need pool, as neither applicant is seeking to add beds to its respective hospital or the subdistrict. However, the proposed projects are subject to review in accordance with Chapter 59C-1.004(1)(b), which requires review of the new construction or establishment of additional health care facilities, including a replacement health care facility when the proposed project site is not located on the same site as the existing health care facility.

Both applicants addressed several factors in support of its respective proposal. These are presented in a summarized form below:

Morton Plant Hospital Association, Inc. (CON #9538) states that there are three core reasons for seeking the relocation of the hospital: (1) the current hospital is not adequate in size and scope to meet the current and future health care needs of its' patients; (2) the current campus site is inadequate in size (acreage) to allow for the facility expansions necessary to support current and future patient care needs and (3) growth centers within southwestern Pasco County have shifted from the coast to an area 5-10 miles inland.

The applicant provided the following rationale in support of the proposed project, including (a) patient volume trends, (b) facility and site issues, (c) forecast Hospital volumes, and (d) a review of alternative facility solution options.

Patient Volume Trends

The applicant states that since linking with the Morton Plant organization, North Bay operations have stabilized and grown having experienced an 8.5 percent compound average growth rate in its inpatient patient day volume between CY 1998 and 2001. According to the applicant, the emergency room volume has experienced a growth rate of 10.9 percent.

The applicant presented the following table to show the patient volume trends at North Bay between 1998 and 2001:

CON Action Number: 9538 and 9539

**North Bay Hospital
1998 - 2001 Patient Volume Trends**

Year	Inpatient Days	ADC	% Growth Over Prior Year	CAGR	Emergency Room Visits	% Growth Over Prior Year	CAGR 1998-2001
1998	19,414	53	N/A	N/A	15,381	N/A	N/A
1999	19,471	53	0%	N/A	18,214	18%	N/A
2000	27,152	74	39%	N/A	20,684	14%	N/A
2001	24,791	68	-9%	8.5%	20,968	1%	10.9%

Source: CON Application, Internal Hospital Records and District 5 Hospital Utilization Report

A review of the hospital data for the above years as shown in the Hospital Bed Need Projections publications provides for different utilization data for North Bay Hospital as follows.

**North Bay Hospital
Patient Volume Trends
1998-2001**

Year	Inpatient Days	Occupancy
1998	16,718	45%
1999	16,909	45%
2000	22,889	61%
2001	21,798	59%

Source: Hosp. Bed Need Projections 1998-2001

As shown above, the actual inpatient days are less than the yearly totals provided by the applicant. However, both data sets show a significant increase in patient days and occupancy between 1999 and 2000 with a small decrease shown for 2001. The decline between 2000 and 2001 is attributed by the applicant to the hospital's discontinuation of obstetrics and pediatrics and the loss of managed care patients. The applicant states that since joining Morton Plant, North Bay's acute and CMR occupancy rates have been consistent with, or better than, the district, subdistrict and statewide averages.

The applicant claims that its physical location limits its ability to add needed observation beds. Observation or outpatient's beds may be added to a hospital without CON review and approval. Although the hospital does not have dedicated observation beds, observation patients (approximately 2,500 per year) are cared for within the hospital's licensed bed capacity. The applicant anticipates that observation volume will increase as managed care providers push to treat patients on an "observation" basis versus an inpatient basis. The proposed plan calls for an eight-bed observation unit to be located near the emergency department.

Facility and Site Issues.

The applicant states that the majority of North Bay Hospital's physical plant is 35 years old; with all the associated code compliance, utility infrastructure and operational efficiency issues associated with a 30 plus year old facility. The applicant further states that with an aging facility, it is difficult not only to attract a new/expanded patient base, but also to meet the needs of existing patients due to lack of compliance with updated building codes and newer laws such as ADA.

The hospital is not currently required to meet these requirements because the facility was built prior to the implementation of these codes and laws. However, the applicant contends that the project will allow the hospital to become compliant with all requirements and offer state of the art facilities to meet current and future needs. Examples of facility issues currently adversely impacting the hospital include: all semi-private patient rooms, one combined ICU/CCU unit with no programmatic separation, no observation bed space, and the lack of a step-down unit.

The applicant provided the following table to show a comparison of the existing site/facility versus the proposed site/facility square footage by major functional area:

**North Bay Hospital
Existing and Proposed Square Footage by Major Functional Area**

Functional Area	Existing Hospital	Proposed Hospital
Critical Care	4,158 DGSF <i>combined ICU/CCU</i>	8,680 DGSF <i>Separate ICU/CCU Functions</i>
Acute Care Beds	1,039.1 BGSF/bed <i>No Private Rooms</i>	1,912.4 BGSF/bed <i>All Private Rooms</i>
Observation Beds	0 DGSF	1,760 DGSF
Rehabilitation Department	6,003 DGSF	14,789 DGSF
Emergency Department	6,919 DGSF	11,434 DGSF
Surgical Services	22,294 DGSF	30,417 DGSF
Laboratory	2,281 DGSF	5,160 DGSF
Pharmacy	1,024 DGSF	2,124 DGSF
Total Building	126,776 BGSF	233,313 BGSF
Hospital Site	8.6 acres with no expansion possibility	20 plus acres of the total 66 acre campus

DGSF is Departmental Gross Square Feet BGSF is Building Gross Square Feet

The applicant contends that the main obstacle in addressing facility issues through a major renovation project is the site constraints faced at the current land locked location. The applicant states that the current campus does not allow for the expansion of any existing services or the development of outpatient services and medical office capacity to meet

CON Action Number: 9538 and 9539

the needs of residents and physicians. The applicant addresses an assessment that was conducted to determine the feasibility of expanding on site. This assessment concluded that the cost of any major on site renovation project would be in excess of \$40 million and still result in site limitations and facility and service constraints. The applicant states that the Trinity campus, in contrast, will meet the growing needs of the hospital into the future. A copy of the "assessment" of the current facility and site was not included in the application. There was no indication given that the assessment was conducted by a licensed contractor/inspector. As noted above, this project on 20+ acres of land is expected to cost a total of \$74,120,000, with slightly over \$41 million in construction costs.

Forecast Hospital Volumes

The patient day projections for the project are based upon the hospital's actual experience and the dynamics of the target service area. The patient day forecast was based first on the actual CY 2001 volume at the hospital and then forecasted to grow by 5.5 percent per year through the CY 2007 planning horizon, with rehabilitation patient days capped at an 80 percent occupancy level. The applicant states that this growth rate is one half of the actual 1998-2001 acute care patient day per year growth, excluding obstetric and pediatric care, which was discontinued during CY 2000. The applicant further states that even with the loss of OB/pediatric days, the hospital has shown strong growth in its core services (medical/surgical/critical care services).

Utilizing this 5.5 percent per year forecast growth rate results in a CY 2006 patient day forecast of 31,749 patient days and a CY 2007 patient forecast of 33,174 patient days. The applicant's forecasted patient days appear reasonable in view of the current growth of the hospital's acute care/rehabilitation services.

The applicant also contends that the projected population growth trends within Pasco County support the patient day projections. Pasco County as a whole has experienced and is forecast to experience a growth rate of 8.5 percent (2001-2006), higher than the State of Florida at 8.3 percent. However, because the Pasco County zip codes encompass such large geographic areas, the applicant states that analysis at this level was unable to clearly define areas of population growth applicable to this project. Therefore, the applicant considered population growth trends at the census tract levels. According to Claritas projections (Pasco County census tract population) provided by the applicant, the location of census tracts with a higher percentage of growth than the Pasco County total increase of 6.9 percent point to population growth inland away from the

coast and the hospital's current location. West Pasco County currently accounts for approximately two thirds of the county population and is projected to grow five percent (11,264 persons) between 2001 and 2006. East Pasco County has a estimated growth rate that is double that of West Pasco (10.3 percent). However, since East Pasco County has fewer persons residing in it, the actual increase cannot be considered double that of West Pasco County. The total population of Pasco County is expected to increase 6.9 percent between 2001 and 2006, an absolute increase of 24,115.

