

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

**A. PROJECT IDENTIFICATION**

1. Applicant/CON Action Number

**Adventist Health System/Sunbelt, Inc./CON #9542**  
d/b/a Florida Hospital, operating  
Winter Park Memorial Hospital  
601 East Rollins Street  
Orlando, Florida 32803

Authorized Representative: Richard E. Morrison  
(407) 303-1607

2. Service District/Subdistrict

District 7 (Brevard, Orange, Osceola and Seminole Counties)

**B. PUBLIC HEARING**

Although no public hearing was requested, the applicant submitted five letters of support from medical doctors on the staff of the hospital. The general consensus of the physicians is that the transfer of beds from Florida Hospital Orlando to Winter Park Memorial Hospital will provide access to a rehabilitation program that will be vital to the successful recovery of many of their patients. As stated in one letter; "The continuum of care being located within the same building allows our patients to have quality care with a team of orthopedic specialists who understand our protocols of post-surgical care." The five letters represent 27 physicians including specialists in physical medicine and orthopedics.

**C. PROJECT SUMMARY**

**Adventist Health System/Sunbelt, Inc. (CON #9542)** is a not-for-profit corporation that owns and operates both Florida Hospital Orlando located at 601 East Rollins Street in Orlando and Winter Park Memorial Hospital located at 200 North Lakemont Avenue in Winter Park, the subjects of this transfer application. The applicant is seeking to transfer 20 of the existing 49 comprehensive medical rehabilitation (CMR)

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inpatient beds from the Florida Hospital Orlando campus to the Winter Park Memorial Hospital campus. Both hospitals are located in the same CMR planning area. This will reduce the total number of operational beds at Florida Hospital Orlando from 902 to 882 beds. The 20 CMR beds being transferred to Winter Park Memorial Hospital will not add to the total licensed capacity of the facility because the applicant indicates that it will convert 19 hospital-based skilled nursing beds (HBSNU) approved under CON #9409 on March 29, 2001 and licensed in January of 2002, and one acute care bed to a CMR bed. The hospital currently has a total 316 beds consisting of 292 acute beds, five Level II neonatal intensive care unit (NICU) beds and 19 HBSNU beds. If approved, Winter Park Memorial Hospital will continue to operate a total of 316 beds: 20 CMR, five Level II NICU and 291 acute care beds.

The project involves renovation of 3,275 GSF at a cost of \$420,000. The total cost of the proposed project is expected to be \$673,371. Upon completion of the project, the applicant intends to operate the 29 CMR beds remaining at Florida Hospital Orlando in the same space it now uses for 42 of the 49 beds. The applicant states that square footage per CMR bed will increase at Florida Hospital Orlando and the need to place four patients in a single room will be reduced.

According to the *Certificate of Need Predicated on Conditions* page, the applicant does not wish to accept any conditions pursuant to approval of the proposed project.

**D. REVIEW PROCEDURE**

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

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

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

As part of the fact-finding, the consultant, Ed Carter, analyzed the application with consultation from the financial analyst, Roger Bell, who reviewed the financial data and architect Joel Hill, who evaluated the architecturals and the schematic drawings.

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

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

**1. Fixed Need Pool**

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

In Volume 28, Number 4, dated January 25, 2002 on page 375 of the Florida Administrative Weekly, a fixed need pool of zero beds was published for comprehensive medical rehabilitation beds in District 7 for the July 2007 planning horizon.

District 7 has 192 licensed and zero CON approved comprehensive medical rehabilitation beds. The comprehensive medical rehabilitation beds in District 7 experienced an average occupancy rate of 76.54 percent during the period July 2000 through June 2001. The applicant is applying outside of the fixed need pool.

**Occupancy Rates  
District 7**

| <b>Facility</b>             | <b>County</b> | <b>Number of<br/>CMR beds</b> | <b>Occupancy %<br/>(07/00 - 6/01)</b> |
|-----------------------------|---------------|-------------------------------|---------------------------------------|
| HealthSouth Sea Pines Rehab | Brevard       | 90                            | 86.64%                                |
| Florida Hospital-Orlando    | Orange        | 49                            | 71.27%                                |
| Lucerne Medical Center      | Orange        | 35                            | 61.85%                                |
| Sand Lake Hospital          | Orange        | 18                            | 71.95%                                |
| Total/Average               |               | 192                           | 76.54%                                |

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

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The proposed project is a simple transfer of existing beds from one campus to another campus, both under the same licensee. The applicant does not propose to change its license capacity of CMR beds but simply to move 20 of its existing 49 CMR beds from Florida Hospital Orlando to Winter Park Memorial Hospital, therefore there will be no change in the number of CMR beds in the district as a result of this project. The need for the project focuses on the applicants' goal to reorganize services at both Florida Hospital Orlando and Winter Park Memorial Hospital. Specifically the applicant seeks to consolidate orthopedic services with rehabilitation services at Winter Park Memorial Hospital, which is expected to result in improved services to patients and enhanced efficiencies within both facilities.

Florida Hospital acquired Winter Park Memorial Hospital in July 2000, and subsequently undertook strategic planning activities to identify services and campuses that would be most appropriate for center of excellence development. Based on this review, the applicant determined that orthopedic services should be developed into a center of excellence at Winter Park Memorial Hospital because it is the most cost effective alternative to accommodate the growth of the service since orthopedics is limited by the expansion of cardiac, cancer and neuroscience programs at Florida Hospital Orlando. As part of that commitment, the applicant opened the Florida Hospital Orthopaedic Institute at its Winter Park campus on January 2, 2002, centralizing resources for the care of patients requiring hip and knee surgery. In order to open the Institute as quickly as possible and with minimal service disruption, the applicant elected to utilize the skilled nursing beds, approved under CON #9409 to treat post-surgery patients. In the interest of quality of care, the hospital-based skilled nursing unit was to be used to provide rehabilitation-type services until the necessary CON approval to operate CMR beds at Winter Park Memorial Hospital could be attained. The applicant transferred many of the orthopedic rehabilitation nursing staff to the HBSNU in support of the new Florida Hospital Orthopaedic Institute. The applicant states that while the HBSNU is currently providing a high level of care for post-surgical patients and intensive therapy, it is being reimbursed at nursing home rates, which do not cover the direct expenses associated with the current staffing levels. It is for these reasons that the applicant requests approval to transfer 20 of its 49 CMR beds from the Florida Hospital Orlando campus to the Winter Park Memorial Hospital campus.

**2. Local Health Plan Preferences**

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

The District 7 October 2000 CON Allocation Factors Report provides the following preferences in the review of applications pertaining to comprehensive medical rehabilitation beds:

- 1. Preference shall be given to the applicant who inventories existing and approved inpatient and outpatient providers of rehabilitative services and details any and all specialty services currently provided or to be provided by each (i.e. spinal cord, brain injury, coma stimulation).**

The applicant provided a comprehensive list of facilities, clinics, physicians and organizations (see pages 22 through 25 of the application) that provide inpatient and out patient rehabilitation services in the district. Of all these providers, only ORHS/Lucerne provides inpatient brain and spinal cord injury care to district residents and visitors.

**3. Agency Rule Criteria**

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

**(3) General Provisions:**

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

The applicant proposes to transfer 20 CMR beds from Florida Hospital Orlando, an acute care hospital, to Winter Park Memorial Hospital, also an acute care hospital.

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

The proposed 20 CMR beds will be housed in a distinct unit, which now currently houses the 19-bed HBSNU specializing in orthopedic rehabilitation care.

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

The size of the proposed CMR unit is 20 beds, which meets the minimum bed requirements.

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

The applicant is not proposing to establish a new CMR service but simply transfer 20 beds from its existing 49-bed CMR unit from one of its campuses to another, within approximately 4.1 miles of each other. Also see response to E.1.a., above and E.4.a., below.

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

The applicant is a participating provider in the Medicare and Medicaid programs and intends to maintain this status once the 20 beds are transferred to the Winter Park Memorial Hospital campus.