The applicant identified the census tracts in and around North Bay's current location as well as the census tracts in the Trinity area to show a considerable growth in the census tracts surrounding the Trinity area. The census tracts where North Bay is currently located is expected to show a population increase of 5.28 percent between 2001-2006, whereas the Trinity Outpatient Center is located in a census tract with contiguous tracts that project a population increase of 11.81 percent between 2001 and 2006. The applicant basically concludes from this population analysis, that while historically the growth in SW Pasco County may have been concentrated along the coastal corridor, the center of growth has moved and is forecast to continue to move inland, away from the current hospital site. The applicant states that by virtue of the new Trinity site being only five miles from the current site and with good access both east and west and north and south, the proposed site will be well-positioned to serve the future growth areas.

Alternative Facility Solutions.

The applicant states that several alternatives to the proposed relocation were considered, including maintaining the status quo and relocating only a portion of the beds to the Trinity area. With regard to maintaining the status quo, the applicant contends that even if a major on site renovation were possible, the cost would be in excess of \$40 million and the facility would still suffer from the same site limitations and facility and service constraints that face North Bay Hospital today. With regard to relocating a portion of the beds to construct a satellite hospital, the applicant states that dividing only 122 beds between two campuses is not an operationally or financially viable option.

Impact on Existing Providers.

The applicant contends that the project will have minimal, if any, impact on existing providers of acute care or comprehensive medical rehabilitation services, since the facility involves no new beds and will focus on the hospital's existing and forecast patient base. While this is the applicant's position and should hold true for the subdistrict, some impact can be expected on the two facilities in Pinellas County in close proximity to the proposed site of both applicant hospitals. As noted earlier, Helen Ellis Hospital is located in Tarpon Springs in District 5, Subdistrict 3, Pinellas County, just south of the Pasco/Pinellas County line and approximately five miles from the Trinity area and indicates that it will be negatively impacted if this project is approved. The hospital is not listed as a Medicaid disproportionate share provider for fiscal year 2001-2002. The applicant contends that the proposed site is actually further from Helen Ellis's service area with less impact in the future than today. The other hospital outside of the planning area that may be impacted is Mease Hospital Countryside, also located in northern Pinellas County. However, the applicant contends that with that hospital's obstetrics, NICU and pediatrics programs, the service line focus is different than North Bay, which discontinued pediatric and obstetric services in 2000. The applicant also contends that Mease predominantly serves the rapidly growing NW Hillsborough and North Pinellas County marketplaces, with more than adequate population/volume growth to support Countryside's operations.

There are no other letters of opposition from medical facilities in the area. However, a number of letters were received from area physicians expressing concern with both hospitals relocating. These concerns basically center around access for the New Port Richey population, especially Medicaid and indigent residents who will be required to travel to the Trinity area for hospital services. However, it appears that neither move will impact the provision of care to the medically indigent population.

New Port Richey Hospital, Inc. (CON #9539) contends that the need for the proposed relocation and replacement hospital stems from the severe spatial constraints that exist presently for Community Hospital. The applicant states that the hospital has upgraded to the extent possible; however, the costs have been high and the results are not what would be comparable in new construction. Several of the hospital's shortcomings exist in areas that patients and their physicians note as problems including:

CON Action Number: 9538 and 9539

- 19 percent of available medical and surgical beds are located in 3-bed wards;
- 63 percent of available beds are in semi-private rooms;
- 24 percent of the available medical and surgical beds are in private rooms;
- 55 percent of patient rooms lack showers;
- 11 cardiac observation bays in the emergency department are in semi-private, three-bay, or four-bay rooms;
- 12 available surgical intensive care unit beds are curtained cubicles;
- Codes relative to access, most importantly including the Americans with Disabilities Act, are not met.
- Parking is limited.

Reasons for the Proposed Project.

The applicant contends that the project represents the best use of its resources and that onsite replacement is not possible due to the fact that the present parcel is approximately 23 acres with only 19.4 usable acres, far too small to handle the needs of a 376 bed facility (401 beds minus 25 beds lost as a result of the relocation). Moreover, the applicant states that the hospital would not be able to cease operations and demolish onsite, which would leave the community without services for the time needed to rebuild.

The applicant states that the hospital has had numerous additions to the physical plant over the years, with ongoing development and improvements at the hospital being made under the constraints imposed by the size, type of building and small site. It is further stated that support spaces were not added proportional to the expansions of inpatient and clinical services, resulting in support functions that are generally undersized anywhere between 25 to 50 percent when comparisons are made to new facilities of similar size. In addition to space constraints, the applicant states that renovations and improvements must meet codes for new hospital construction. Therefore, any minor and major renovations will require substantial facility improvements impacting availability of services, capacity, the delivery of care, and thus, become cost-prohibitive.

The applicant provided a copy of the document entitled "Community Hospital, New Port Richey, Facility Condition Assessment", dated March 2002. This document was prepared by Smith Seckman Reid, Inc. and Gresham Smith and Partners, and provides a complete overview of the architectural, mechanical, electrical and fire protection systems presently at the hospital, and identifies opportunities for improvements. The

CON Action Number: 9538 and 9539

applicant provided a listing of the various architectural issues identified by this document, which are too numerous to mention here. (Refer to pages 1-5 through 1-9 of the application and the Facility Condition Assessment document (Tab 13). The actual report is fairly detailed and addresses the deficiencies by department but does not compare the costs of remodeling on site versus new construction. The applicant references this study to basically demonstrate that the on-site remedies for the numerous deficiencies listed would require excessive cost and extensive phasing in.

The applicant notes that the relocation of the hospital will provide for many improvements including the following:

- All private rooms.
- Rooms sized and electronically wired for monitoring and other telemedicine applications.
- Increase in the number of operating rooms to ensure that all the latest equipment and new technology may be used.
- Expansion of beds in critical care units from 24 to 44.
- Improvements in the layout of the functional areas to reduce distances staff must walk.
- Room to expand on the same site into the future.
- Sufficient area for parking and provision for expansion into the future.
- Conformity will all codes for life, fire and safety required of new hospitals.
- Improved access for all residents in Subdistrict 1
- Expanded Emergency Department.
- Expanded spaces for ancillary services and diagnostics.
- Improved quality as all areas work together to achieve efficiencies.
- Benefits of natural light
- Multi-story atrium connecting the first and second floors, which orient, direct, and support initial services.
- The creation of a psychiatric services building within the total facility in a non-institutional setting.
- Improved spatial organization reduces patient/family anxieties.
- Improved public spaces and drop-off areas.
- Improved flexibility and operational efficiencies, with the capability to expand in several directions with little disruption to the facility.
- Designed to accommodate future imaging and surgical technologies.
- Patient rooms sized to accommodate in room therapies and diagnostics.
- Improved access from a major thoroughfare.

Alternative Facility Solutions.

The applicant contends that the project represents the best use of its resources and that onsite replacement and/or extensive remodeling is not possible due to the present small site, inherent problems with expanding the existing building and the need to cease operations and demolish on-site, thus disrupting services. The applicant recognizes the concern from some local residents regarding the proposed relocation as well as the City of New Port Richey's concern about losing tax revenues and emergency services. In response, the applicant notes that the project is designed to remain in the sub-area, serve the same patients it currently serves; locate in an area that balances the existing population with new growth; provide for a state of the art physical plant; retain the same services and retain the same payer mix. However, the response from the City of New Port Richey (previously addressed under Public Hearing Section) identifies specific alternatives to address the needs of both applicant hospitals. This reports states that the city is prepared to assist in the acquisition of approximately 25 acres of property adjacent to Community Hospital's current site, that it understands will meet the square footage requirements of the applicant. The city response also suggests the removal of zoning setbacks to allow greater flexibility in siting buildings, and the city's commitment to construct and operate a multiple-level parking garage to accommodate the needs of the hospital. The city also offers its development assistance as needed, suggesting the development of a satellite facility in the Trinity area and/or construction of needed infrastructure to serve an expanded facility. The city is also prepared to assist in obtaining public, tax exempt financing for the applicant. The applicant does state that it considered reducing the size of the hospital and transfer beds to a new location to create a satellite hospital. However, the applicant contends that this option is not viable since it would incur the costs of a new hospital and the costs of renovating the existing hospital without any increase in market share or revenues. The applicant states that a satellite hospital achieves success only when it enters new markets, thereby increasing market share and revenues. As stated earlier, it is the intent of the applicant to continue serving basically the same market share. From the various options considered, the applicant concludes that the replacement of the hospital is the best use of the applicant's resources.

Impact on other providers.

The applicant did not address the impact of the project on other areawide hospitals. However, as previously addressed for the North Bay proposal (#9538), some impact can be expected on the two facilities in northern Pinellas County in close proximity to the proposed site of both applicant hospitals. *(Reference previous comments regarding North Bay response to impact on other providers and the letter of opposition from Helen Ellis Hospital located in Tarpon Springs, Florida).*

Quantification of Demand.

In order to quantify demand for the proposed services, the applicant examined population estimates and projections as well as the acute care patient days generated by residents in the district, county and subdistrict to arrive at a use rate per 1,000 persons. This rate was then used to forecast demand for hospital services. Based on this approach, the applicant states that by the fifth year of operation (2010), Subdistrict 1 will generate 212,513 inpatient acute care days. These days are obtained by holding the inpatient acute care inpatient days per 1,000 persons constant at the 2001 rate. The population estimate (divided by 1,000) for each year was multiplied by the rate to yield the forecasted patient days. The same approach was performed for each year, and for the population estimates for the county and the district. The applicant conducted a similar approach for its psychiatric services. The applicant states that by holding the use rate constant and applying it to population estimates, the results demonstrate the effect that population growth has on the demand for services. Although held constant, the applicant contends that the subdistrict's use rate will rise due to the continued aging of the population.

The applicant expects that for the first year of operation (2006), the occupancy rate for the new hospital will be 60 percent rising to 71 percent in the fifth year. This calculation does not account for the impact of observation days that are expected to increase the hospital's occupancy rate to 77 percent in the fifth year. The applicant feels that its quantification of need is likely understated due to the conservative basis of the model used. The applicant states that use rates are likely not to remain constant, are likely to increase as the population in the area ages, and the demand for health care services as residents of the area age.

2. Local Health Plan Preferences

Is need for the project proposed supported by the applicable district plan? ss. 408.035(1); 408037(1), Florida Statutes.

The Suncoast Health Council, Inc. adopted acute care preferences in October 2000. The local health planning preferences only address the expansion of acute care services and/or establishment of new services or the addition of beds. In addition, the District 5 generic preferences only apply to a transfer of beds, which assumes that the current physical plants will remain in operation. The replacement of an existing hospital is not specifically addressed by any of the local preferences. However, there are certain acute care preferences and specialty care preferences that are applicable and are addressed as follows:

Access for Medicaid and Indigent:

Preference shall be given to an applicant who proposes to locate a new facility in an area that will improve access for Medicaid and indigent patients.

Morton Plant Hospital Association, Inc. (CON #9538) states that North Bay Hospital will ensure that Medicaid and indigent patients will have access to the proposed new facility and commits to condition the certificate of need such that it will provide 9.7 percent of gross revenue to combined Medicaid/Medicaid HMO/charity/indigent patients. The applicant states that this is the actual level of care provided to these underserved population groups during 2001. The applicant further states that North Bay provided 8.4 percent of its CY 2001 gross revenue to Medicaid patients, surpassing the Pasco County average of 5.1 percent. In order to further ensure that the Medicaid and indigent population will continue to be served, the applicant commits to the provision of transportation to and from the current North Bay Hospital site and the proposed Trinity campus. Based on the applicant's financial projections contained in Financial Schedule 7A of the application, the hospital expects to provide 4.2 percent of total patient days to Medicaid recipients in both year one and year two (2006 and 2007). Charity care is not specifically shown. The actual agency financial data for Fiscal Year 2000, shows that North Bay Hospital provided 5.8 percent of total patient days to conventional Medicaid and 0.9 percent for gross charity care.

CON Action Number: 9538 and 9539

New Port Richey Hospital, Inc. (CON #9539) contends that access for Medicaid and indigent patients is expected to improve due to the location of the new hospital on U.S. Highway 54, an east-west thoroughfare and the fact that the relocation will still be within a five-mile radius of its present site. The applicant references the July 1, 2000 through June 30, 2001 data to show that Community Hospital provided 50 percent of the county's Medicaid days ranking it ahead of the next largest Medicaid provider, East Pasco Medical Center with 24 percent of the county's Medicaid days. Based on the applicant's financial projections contained in Financial Schedule 7A of the application, the hospital expects to provide 10.0 percent of total patient days to Medicaid recipients in each of the first two years of operation of the new facility. Charity care is not specifically shown. Based on actual financial data for Fiscal Year 2000, Community Hospital provided 7.4 percent of total patient days to conventional Medicaid and 0.8 percent for gross charity care.

The response from the City of New Port Richey as previously addressed, expresses opposition to the relocation of both hospitals largely because of the adverse impact for the elderly, low income, Medicaid eligible and charity care patients in the New Port Richey community. The city's response states that because of their limited income, these residents tend to rely upon Medicaid and the emergency departments of both hospitals for essential health care services.

According to the city response, the Trinity population demographics do not show a disadvantaged population or one that would be dependant on Medicaid. The city provided indicators to quantify this disparity in demographics between New Port Richey and Trinity, including data from the State Guidelines for Free and Reduced Price Meals (for students) and AHCA Medicaid data to show that the nearest hospital to Trinity, Helen Ellis Hospital, provides a lower percentage of Medicaid care. The city contends that this is indicative of the patient demographic base in the area.

Both applicants state that its respective provision of Medicaid and charity care will either improve or remain unchanged.

**Applicant Comparison Table
Medicaid and Charity Care Provision**

Applicant Facility	Current Medicaid Provision	Current Indigent Care Provision	Proposed Condition regarding Medicaid and/or Charity Care	Financial Schedule 7A MEDICAID Projections for Years One and Two
North Port (9538)	5.8%	0.9%	9.7% combined	4.2% each year
Community (9539)	7.4%	0.8%	none	10%

Timely Project Completion

In cases where an applicant is a corporation with previously awarded certificates of need, preference shall be given to those which follow through in a timely manner to construct and operate the additional facilities or beds and do not use them for later negotiations with other organizations seeking to enter or expand the number of beds they own or control.

With regard to this preference, only **New Port Richey Hospital, Inc. (CON #9539)** considers its project consistent with this preference. The applicant has previously developed CONs in what the applicant considers a timely manner. The applicant further states that in view of the extensive scope of the project to build a replacement hospital, that the type of negotiations contemplated by the preference is not a consideration. **Morton Plan Hospital Association, Inc. (CON #9538)** states that North Bay Hospital has had limited CON experience since affiliating with the applicant. As a result, the applicant states that this preference is not applicable.

Acute Care Beds Preference Statements

Certificate of Need applications that provide AHCA with documentation that they provide, or propose to provide, the largest percentage of Medicaid and charity care patient days in relation to other hospitals in the subdistrict.

**Comparison of Medicaid/Charity Care Provided In
District 5/Subdistrict 1 Acute Care Hospitals**

Hospital	Conventional Medicaid Days	Gross Charity Percentage
Regional Medical Center Bayonet	4.0%	0.9%
Community Hospital	7.4%	0.8%
North Bay Hospital	5.8%	0.9%
District 5 Average	9.3%	1.7%

Source: AHCA Financial Data, 2000

As shown in the above table, Community Hospital (CON #9539) provides a higher percentage of Medicaid patient days than the other two acute care hospitals in the subdistrict including North Bay (CON #9538) but slightly less charity care than these other two facilities. The Subdistrict 1 hospitals provide less Medicaid and charity care than the District 5 average.

Morton Plant Hospital Association, Inc. (CON #9538) commits to condition the Certificate of Need such that it will provide 9.7 percent of gross revenue to combined Medicaid/Medicaid HMO/charity/indigent patients. The applicant states that this is the actual level of care provided to these underserved population groups during 2001. Based on the applicant's financial projections contained in Financial Schedule 7A of the application, the hospital expects to provide 4.2 percent of total patient days to Medicaid recipients in both year one and year two (2006 and 2007). Charity care is not specifically shown.

New Port Richey Hospital, Inc. (CON #9539) does not wish to condition the Certificate of Need for the provision of Medicaid and/or charity care services. Based on the applicant's financial projections contained in Financial Schedule 7A of the application, the hospital expects to provide 10.0 percent of total patient days to Medicaid recipients in both year one and year two (2006 and 2007). Charity care is not specifically shown.

Certificate of Need applications requesting the transfer of beds and/or service complement should be given preference if the applicant can document commitment to provide care and assure access for the community regardless of ability to pay.

The proposed projects do not involve the transfer of beds per the intent of this preference.