**(4) Required Staffing and Services.**

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

The applicant's medical director is Dr. Mitchell Freed, who is board-certified in physical medicine and rehabilitation. Dr. Freed actively supervises the provision of medical and rehabilitation services provided in the rehabilitation center and the HBSNU units. Dr. Freed serves as a member of the Rehabilitation Quality Assurance team. Attachment B of the application contains Dr. Freed's curriculum vitae.

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

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

The applicant is an existing provider of CMR services and provides a range of services that equals or exceeds the minimum requirements. Schedule 6A indicates the applicant maintains qualified personnel to staff the various disciplines required to maintain a CMR program.

**(5) Criteria for Determination of Need:**

- (a) Bed Need. A favorable need determination for proposed new or expanded comprehensive medical rehabilitation inpatient services shall not normally be made unless a bed need exists according to the numeric need methodology in paragraph (5)(c) of this rule.**

The applicant does not seek new or expanded CMR beds or services; it simply seeks to transfer 20 of its 49 existing CMR beds from its Florida Hospital Orlando campus to its Winter Park

Memorial Hospital campus. Also please see response to E.1. Fixed Need Pool, above.

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

Inpatient CMR services in the district are available within a two-hour drive time for at least 90 percent of the district's total population. There will be no change in CMR access as a result of the proposed project.

- (7) **Quality of Care:**

- (a) **Compliance with Agency Standards. CMR inpatient services shall comply with the agency standards for program licensure described in Section 59A-3, Florida Administrative Code. Applicants who submit an application that is consistent with the agency licensure standards are deemed to be in compliance with this provision.**

The applicant states that the proposed project shall comply with the agency standards for program licensure described in Section 59A-3, Florida Administrative Code.

- (b) **Accreditation. Applicants proposing new CMR inpatient services shall state how they will meet accreditation standards.**

As previously stated, the applicant is not seeking new services or beds, but simply the transfer of 20 of its existing 49 CMR beds from one of its campuses to another of its campuses within the same service area. The applicant is accredited by both JCAHO and CARF.

- (8) **Service Description. An applicant for CMR inpatient services shall provide a detailed program description in its certificate of need application including:**

- (a) **Age groups to be served.**

The applicant reports that the majority of patients receiving comprehensive medical rehabilitation for orthopedics (typically for knees and hips) are over age 65. The applicant anticipates that Medicare patients will account for approximately 75 percent of patient days.

**(b) Specialty inpatient rehabilitation services to be provided.**

Florida Hospital Orlando currently operates the only accredited spinal cord injury and pediatric rehabilitation programs in Central Florida. These services will remain at the Orlando campus and not be transferred to Winter Park Memorial Hospital.

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

The applicant's medical director is Dr. Mitchell Freed, who is board-certified in physical medicine and rehabilitation. Dr. Freed will presumably be the medical director for both campuses. Florida Hospital intends to utilize the existing staff of the 19-bed HBSNU at Winter Park Memorial Hospital to staff the proposed 20-bed CMR unit. The applicant projects three FTEs on Schedule 6A that represent "additional staff that can be added as a result of more favorable payments to enhance patient care and accommodate volume growth".

**(d) A plan for recruiting staff, showing sources of staff.**

The applicant states that the recruitment and retention plan for the CMR units is an extension of the existing, successful recruitment and retention plan of Florida Hospital. Florida Hospital reports that it already has an appropriate number of staff in place and seems confident that it can recruit personnel as needed to staff the CMR unit when it becomes necessary to add staff.

**(e) Expected sources of patient referrals.**

The applicant has an established referral base and it does not anticipate any changes in referral patterns as a result of the proposed transfer project.

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

Based on projected patient days for the CMR unit, the applicant anticipates a patient mix with 71.5 percent Medicare, 0.6 percent Medicaid, 22.3 percent managed care, and 5.6 self-pay, insurance and other.