Certificate of Need applications that document the cost-effectiveness and efficiency associated with the addition and/or transfer of new or existing beds. Minimally, this documentation should contain:

- **Changes(s) in operating costs and any increase/decrease in fixed costs, which will be incurred by the applicant due to the transfer of beds.**
- **Growth and demographic studies of the proposed referral area of the project.**
- **Availability of professionals and medical personnel in the proposed area, along with projected staffing and salary ranges.**
- **Referral patterns of area physicians by specialty, and patient origin studies of both the main campus and existing providers at the proposed transfer site.**

The proposed projects do not involve the transfer or addition of beds per the intent of this preference.

Certificate of Need applications that demonstrate intent to serve HIV/AIDS infected persons.

Both applicant hospitals accept and treat HIV/AIDS patients. **New Port Richey (CON #9539)** did not indicate how many HIV/AIDS patients have been treated. **Morton Plant (CON #9538)** states that North Bay Hospital treated only three patients with a diagnosis of HIV/AIDS last year, due primarily to a shift in treatment focus from inpatient to outpatient care. There is no indication given by either applicant that its respective relocation project will alter in any way the current treatment modalities provided for HIV/AIDS patients.

Certificate of Need applications that commit to provide a full array of acute care services including medical-surgical, intensive care, pediatric and obstetrical services within the subdistrict area for which they are applying.

Morton Plant Hospital Association, Inc. (CON #9538) states that North Bay Hospital provides a full array of acute care services, including medical/surgical, intensive care/cardiac care, surgical services and emergency services. However, in July, 2000, North Bay Hospital, with the concurrence and support of its medical staff, discontinued its pediatric and obstetrical services due to consistently low utilization of these services. The applicant does not rule out providing these services at the new location, provided a need exists in the future.

New Port Richey Hospital, Inc. (CON #9539) states its intention to provide the same services that it presently provides including all services indicated by the above preference. However, in late 2001, the hospital closed its recently constructed birthing center and stopped admitting pediatric patients. There is no indication given that obstetrics/pediatrics will be offered at the proposed new location.

In addition to the above preferences, both applicant's addressed the local preferences regarding specialized services to be relocated. North Bay (CON #9538) intends to relocate its comprehensive medical rehabilitation unit to the new Trinity location and Community Hospital (CON #9539) intends to relocate its inpatient adult psychiatric unit to the new site. The preferences addressed are similar to the acute care preferences and the applicants' response to its respective service was not note worthy and provided no pertinent additional information regarding the relocation plans for both applicants.

3. Agency Rule Preferences

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.

The following criteria and standards found in Chapter 59C-01.038(6) of the Florida Administrative Code are applicable to a request for additional acute care beds. Although neither proposed project involves a request for additional beds, a capital expenditure will be incurred as a result of building a replacement hospital.

- 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 applicants' history of providing services to medically indigent patients or a commitment to do so is considered an important factor in examining access to quality health care. Both applicants assert a history of providing Medicaid and charity care and a commitment to continue doing so in the future at its respective relocated site. However, only Morton Plant Hospital Association, Inc. (CON #9538) wishes to accept a condition on the CON regarding the provision of 9.7 percent of gross revenue to a combined grouping of Medicaid/Medicaid HMO/charity/indigent patients. Neither applicant hospital is classified as a Disproportionate Share provider for FY 2001-2002.

Comparison of Medicaid/Charity Care Provided In Applicant Hospitals

Hospital	Conventional Medicaid Days FY 2000	Gross Charity Percentage FY 2000	Projection in Financial Sch. 7A	Medicaid or Charity Care Condition
North Bay Hospital	5.8%	0.9%	4.2% Medicaid only	Yes 9.7% Combined
Community Hosp.	7.4%	0.8%	10.0% Medicaid only	No

Source: AHCA Hospital Financial Data FY2000 and CON Applications

As shown in the above table, Community Hospital (CON #9539) historically provides a higher percentage of Medicaid patient days but slightly less charity care patient days than North Bay Hospital (CON #9538). Although the Community Hospital project does not involve a requested CON condition relative to the provision of Medicaid and/or charity care, the hospital projects to serve a higher percentage of Medicaid patients in the first two years of operation per Financial 7A in the application.

It appears that the proposals will have little impact on the amount of care provided to the medically indigent. Concern was expressed about how easily this population will be able to access emergency room services if these hospitals relocate.

- 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.**

Neither applicant proposes additional acute care beds through the conversion of existing underutilized beds.

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.**

Morton Plant Hospital Association, Inc. (CON #9538) states that the intent of its proposal is to increase the availability, efficiency, and accessibility of acute care services at North Bay Hospital and within the SW Pasco County area. As previously discussed, the applicant's reasons for seeking the relocation of the hospital are (1) the current hospital is not adequate in size and scope to meet the current and future health care needs of its patients; (2) the current hospital site is inadequate in size to allow for facility expansions necessary to meet current and future patient care needs, (3) the population growth within the coastal section of the county is moving inland toward the Trinity area, and (4) the project completes Morton Plant's long range plan for its Trinity campus to establish comprehensive services at the Trinity campus including an acute care hospital.

The applicant again provided a discussion of the issues related to the current site and physical plant in an attempt to demonstrate the need to relocate the hospital. Although the applicant did not provide a professional study, assessment or analysis regarding current deficiencies it appears reasonably evident from the information provided that further development at the current hospital site is not feasible nor can other "options" considered by the applicant (replacement on site, satellite facility) be considered financially and operationally viable. Although the applicant acknowledges that both its project and the Community

CON Action Number: 9538 and 9539

Hospital proposal are similar in their reasons for relocating, it contends that the North Bay proposal has distinct health planning advantages over the Community Hospital proposal. The applicant cites hospital size as one advantage and contends that Community Hospital is more appropriately sized to meet the needs of New Port Richey, while North Bay Hospital is more appropriately sized to meet the needs of the Trinity community. This conclusion by the applicant is based on current population and does not consider future population growth in the Trinity area. It is important to note that both applicants state their intention to basically serve the same population they currently serve. The applicant also cites emergency room use by area residents that account for a significant amount of acute care admissions. The applicant contends that it is reasonable to assume that the larger facility (Community Hospital), with the lower acute care occupancy, would be in a better position to absorb the increase in emergency volume and acute care admissions than the smaller North Bay facility with 102 beds. The applicant contends that the North Bay facility does not have extensive unused capacity to treat any material increase in acute care volume and that if as little as 15 percent of Community Hospital's volume was shifted to North Bay, this would result in a 41 percent increase in annual utilization and push North Bay Hospital into an overflow situation, especially during the peak season months.

New Port Richey Hospital, Inc. (CON #9539) again addresses the age of the current physical plant and the constraints imposed by the site that necessitate that Community Hospital relocate. The applicant states that the relocation does not appreciably alter the services that will be provided and the hospital will continue to provide the same services. However, the applicant contends that with new functional space, improved responsiveness will result as well as the enhancement of availability and quality of care. The applicant contends that, although only five miles from the current site, the new hospital will improve accessibility since the new facility will be located on a major east-west thoroughfare, thus improving visibility and access, particularly for emergency transports.

In a comparative review of both projects, as expected, both applicants present similar arguments for approval, including facility and site constraints resulting in an inability to expand/renovate on site. In addition, both applicants basically cite similar reasons for relocating to the Trinity area. While it is recognized that population growth has shifted away from the coastal area, the major population concentration still remains in the coastal area and in the immediate New Port Richey area. It therefore appears, that accessibility and availability of health care services will not be enhanced or improved for this population by

CON Action Number: 9538 and 9539

either proposal, although both proposed hospital sites will be accessible to all county residents within a reasonable travel time. Only the North Bay proposal (CON #9538) addresses possible re-use options for the current facility including outpatient services, urgent care services, behavioral health services, long term care, etc. In addition, North Bay will provide free van transportation services to and from the current facility and the Trinity area. The Community Hospital proposal does not propose any on site clinical use of the existing site or address transportation options for residents of the New Port Richey area. Another consideration involves emergency room visits and resulting admissions. It is likely that if both proposals are approved, access to emergency services and inpatient beds will not be improved, provided transportation options to the Trinity area or other area hospitals prove to be a barrier for New Port Richey/coastal residents. With regard to utilization of like and existing services, both applicants contend that its market share will remain intact with no material service area or market shifts anticipated.

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

Morton Plant Hospital Association, Inc. (CON #9538) states that the hospital and its affiliates have many approvals and accreditations documenting the quality of care provided. In addition to being accredited by the Joint Commission for the Accreditation of Health Care Organizations (JCAHCO) and the Commission for the Accreditation of Rehabilitation Facilities (CARF), North Bay and its related Morton Plant entities have been the recipient of numerous awards. However, the awards cited by the applicant appear to be primarily for Morton Plant Hospital and not North Bay Hospital specifically. As previously noted, North Bay Hospital was purchased by Morton Plant in 1999 after being operated by several different entities through the years. The applicant contends that the hospital's affiliation will ultimately benefit the patients who will utilize the proposed new facility.

CON Action Number: 9538 and 9539

According to the most recent EMTALA/complaint reports provided by the hospital section, the hospital has had 20 allegations since 1999 with five confirmed violations including one) emergency access violation, one patient billing violation, one patient care violation, one dietary violation and a medicine problem/error violation. The other allegations were either not confirmed or not investigated. According to licensure records, there are no uncorrected life safety issues at the hospital for the most recent survey.

New Port Richey Hospital, Inc. (CON #9539) is JCAHO accredited, considered an indication of the facility's ability to provide quality of care. The applicant provided a reasonable description of Community Hospital's Performance Improvement Plan, used as an ongoing evaluation of the services provided and the staff that perform them.

According to the most recent EMTALA/complaint reports provided by the Bureau of Health Facility Regulation, the hospital has had 59 allegations since 1997 with 18 confirmed violations including three emergency access violations, six patient billing violations, two patient care violation, one surgical procedure violation, one patient rights violation, one supervision violation, one physical plant violation, one pressure sore violation and one medicine problem/error/formula violation. The other allegations were either not confirmed, not investigated or no information provided. According to licensure records, there are no uncorrected life safety issues at the hospital for the most recent survey.

- 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 health care services that are not reasonably or economically accessible in adjacent districts.

- d. Is the 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.**

Neither North Bay Hospital or Community Hospital are statutorily defined teaching hospitals. However, both applicants state that its current hospital and respective proposals are committed to ongoing education to improve the clinical competencies of its staff.

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

Morton Plant Hospital Association, Inc. (CON #9538): 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:

Financial Accounts and Ratios Table

	<u>12/31/2000</u>	<u>12/31/1999</u>
Current Assets	\$ 88,257,000	\$ 75,457,000
Cash and Current Investment	\$ 2,689,000	\$ 2,235,000
Assets Restricted for Capital Projects	\$ 153,430,000	\$ 136,578,000
Total Assets	\$ 586,504,000	\$ 523,765,000
Current Liabilities	\$ 35,667,000	\$ 59,615,000
Total Liabilities	\$ 157,467,000	\$ 150,357,000
Total Equity	\$ 429,037,000	\$ 373,408,000
Net Operating Revenues	\$ 390,341,000	\$ 287,400,000
Interest Expense	\$ 6,802,000	\$ 5,408,000
Net Profit - Operations	\$ (880,000)	\$ 9,124,000
Net Income	\$ 10,117,000	\$ 21,221,000
Cash Flow from Operations	\$ 30,567,000	\$ 14,339,000
Working Capital	\$ 52,590,000	\$ 15,842,000
Current Ratio (CA/CL)	2.5	1.3
Cash Flow to Current Liabilities (CFO/CL)	0.9	0.2
Long-Term Debt to Equity (TL-CL/TE)	0.3	0.2
Times Interest Earned (NPO+Int/Int)	0.9	2.7
Equity to Total Assets (TE/TA)	73.2%	71.3%
Operating Margin (NPO/NOR)	-0.2%	3.2%
Total Margin (NI/NOR)	2.6%	7.4%
Return on Assets (NI/TA)	-0.2%	4.1%
Operating Cash Flow to Assets (CFO/TA)	5.2%	2.7%

Short-term position:

The applicant's current ratio of 2.5 indicates current assets are two and one half times that of short-term liabilities, an adequate position. The working capital (current assets less current liabilities) of \$53 million is significant. The ratio of cash flow to current liabilities of 0.9 is good. The applicant has a satisfactory short-term position.

Long-term position:

The long-term debt to equity of 0.3 is better than average for Florida hospitals. The cash flow to assets of 5.2 percent is adequate. The most recent year had an operating loss of \$(880,000), which resulted in a margin of -0.2 percent, a weak level. The applicant had income from investments in the amount of \$10.8 million that was classified as non-operating gains. The previous year had an operating profit of \$9 million with a margin of 3.2 percent. The total equity of \$429 million with the equity to assets of 73.2 percent is very strong. Even with the current year's small loss the applicant has a satisfactory long-term position.

Capital requirements:

Schedule 2 indicates the applicant had \$232.8 million in capital projects planned or underway. The audited financial statements disclosed long-term debt maturities of \$18.5 million through 2005. When this debt repayment is added to the Schedule 2 projects it would total \$251.3 million.

Available capital:

Schedule 2 indicates funding for these projects will come from cash in hand of \$158.7 million and the balance from the issuance of bonds. The applicant's audited financial statement for December 31, 2000 shows cash, short-term investments, and funds limited for capital improvements of \$156 million. The audit shows cash flows for the most recent year of \$31 million, and \$14 million for the previous year. If the average of these two years continues through 2005 it would result in another \$113 million being available. A letter in the application from Merrill Lynch suggests the bond issue will receive good ratings.

Conclusion:

With potentially \$269 million from cash and cash flows available along with the good financial position supporting a bond issue, the applicant should be able to fund all capital requirements as needed.

New Port Richey Hospital, Inc. (CON #9539): 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:

CON Action Number: 9538 and 9539**Financial Accounts and Ratios Table**

	<u>12/31/2000</u>	<u>12/31/1999</u>
Current Assets	\$ 22,905,161	\$ 19,724,250
Cash and Current Investment	\$ 0	\$ 0
Assets Restricted for Capital Projects	\$ 0	\$ 0
Total Assets	\$ 92,019,262	\$ 93,591,367
Current Liabilities	\$ 8,808,731	\$ 9,977,334
Total Liabilities	\$ 8,829,209	\$ 9,977,334
Total Equity	\$ 83,190,053	\$ 83,614,033
Net Operating Revenues	\$ 94,773,786	\$ 92,673,492
Interest Expense	\$ 0	\$ 0
Net Profit – Operations	\$ (2,345,271)	\$ 9,309,621
Net Income	\$ (423,980)	\$ 6,630,727
Cash Flow from Operations	\$ (220,223)	\$ 8,239,188
Working Capital	\$ 14,096,430	\$ 9,746,916
Current Ratio (CA/CL)	2.6	2.0
Cash Flow to Current Liabilities (CFO/CL)	0.0	0.8
Long-Term Debt to Equity (TL-CL/TE)	0.0	0.0
Times Interest Earned (NPO+Int/Int)	na	na
Equity to Total Assets (TE/TA)	90.4%	89.3%
Operating Margin (NPO/NOR)	-2.5%	10.0%
Total Margin (NI/NOR)	-0.4%	7.2%
Return on Assets (NI/TA)	-2.5%	7.1%
Operating Cash Flow to Assets (CFO/TA)	-0.2%	8.8%

Short-term position:

The applicant's current ratio of 2.6 indicates current assets are over two and one half times that of short-term liabilities, an adequate position. The working capital (current assets less current liabilities) of \$14 million is adequate. The ratio of cash flow to current liabilities of 0.0 is very weak. The applicant has a mediocre short-term position.

Long-term position:

The long-term debt to equity of 0.0, indicating no long-term debt is excellent. The cash flow to assets of -0.2 percent reflects the poor negative cash flow. The most recent year had an operating loss of \$-2.3 million, which resulted in a negative margin of -2.5 percent, a weak level. The previous year had an operating profit of \$9.3 million with a margin of 7.2 percent. The total equity of \$83.2 million with the equity to assets of 90.4 percent is very strong. The lack of long-term debt and strong equity is a strong plus, however this is offset by the net loss and negative cash flow. The majority of equity is retained earnings of \$77 million, which indicates significant previous earnings. This level of equity and retained earnings minimizes the concern for the one year of poor operations. The long-term position is considered adequate.