- (g) **Admission policies of the facility with regard to charity care patients.**

Florida Hospital is a Medicaid disproportionate share provider and is a major provider of charity care in District 7. In 2001, Florida Hospital provided 689 Medicaid CMR patient days of care, representing 5.2 percent of total CMR patient days and 12.7 percent of non-Medicare CMR patient days. During this same period (2001) Florida Hospital provided over \$57.8 million in charity care, or 2.2 percent of gross patient revenue. According to the applicant, all campuses of Florida Hospital have the same policies and practices in place regarding care for Medicaid and medically indigent patients.

- (9) **Applications from Licensed Providers of Comprehensive Medical Rehabilitation Inpatients Services. A facility providing licensed CMR inpatient services seeking CON approval for additional CMR beds shall provide the following information in its CON application in addition to the information required by subsection (8):**

- (a) **Number of CMR inpatient service admissions and patient days for the 12-month period ending six months prior to the beginning date of the quarter of the publication of the fixed bed need pool.**

The applicant is not proposing to add CMR beds but simply requesting approval to transfer 20 of its 49 existing CMR beds from one of its campuses to another.

- (b) **Number of comprehensive medical rehabilitation inpatient services patients days by payer type, including Medicare, Medicaid, private insurance, self-pay and charity care patient days, for the 12-month period ending six months prior to the beginning date of the quarter of the publication of the fixed bed need pool.**

According to data from AHCA's inpatient database, Florida Hospital provided 12,340 days of care to patients in DRG 462 discharged between July 2000 and June 2001. Over 60 percent of these discharge days were attributable to Medicare patients.

- (c) **Gross revenue by payor source for the 12-month period ending six months prior to the beginning date of the quarter of the publication of the fixed bed need pool.**

**Charges by Payer - DRG 462 Discharges  
July 2000 - June 2001**

| <b>Payer</b>         | <b>Gross Revenue</b> | <b>% of Total</b> |
|----------------------|----------------------|-------------------|
| Medicare             | \$13,695,797         | 59.0%             |
| HMO/PPO              | 6,040,810            | 26.0%             |
| Medicaid             | 1,855,734            | 8.0%              |
| Commercial Insurance | 797,310              | 3.5%              |
| Other                | 744,651              | 3.2%              |
| Self-Pay/Charity     | 72,575               | 0.3%              |
|                      | <b>\$23,206,877</b>  | <b>100.0%</b>     |

Source: AHCA inpatient database July 2000-June 2001

As shown above, Florida Hospital charges for rehab services for July 2000 to June 2001 totaled \$23,206,877.

- (d) **Current Staffing.**

The applicant provided staffing on Schedule 6A for the entire Florida Hospital System (10,601 FTEs), rather than for the CMR unit. The applicant does state that it will utilize the existing staff of the 19-bed HBSNU at Winter Park Memorial Hospital to staff the proposed 20-bed CMR unit. In addition it proposes to add three FTEs; one physical therapist, one occupational therapist and another ancillary position, to the staffing complement of the 20-bed CMR unit at Winter Park Memorial Hospital as part of the proposed project.

- (e) **Current specialty inpatient CMR services.**

See response to (8)(b) above.

- (10) Utilization Reports. Facilities providing licensed CMR inpatient services shall provide utilization reports to the agency or its designee.**

The applicant currently participates in the data collection activities of AHCA and the local health council and also participates in the data collection activities in accordance with Chapter 408 of the Florida Statutes. The applicant commits to continue participation in data collection activities after the transfer application is completed.

**4. Statutory Review Criteria**

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

The applicant contends that the proposed transfer of CMR beds from Florida Hospital Orlando to Winter Park Memorial Hospital is an important component of its overall reorganization of services between the two campuses that will enhance quality of care and achieve a greater operating efficiency at both campuses. After acquiring Winter Park Memorial Hospital in July 2000, and studying the potential for the best use of this facility, the applicant concluded it would develop an orthopedic "center of excellence" at Winter Park and on January 2, 2002 opened the Florida Hospital Orthopaedic Institute at its Winter Park campus, thus centralizing resources for the care of patients requiring hip and knee surgery. Because orthopedics at Florida Hospital Orlando was limited, due to the expansion of cardiac, cancer and neuroscience programs, the applicant determined that the Winter Park alternative was an appropriate solution. In order to open the Institute as quickly as possible and with minimal service disruption, the applicant elected to utilize the skilled nursing beds, approved under CON #9409 to treat post-surgery patients. The applicant transferred many of the orthopedic rehabilitation nursing staff to the HBSNU unit in support of the new Florida Hospital Orthopaedic Institute. While the HBSNU is currently providing care for post-surgical patients and intensive therapy, it is being reimbursed at nursing home rates, which does not cover the direct expenses associated with the current staffing levels. It is for these reasons that the applicant requests approval to transfer 20 of its 49 CMR beds from the Florida Hospital Orlando campus to the Winter Park Memorial Hospital campus. Thus, the project will ensure the applicant's future viability and continued access for its existing base of patients.

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

The applicant has a history of providing quality care as demonstrated by the award of accreditation from both the JCAHO and CARF. The applicant also provides a discussion of the facility's quality and utilization management program and performance improvement plan. The applicant participates in the Medicaid and Medicare programs and is in compliance with the conditions of participation for these programs. The applicant demonstrated that it has the ability to provide quality of care.

A review of complaints against Florida Hospital indicates that the system has had seven confirmed patient care complaints from November 4, 1999 to the present. The first of the seven complaints confirmed complaints was closed on January 4, 2000, the last on April 16, 2002. There are four more patient care complaints that are under investigation. Florida Hospital also had a confirmed emergency access violation that was closed on April 14, 2001.

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

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

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

Florida Hospital is a Family Practice Teaching Hospital and operates one of the largest family practice residency programs in the country. The hospital's family practice residency programs are fully accredited and affiliated with Loma Linda University; the University of South Florida; and the Southeastern College of the Health Sciences, College of Osteopathic Medicine. Florida Hospital also has affiliations with Duke University through the Duke Comprehensive Cancer Center. In addition, Florida Hospital has an academic relationship with the University of South Florida, Tampa, for pre-doctoral training. The applicant states that it also qualifies as a research hospital under Florida Administrative Code 59C-1.044(e).

It is unlikely however that the 20 CMR beds proposed for transfer, and represent about one percent of the applicants total bed count, will significantly impact teaching or research at Florida Hospital.

- e. **What resources, including health manpower, management personnel, and funds for capital and operating expenditures, are available for project accomplishment and operation? ss. 408.035(6), Florida Statutes.**

The audited financial statements of Adventist Health System/Sunbelt, Inc., for the periods ending December 31, 2001 and 2000 were analyzed for the purpose of evaluating the applicant's ability to provide the capital and operational funding necessary to implement the project. The following is a list of accounts and ratios used in the analysis:

|   | <u>12/31/2001</u> | <u>12/31/2000</u> |
|---|-------------------|-------------------|
| Current Assets                            | \$ 1,082,290,000  | \$ 918,795,000    |
| Cash and Current Investment               | \$ 763,426,000    | \$ 568,518,000    |
| Assets Restricted for Capital Projects    | \$ 77,352,000     | \$ 90,766,000     |
| Total Assets                              | \$ 2,968,371,000  | \$ 2,842,967,000  |
| Current Liabilities                       | \$ 371,971,000    | \$ 370,727,000    |
| Total Liabilities                         | \$ 1,937,731,000  | \$ 1,880,829,000  |
| Total Equity                              | \$ 1,030,640,000  | \$ 962,138,000    |
| Net Operating Revenues                    | \$ 2,416,562,000  | \$ 1,971,827,000  |
| Interest Expense                          | \$ 85,832,000     | \$ 86,385,000     |
| Net Profit - Operations                   | \$ 112,325,000    | \$ 58,365,000     |
| Net Income                                | \$ 112,325,000    | \$ 58,365,000     |
| Cash Flow from Operations                 | \$ 321,111,000    | \$ 166,244,000    |
| Working Capital                           | \$ 710,319,000    | \$ 548,068,000    |
| Current Ratio (CA/CL)                     | 2.9               | 2.5               |
| Cash Flow to Current Liabilities (CFO/CL) | 0.9               | 0.4               |
| Long-Term Debt to Equity (TL-CL/TE)       | 1.5               | 1.6               |
| Times Interest Earned (NPO+Int/Int)       | 2.3               | 1.7               |
| Equity to Total Assets (TE/TA)            | 34.7%             | 33.8%             |
| Operating Margin (NPO/NOR)                | 4.6%              | 3.0%              |
| Total Margin (NI/NOR)                     | 4.6%              | 3.0%              |
| Return on Assets (NI/TA)                  | 3.8%              | 2.1%              |
| Operating Cash Flow to Assets (CFO/TA)    | 10.8%             | 5.8%              |