Capital requirements:

Schedule 2 indicates the applicant had \$220.4 million in capital projects planned or underway. With no long-term debt this amount is the total capital needed.

Available capital:

Schedule 2 indicates funding for these projects will come from cash in hand of \$9.2 million, cash flows from operations of \$8.0 million, \$196 million (this project) from an intercompany loan from the parent HCA and the balance of \$6.3 million is currently being sought. The applicant's audited financial statement for December 31, 2000 shows no cash or investments on hand. If we average the two years presented, the cash flow statement would support \$4 million annual cash flows. A letter from HCA indicates it will provide funding for 100 percent of the cost of the replacement facility. A copy of HCA's financial statements provided in the 10K report support its ability to provide this funding.

Conclusion:

When we consider all facets of the funding plan, the applicant should be able to fund all capital requirements as needed.

f. 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 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.

CON Action Number: 9538 and 9539

Comparative data were derived from hospitals in peer groups that reported data in 2000; the applicant will be compared to the hospitals in group 4. 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.

Morton Plant Hospital Association, Inc. (CON #9538): Gross revenues, net revenues, and costs were obtained from Schedules 7 and 8 in the financial portion of the application. These were compared to the control group as a calculated amount per adjusted patient day. The adjustment is made to factor out the outpatient revenues in the per patient day computation.

Net revenue per adjusted patient day (NRAPD) of \$1,089 in year one and \$1,103 in year two is similar to the control group lowest values of \$1,082 in year one and \$1,114 in year two. The lowest level is generally viewed as the practical lower limit on economies of operation. With net revenues falling at the lowest level, the facility is not likely to consume health care resources in proportion to the services provided. (See Comparative Table). The 2000 actual NRAPD for this hospital was \$1,084, which was between the lowest and the median in that year. The estimates for year 2006 being similar to the actual 2000 amounts raises concern for the reasonableness of the projected net revenues.

Projected cost per adjusted patient day of \$1,080 in year one and \$1,069 in year two is between the group lowest and median values of \$962 and \$1,258 in year one and \$991 and \$1,296 in year two. (See Comparative Table). The 2000 actual CAPD for this hospital was \$1,060, which was just below the median in the group. There is also some concern for the reasonableness of the projected costs as they may be materially understated.

The year two operating profit for the hospital of \$1.5 million computes to an operating margin per adjusted patient day of \$34 which is similar to the peer group median of \$38. The operating margin computes to 3.1 percent, which is about average for Florida hospitals. The 2000 financial data submitted to the agency shows the hospital with an operating margin per adjusted patient day of \$23, which is not significantly different from the projected margin. For year two this project makes a net contribution of \$1.5 million to the facility's margin. The projected margins appear to be reasonable.

CON Action Number: 9538 and 9539

The projected level of charity care as indicated in the notes to Schedule 7 is 1.3 percent. The historical 2000 charity care was reported to be 0.9 percent. This increase in charity care would have a minimal influence to decrease net revenues per patient day and to increase costs per patient day.

Overall, it appears the projections present net revenues and costs per patient day lower than would be expected using normal inflation rates. While the project may be financially feasible, it is felt that higher per patient day revenues and costs would be more reasonable.

Comparative Table for North Bay Hospital and Peer Group 4 Hospitals

CON # 9538					
North Bay	2007	YEAR 2	<u>INFLATION ADJ.</u>		
2000 DATA Peer Group 4	YEAR 2	ACTIVITY	<u>VALUES</u>		
	ACTIVITY	PER DAY	Highest	Median	Lowest
ROUTINE SERVICES	120,613,626	2,640	1,018	525	327
INPATIENT AMBULATORY	0	0	98	53	27
INPATIENT ANCILLARY SERVICES	0	0	3,911	2,038	1,373
OUTPATIENT SERVICES	55,350,420	1,211	2,225	1,572	878
OTHER OPERATING REVENUE	246,677	5	199	8	1
TOTAL REVENUE	176,210,723	3,857	6,742	3,863	2,741
DEDUCTIONS FROM REVENUE	125,810,243	2,754	*	*	*
NET REVENUES	50,400,480	1,103	1,638	1,383	1,114
EXPENSES					
ROUTINE	9,297,706	204	293	213	153
ANCILLARY	19,829,042	434	568	447	347
AMBULATORY	0				
OVERHEAD	19,734,905	432	787	593	397
TOTAL EXPENSES	48,861,653	1,069	1,583	1,296	991
OPERATING INCOME	1,538,827	34	261	38	-120
		3.1%			
PATIENT DAYS	30,894		NOT INFLATION ADJUSTED		
ADJUSTED PATIENT DAYS	45,688				
TOTAL BED DAYS AVAILABLE	44,530				
ADJ. FACTOR	0.6762				
TOTAL NUMBER OF BEDS	122				
PERCENT OCCUPANCY	69.4%		90.2%	49.4%	26.8%
<u>PAYER TYPE</u>	PATIENT	% TOTAL			
MEDICARE	15,910	51.5%	77.9%	50.3%	28.7%
COMMERCIAL	1,112	3.6%			
MEDICAID	1,298	4.2%	12.5%	4.7%	1.3%
PRIVATE	1,483	4.8%			
HMO/PPO	10,720	34.7%	53.7%	35.4%	10.1%
OTHER	371	1.2%			
TOTAL	30,894	100.0%			

New Port Richey Hospital, Inc. (CON #9539): Gross revenues, net revenues, and costs were obtained from Schedules 7 and 8 in the financial portion of the application. These were compared to the control group as a calculated amount per adjusted patient day. The adjustment is made to factor out the outpatient revenues in the per patient day computation.

Net revenue per adjusted patient day (NRAPD) of \$1,570 in year one and \$1,511 in year two is between the control group median and highest values of \$1,343 and \$1,592 in year one and \$1,384 and \$1,639 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 \$959, which was between the lowest and the median in that year.

Projected cost per adjusted patient day of \$1,633 in year one and \$1,545 in year two is similar to the group highest values of \$1,536 in year one and \$1,583 in year two. (See Comparative Table). The 2000 actual CAPD for this hospital was \$985, which was between the lowest, and the median in that year.

The historical level on both net revenues and costs per patient day approached the lowest level in the group and the projections are close to the highest in the group. Notes to Schedules 7 and 8 indicated the projections were based in part on historical operations. There was no explanation about the significant deviation from the historical reported amounts.

The year two operating loss for the hospital of \$1.5 million computes to an operating margin per adjusted patient day of \$-34 which is between the peer group lowest of \$-120 and median of \$38. The projections present years 3, 4, and 5 showing a profit of \$2.6 million in year 4 and \$6.3 million in year 5. The 2000 financial data submitted to the agency shows the hospital with an operating margin per adjusted patient day of \$-26. For year two this project makes a negative net contribution of \$-7.0 million to the facility's margin. The projected margins appear to be reasonable; however, they present some concern for the initial operations at the new facility. The adequate net worth of the applicant and the significant financial strength of the parent give assurance that minimizes this concern. While the applicant's financial ability to operate the facility is not in question, the project represents a costly and a financially inefficient method of relocating the hospital in the near-term.

CON Action Number: 9538 and 9539

Comparative Table for North Bay Hospital and Peer Group 4 Hospitals

CON # 9539						
New Port Richey Community	2007	YEAR 2	<u>INFLATION ADJ.</u>			
	YEAR 2	ACTIVITY	<u>VALUES</u>			
	ACTIVITY	PER DAY	Highest	Median	Lowest	
ROUTINE SERVICES	548,613,960	4,304	1,018	526	327	
INPATIENT AMBULATORY	0	0	98	53	27	
INPATIENT ANCILLARY SERVICES	0	0	3,914	2,040	1,374	
OUTPATIENT SERVICES	208,599,475	1,636	2,227	1,573	879	
OTHER OPERATING REVENUE	439,637	3	199	8	1	
TOTAL REVENUE	757,653,072	5,943	6,747	3,866	2,743	
DEDUCTIONS FROM REVENUE	565,031,272	4,432	*	*	*	
NET REVENUES	192,621,800	1,511	1,639	1,384	1,115	
EXPENSES						
ROUTINE	41,277,708	324	294	213	154	
ANCILLARY	34,395,544	270	569	447	347	
AMBULATORY	7,131,306					
OVERHEAD	68,848,553	540	787	594	397	
OTHER	45,309,167	355				
TOTAL EXPENSES	196,962,278	1,545	1,583	1,297	991	
OPERATING INCOME	-4,340,478	-34	261	38	-120	
		-2.3%				
PATIENT DAYS	86,201		NOT INFLATION ADJUSTED			
ADJUSTED PATIENT DAYS	127,479					
TOTAL BED DAYS AVAILABLE	137,240					
ADJ. FACTOR	0.6762					
TOTAL NUMBER OF BEDS	376					
PERCENT OCCUPANCY	62.8%		90.2%	49.4%	26.8%	
<u>PAYER TYPE</u>	<u>PATIENT</u>	<u>% TOTAL</u>				
	DAYS					
MEDICARE	50,207	58.2%	77.9%	50.3%	28.7%	
COMMERCIAL	867	1.0%				
MEDICAID	8,600	10.0%	12.5%	4.7%	1.3%	
PRIVATE	3,280	3.8%				
HMO/PPO	23,247	27.0%	53.7%	35.4%	10.1%	
OTHER	0	0.0%				
TOTAL	86,201	100.0%				