**Short-term position:**

The applicant's current ratio of 2.9 indicates current assets are almost three times that of short-term liabilities, a good position. The working capital (current assets less current liabilities) of \$710 million is a very large amount. The ratio of cash flow to current liabilities of 0.9 is good. The applicant has a strong short-term position.

**Long-term position:**

The long-term debt to equity of 1.5 is only fair, indicating a significant amount of debt when compared to total equity. The cash flow to assets of 10.8 percent is considered good for Florida hospitals. The most recent year had an operating profit of \$112 million, which resulted in a margin of 4.6 percent, a satisfactory level. The total equity of \$1 billion with the equity to assets of 34.7 percent is strong. Although the indicators are somewhat mixed, the significant amount of total equity and good earnings and cash flows overshadows the others resulting in a good long-term position.

**Capital requirements:**

The applicant did not provide a Schedule 2. A narrative titled Schedule 2 indicated the applicant has a total capital budget of \$421 million. The notes indicated this amount included maturities of long-term debt in the amount of \$31.75 million. This long-term debt maturity was only for 2002. This review feels the debt maturities through 2004 would be more appropriate to cover the construction period of this project. The total long-term debt maturities through 2004 would be \$97.8 million and when added to other capital projects would result in a total requirement of \$487 million. The normal detail for funding these projects was not provided, only a statement that funding is coming from cash reserves, cash from operations, proceeds from prior bond issues, and other financing methods commonly used in the industry such as tax exempt bonds.

**Available capital:**

The audited balance sheet shows \$763 million cash and investments, \$710 million working capital, \$77 million assets limited to use for capital projects, and \$321 million annual cash flows.

**Conclusion:**

Based on the financial position, cash on hand, designated assets, and cash flows of the applicant, a reasonable probability exists that funding all capital projects will be available as needed.

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

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

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general, projections that approximate the median are the most desirable, and balance the opposing forces of feasibility and efficiency. In other words, as estimates approach the highest in the group, it is more likely that the project is feasible, because fewer economies must be realized to achieve the desired outcome. Conversely, as estimates approach the lowest in the group, it is less likely that the project is feasible, because a much higher level of economies must be realized to achieve the desired outcome. These relationships hold true for a constant intensity of service through the relevant range of outcomes. As these relationships go beyond the relevant range of outcomes, revenues and expenses may, either go beyond what the market will tolerate, or may decrease to levels where activities are no longer sustainable.

Comparative data were derived from hospitals in peer groups that reported data in 2000; the applicant will be compared to the hospitals in group 9. 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.

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 \$1,626 in year one and \$1,621 in year two are both below the control group median values of \$1,656 in year one and \$1,706 in year two. With net revenues falling close to the median, 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 \$1,558, which was the highest in that year.

Projected cost per adjusted patient day of \$1,514 in year one and \$1,512 in year two are similar to the group median values of \$1,491 in year one and \$1,536 in year two. This application is considered cost efficient when compared to the control group. (See Comparative Table). The 2000 actual CAPD for this hospital was \$1,468, which was the highest in the group.

The year two operating profit for the hospital of \$79.5 million computes to an operating margin per adjusted patient day of \$109 which falls between the peer group median and highest of \$35 and \$278. The operating margin computes to 6.7 percent, which is above average for Florida hospitals. The 2000 financial data submitted to the agency

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shows the hospital with an operating margin per adjusted patient day of \$90, which is slightly below the projected margin. This project makes a net contribution of \$2,222,859 to the margin. The projected margins appear to be reasonable and the project taken as a whole is financially feasible.