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

Morton Plant Hospital Association, Inc. (CON #9538) projects managed care to represent 34.7 percent of its patient days. This is just below the control group’s median level of 35.4 percent and is lower than the hospital’s own 2000 managed care level of 42.5 percent. The applicant’s level of managed care will have no discernible impact on competition to promote quality assurance and cost-effectiveness.

New Port Richey Hospital, Inc. (CON #9539) projects managed care to represent 27.0 percent of its patient days. This is below the control group’s median level of 35.4 percent and is similar to than the hospital’s own 2000 managed care level of 26.6 percent. The applicant’s level of managed care will have no discernible impact on competition to promote quality assurance and cost-effectiveness.

Financial Comparisons Between North Bay Hospital and Community Hospital

	Beds	Net Rev. per day	Total Cost per day	Oper Profit per day	Projected Charity percent	Historical Charity percent	Managed Care percent	Medicaid percent
North Bay	122	1,103	1,069	34	1.3	0.9	34.7	4.2
Community	376	1,511	1,545	-34	0.67	0.8	27	10

- 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.**

Morton Plant Hospital Association, Inc. (CON #9538) proposed to construct a replacement facility for the existing 122-bed North Bay Hospital in New Port Richey. The proposed new hospital will have the same number of beds and all patient rooms will be rooms with private baths. There will be 102 general acute care beds and 20 rehabilitation beds. A four-story building is planned with provisions for future vertical expansion. Additionally, there will be a 6,000 square foot central energy plant building that will also house the facility maintenance department. There will be parking for 696 cars.

CON Action Number: 9538 and 9539

The application includes a site plan of the 20+ acre campus, and plans of all four floors as well as large-scale plans of typical patient rooms. The patient rooms appear to meet all codes. The design professionals who prepared the plans included in the application have extensive health care experience and are thoroughly familiar with the building codes that have recently been adopted by the state. All disaster preparedness requirements of the Florida Building Code have also been addressed in the application.

The design overall is quite compact and is a rectangular building on the first floor with a T-shaped tower extending up to form the second through fourth floors. The building is quite efficient, but there appears to be no easy way to expand some of the departments located on the first floor. For example, the surgery suite has five operating rooms and a cysto room and is located on the interior of the floor. Since this is a replacement facility, the design professionals were not constrained by any existing construction. Because of this, it can be assumed that they have provided all the spaces and functions that the owner asked for. Perhaps no need for future expansion horizontally was envisioned.

The time frame proposed may be overly conservative with only 18 months allowed from September 2003 to building completion in February 2005. The time for Site Preparation at 3 months sounds reasonable, assuming a good site is selected. All the proposed dates in the Application are somewhat hypothetical since no Site has been selected. Costs and construction appear to be in the reasonable.

In summary, the layout of the various floors is well thought out and appears to have all the functions that a hospital should have.

New Port Richey Hospital, Inc. (CON #9539) proposes to construct a replacement facility for the existing 401-bed hospital in New Port Richey. The proposed new hospital will have 376 beds and all patient rooms will be private with private baths. There will be 320 general acute care beds and 56 adult psychiatric beds. A six-story hospital building is planned with provisions for future expansion in several directions. The facility will also have a connected one-story psychiatric services building for a total of 548,995 gross square feet. There is extensive area for parking provided on site as well as several areas for future buildings on the same campus.

CON Action Number: 9538 and 9539

The application includes a site plan, and plans of all floors as well as large-scale plans of typical patient rooms. The patient rooms appear to meet all codes. The design professionals who prepared the plans included in the application have extensive health care experience and are thoroughly familiar with the building codes that have recently been adopted by the state. There are lists of applicable codes in the application and all disaster preparedness requirements of the Florida Building Code have been addressed in the application.

The design overall is compact and has large first and second floors with patient room floors extending up to six stories. The building is quite efficient, and the layout will permit future expansion with minimal disruption of services. An interesting aspect of the building is that the kitchen and dining areas are on the second floor. Access to the kitchen with deliveries is handled with what appear to be dedicated elevators. This concept is probably due to the fact that most of any future expansion would be on the first floor.

In summary, the layout of the various floors is well thought out and appears to have all the functions that a hospital should have. The schedule is reasonable and costs seem to be similar to other projects of this scope.

- 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 a comparison of the provision of Medicaid/charity care by District 5/Subdistrict 1 providers:

**Comparison of Medicaid/Charity Care Provided In
District 5/Subdistrict 1 Acute Care Hospitals**

Hospital	Conventional Medicaid Days	Gross Charity Percentage
Regional Medical Center Bayonet	4.0%	0.9%
Community Hospital	7.4%	0.8%
North Bay Hospital	5.8%	0.9%
District 5 Average	9.3%	1.7%

Source: Financial Data, FY 2000

CON Action Number: 9538 and 9539

As shown above, Community Hospital provides the highest percentage of Medicaid days in comparison with the other two hospitals in Subdistrict 1, including North Bay. The charity care provision is similar for all three subdistrict hospitals. The subdistrict provision of Medicaid and charity care falls short of the District 5 average for both groupings. None of the subdistrict hospitals are classified as Medicaid Disproportionate Share providers.

Morton Plant Hospital Association, Inc. (CON #9538) states that North Bay Hospital is committed to continuing to provide care to all patients, including Medicaid/charity/indigent patients. The applicant references its own commitment by providing \$18.3 million in total charitable care and community service during CY 2000 through the hospital association, which includes Morton Plant Hospital. According to the applicant, North Bay Hospital provided 8.4 percent of its CY 2001 gross revenue to Medicaid patients, surpassing the Pasco County average of 5.1 percent. The applicant points out that this percentage is unusually high, given that the hospital no longer provides obstetrics, pediatrics or neonatal intensive care services, which traditionally serves higher levels of these patients. The applicant commits to condition the certificate of need such that it will provide 9.7 percent of gross revenue to combined Medicaid/Medicaid HMO/charity/indigent patients which is the current level of care provided to these groupings. In order to further ensure that the Medicaid and indigent population will continue to be served, the applicant commits to the provision of transportation to and from the current North Bay Hospital site and the proposed Trinity campus. Based on the applicant's financial projections contained in Financial Schedule 7A of the application, the hospital expects to provide 4.2 percent of total patient days to Medicaid recipients in both year one and year two (2006 and 2007). Charity care is not specifically shown. The actual agency financial data for Fiscal Year 2000, shows that North Bay Hospital provided 5.8 percent of total patient days to conventional Medicaid and 0.9 percent for gross charity care).

New Port Richey Hospital, Inc. (CON #9539) states that the hospital's historical provision of services by payer reflects 10 percent of its total patient days delivered to Medicaid recipients during the most recent period, July 1, 2000 through June 30, 2001, and another 2.54 percent of total patient days to self-pay, which includes charity or uncompensated care. The applicant references this time period to show that Community Hospital provided 50 percent of the county's Medicaid days ranking it ahead of the next largest Medicaid provider, East Pasco Medical Center with 24 percent of the county's Medicaid days. The applicant further states that the most recent budget information for the hospital, shows that charity care represents 0.50 percent of total patient charges for

CON Action Number: 9538 and 9539

inpatients and the same proportion for outpatient charges. The applicant contends that this amount corresponds to 0.67 percent of total inpatient days throughout the projection period. Based on the applicant's financial projections contained in Financial Schedule 7A of the application, the hospital expects to provide 4.2 percent of total patient days to Medicaid recipients in both year one and year two (2006 and 2007). Charity care is not specifically shown. According to the Hospital Financial Data Guide for FY 2000, Community Hospital provided 7.4 percent of total patient days to conventional Medicaid and 0.8 percent for gross charity care.