**COMPARATIVE TABLE**

| <b>CON # 9542</b>             |                     |                |                        |        |        |
|-------------------------------|---------------------|----------------|------------------------|--------|--------|
| <b>2000 DATA Peer Group 9</b> | 2005                | YEAR 2         | INFLATION ADJ. VALUES  |        |        |
|                               | ACTIVITY            | PER DAY        | Highest                | Median | Lowest |
| ROUTINE SERVICES              | 599,560,024         | 820            | 996                    | 753    | 421    |
| INPATIENT AMBULATORY          | 0                   | 0              | 126                    | 76     | 38     |
| INPATIENT ANCILLARY SERVICES  | 1,758,550,654       | 2,406          | 2,869                  | 2,178  | 1,845  |
| OUTPATIENT SERVICES           | 1,105,101,814       | 1,512          | 2,347                  | 1,421  | 1,179  |
| OTHER OPERATING REVENUE       | 71,021,743          | 97             | 72                     | 18     | 10     |
| TOTAL REVENUE                 | 3,534,234,235       | 4,836          | 6,308                  | 4,627  | 3,719  |
| DEDUCTIONS FROM REVENUE       | 2,349,642,922       | 3,215          | *                      | *      | *      |
| NET REVENUES                  | 1,184,591,313       | 1,621          | 1,861                  | 1,706  | 1,411  |
| EXPENSES                      |                     |                |                        |        |        |
| ROUTINE                       | 187,890,706         | 257            | 286                    | 254    | 177    |
| ANCILLARY                     | 430,745,367         | 589            | 691                    | 521    | 406    |
| AMBULATORY                    | 57,018,797          |                |                        |        |        |
| OVERHEAD                      | 429,396,622         | 588            | 902                    | 715    | 647    |
| OTHER                         | 0                   | 0              |                        |        |        |
| TOTAL EXPENSES                | 1,105,051,492       | 1,512          | 1,973                  | 1,536  | 1,410  |
| OPERATING INCOME              | 79,539,821          | 109            | 278                    | 35     | -146   |
|                               |                     | 6.7%           |                        |        |        |
| PATIENT DAYS                  | 487,631             |                | NOT INFLATION ADJUSTED |        |        |
| ADJUSTED PATIENT DAYS         | 730,840             |                |                        |        |        |
| TOTAL BED DAYS AVAILABLE      | 658,095             |                |                        |        |        |
| ADJ. FACTOR                   | 0.6672              |                |                        |        |        |
| TOTAL NUMBER OF BEDS          | 1,803               |                |                        |        |        |
| PERCENT OCCUPANCY             | 74.1%               |                | 66.0%                  | 55.9%  | 38.6%  |
| <u>PAYER TYPE</u>             | <u>PATIENT DAYS</u> | <u>% TOTAL</u> |                        |        |        |
| MEDICARE                      | 232,112             | 47.6%          | 43.5%                  | 35.1%  | 25.9%  |
| COMMERCIAL                    | 16,579              | 3.4%           |                        |        |        |
| MEDICAID                      | 40,961              | 8.4%           | 19.7%                  | 12.7%  | 5.0%   |
| PRIVATE                       | 22,431              | 4.6%           |                        |        |        |
| HMO/PPO                       | 155,555             | 31.9%          | 47.2%                  | 42.3%  | 36.9%  |
| OTHER                         | 19,993              | 4.1%           |                        |        |        |
| TOTAL                         | 487,631             | 100.0%         |                        |        |        |

**g. Will the proposed project foster competition to promote quality and cost-effectiveness?**

The applicant projects managed care to represent 31.9 percent of its patient days. This below the control group lowest level of 36.9 percent and is significantly below the hospital's own 2000 managed care level of 41.1 percent. The applicant's level of managed care will have no discernible impact on competition, to promote quality assurance and cost-effectiveness.