It is once again pointed out that the City of New Port Richey expresses opposition to the relocation of both hospitals largely because of the adverse impact for the elderly, low income, Medicaid eligible and charity care patients in the New Port Richey community. The city's response states that because of their limited income, these residents tend to rely upon Medicaid and the emergency departments of both hospitals for essential health care services. According to the city's response, the Trinity population demographics do not show a disadvantaged population or one that would be dependant on Medicaid. The city provided indicators to quantify this disparity in demographics between New Port Richey and Trinity, including data from the State Guidelines for Free and Reduced Price Meals for students and AHCA Medicaid data to show that the nearest hospital to Trinity, Helen Ellis Hospital, provides a lower percentage of Medicaid care. The city contends that this is indicative of the patient demographic base in the area. Unlike Morton Plant, New Port Richey Hospital, Inc. has not indicated that it will provide transportation to the poor currently living in close proximity to the existing hospital. And unlike Morton Plant, New Port Richey Hospital, Inc. has not proposed to condition award of the CON upon providing some portion of its patient days to the medically indigent.

Both applicants state that its respective provision of Medicaid and charity care will either improve or remain unchanged.

F. SUMMARY

Morton Plant Hospital Association, Inc. (CON #9538) proposes to relocate and construct a replacement facility for the currently licensed 122-bed North Bay Hospital located in New Port Richey, Florida.

The total costs for the North Bay replacement hospital are estimated to be \$74,120,000. The replacement hospital will consist of 233,313 gross square feet of new construction and construction costs of \$41,543,035.

The applicant is requesting that the CON be conditioned to provide 9.7 percent of gross revenue to combined Medicaid and charity care patients.

After weighing and balancing all relevant criteria, the following issues are presented:

Fixed Need Pool:

- The proposed project is not submitted in response to the fixed need pool, as the applicant is not seeking to add beds to the hospital or the subdistrict. The project is subject to review in accordance with Chapter 59C-1.004(1)(b), that requires review of the new construction or establishment of additional health care facilities, including a replacement health care facility when the proposed project site is not located on the same site as the existing health care facility.
- The applicant's justification for the project is largely based on three core reasons: (1) the inadequacy of the current hospital in size and scope to meet health care needs in the area; (2) current site is inadequate in size to allow for future expansion; and (3) a desire to move to an expanding growth area in the county.
- The applicant reasonably demonstrated a need to replace the current hospital off site based on the inadequacies inherent in a building originally constructed 37 years ago, aging systems, and a restricted site.
- The proposed location of the replacement hospital is approximately five miles from its current location.

Quality of Care:

- The applicant reasonably demonstrates that it has a reasonable history of providing quality of care, an indication being the hospital's JCAHO accreditation and compliance with all licensure requirements of the State of Florida. The replacement of a substandard structure will likely improve the quality of care in the subdistrict.

Cost/Financial Analysis:

- Based on the applicant's financial position and available cash flow, funding for this project and all other capital projects is assured.
- There is some concern that the applicant's projections present net revenues and costs per patient day lower than would be expected using normal inflation rates. While the project may prove to be financially feasible, the financial review determined that higher per patient day revenues and costs would be more reasonable.
- The applicant's projected managed care provision is less than the control group lowest level. The financial analyst concluded that the applicant's level of managed care will have no discernible impact on competition to promote quality assurance and cost-effectiveness.

Medicaid/Indigent Charity Care Commitment:

- The applicant's provision of 5.8 percent and 0.9 percent of total patient days for Medicaid and charity care respectively is less than the District 5 average. It is not a Medicaid Disproportionate Share Provider.
- According to Financial Schedule 7A, the applicant projects that Medicaid patient days will represent 4.2 percent of total patient days in the second year of operation of the proposed replacement facility. Charity care in year two is not specifically shown. The applicant is requesting that the project be conditioned to provide 9.7 percent of gross revenue to the combined grouping of Medicaid/Medicaid HMO/charity and indigent patients.

Architectural Analysis:

- The architectural review reveals that the layout of the various floors of the replacement facility is well designed and appears to have all the necessary functions.
- There appear to be no substantive architectural concerns with the design of the project as submitted.

New Port Richey Hospital, Inc. (CON# 9538) proposes to relocate and replace the 401-bed Community Hospital of New Port Richey. The hospital is presently licensed for 345 acute care beds and 56 adult psychiatric beds. With this project, the hospital proposes to relinquish 25 beds, resulting in a total licensed bed complement of 376.

The replacement hospital will consist of 548,995 square feet and a total cost of \$196,849,328. The estimated construction cost will be \$96,074,125.

After weighing and balancing all relevant criteria, the following issues are presented:

Fixed Need Pool:

- The proposed project is not submitted in response to the fixed need pool, as the applicant is not seeking to add beds to the hospital or the subdistrict. The project is subject to review in accordance with Chapter 59C-1.004(1)(b), that requires review of the new construction or establishment of additional health care facilities, including a replacement health care facility when the proposed project site is not located on the same site as the existing health care facility.
- The applicant's justification for the replacement hospital largely stems from what appears to be severe spatial constraints that presently exist at Community Hospital, as well as current site constraints. The applicant also desires to move to the expanding growth area in Trinity, approximately five miles from the current site.

CON Action Number: 9538 and 9539

- The applicant reasonably demonstrated a need to replace the current hospital off site based on the inadequacies inherent in a building originally constructed between 1969 and 1971. The applicant provided a professional assessment of the current hospital that provides a complete overview of the architectural, mechanical, electrical and fire protection systems presently at Community Hospital, and identifies opportunities for improvements.
- The proposed location of the replacement hospital is approximately five miles from its current location.

Quality of Care:

- The applicant reasonably demonstrates that it has a reasonable history of providing quality of care, an indication being the hospital's JCAHO accreditation and compliance with all licensure requirements of the State of Florida. The replacement of a substandard structure will likely improve the quality of care in the subdistrict.

Cost/Financial Analysis:

- Based on cash-in-hand, cash flows from operations and a substantial intercompany loan from the parent HCA, the applicant should be in a position to fund all capital requirements as needed.
- There is some concern regarding the applicant's projected initial operating margins. However, the adequate net worth of the applicant and the significant financial strength of the parent give assurance that minimizes this concern. The financial analyst concludes that, while the applicant's financial ability to operate the facility is not in question, the project represents a costly and financially inefficient method of relocating the hospital in the short-term.
- The applicant's projected managed care provision is less than the control group lowest level and similar to the hospital's current level. The financial analyst concluded that the applicant's level of managed care will have no discernible impact on competition to promote quality assurance and cost-effectiveness.

Medicaid/Indigent Charity Care Commitment:

- The applicant's provision of 7.4 percent and 0.8 percent of total patient days for Medicaid and charity care respectively, is less than the District 5 average. It is not a Medicaid Disproportionate Share Provider.
- According to Financial Schedule 7A, the applicant projects that Medicaid patient days will represent 10.0 percent of total patient days in the second year of operation of the proposed replacement facility. Charity care in year two is not specifically shown.

Architectural Analysis:

- The architectural review reveals that the building is efficient and designed for future expansion with minimal disruption of services. It appears that the building will meet all applicable codes and requirements.
- There appear to be no architectural concerns with the design of the project as submitted. The schedule appears reasonable and costs appear to be similar to other projects of this scope.

G. RECOMMENDATION

Approve CON #9538 to construct a replacement hospital. The project cost totals \$74,120,000 and involves 283,313 GSF of construction and \$41,543,035 in construction costs.

CONDITIONS:

- (1) A minimum of 9.7 percent of the total annual patient days in the replacement facility shall be provided to Medicaid and charity patients on a continued basis.
- (2) Transportation from the current North Bay Hospital site to the new hospital will be provided.

Approve CON #9539 to construct a replacement hospital. The project cost totals \$196,849,328 and involves 548,995 GSF of construction and construction costs of \$96,074,125.

CONDITION: A minimum of 10 percent of the total annual patient days in the replacement facility shall be provided to Medicaid patients.

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