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

The new CMR unit will be created by converting nine private patient rooms to nine semi-private rooms. Another existing private room will be enlarged to provide the 10<sup>th</sup> semi-private room. Most of the work is to occur within the existing building envelope with the exception of nine new accessible patient toilets that will be constructed on the exterior of the building. Technically, this exterior construction is not exactly "renovation", but the square footages listed in the application and below appear to include all new and remodeled space.

There is no demolition plan on the drawings, but the narrative explains fairly clearly what is to be accomplished. All the existing toilets that serve the patient rooms will be demolished in order to enlarge the rooms to meet semi-private square footages. Each room will have the lavatory within the room itself and only the accessible toilet will be in the new appurtenances. Since these toilet rooms are new construction outside the existing footprint of the building the disaster preparedness requirements of the Florida Building Code and Chapter 59A-3 of the Florida Administrative Code will apply.

It is not readily apparent from the application, which floor will be used for the new Unit, but it is clear from the site plan that it is not the first floor. The Florida Building Code states:

- The floor elevation of all new occupied patient area(s) and all patient support area(s) and patient support utilities, including mechanical, electrical except as noted in (55)9.b.(I), and food services shall be located above the 100-year flood plain or hurricane Category 3 (Saffir-Simpson scale) hurricane surge inundation elevations, whichever requires the highest elevation, or

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- New additions or floors added to existing facilities, as determined by their site locations, shall be so designed and constructed as to be in compliance with the current standards of the National Flood Insurance Program (NFIP) of the Federal Emergency Management Agency (FEMA), Technical Bulletins 1-5, 1993; FEMA 213/May 1991; 44 CFR Parts 59-78, October 1, 1997; NFIP Rules and Regulations, October and December, 1997, incorporated by reference and available from Federal Emergency Management Agency, Federal Insurance Administration, Attn. Publications, P.O. Box 70274, Washington, D.C. 20024.

The above requirements will have to be addressed when and if the project is approved and submitted to the AHCA Office of Plans and Construction.

There are no patient showers in the wing housing the CMR unit. However, there are two existing and two proposed new showers located on the other side of a pair of cross-corridor doors from the CMR unit. It appears that all of these showers are to be shared with other patient rooms on the floor and are not dedicated to the CMR unit. Their location is not ideal relative to the new unit.

The accessibility section of the Florida Building Code requires that the showers in a rehabilitation hospital or unit be accessible. In the current proposal, there does not seem to be enough space in any of the showers for a wheelchair. Without larger-scale drawings of this area, it appears that one might be arranged so that a wheelchair could enter it, but its size is not indicated and the plan is at such a small scale, that the dimensions can't be accurately determined. The Florida Building Code and Chapter 59A-3 require:

“...for each patient bedroom, there shall be a minimum of one shower or tub for every 12 beds or fraction thereof. Each tub or shower shall be in an individual room or enclosure, which provides privacy for bathing, drying and dressing. One sitz bath and one roll-in shower, including space for an attendant, shall be provided for patients at a ratio of one per every 100 beds or fraction thereof. “

The layout of the shower area also does not seem to provide the required privacy for drying and dressing since there are two narrow “vestibules” serving two showers each and no indication of curtains or other means of providing privacy. In fact, one shower is located so that it is visible from the corridor if the shower curtain is not drawn.

One of the semi-private patient rooms is shown with no renovation and its toilet is not indicated as accessible like all the others. This situation needs to be addressed and clarified. The nurse station "toilet" room also is not labeled as accessible and there is actually no toilet shown in this space. This may be a drafting error, but should be corrected.

The renovation cost of \$128 per square foot appears to be reasonable. The time frame for renovation and new construction may be somewhat conservative. Having all the new construction take place outside of the exterior walls will make it relatively easier than the interior demolition. Since the existing demolished materials can be removed from the building directly to the outside, this may facilitate a schedule as short as the one proposed which projects completion by May 2003.

The applicant provided a list of the most common applicable codes, but is not accurate and will have to be revised if this project should proceed.

- 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.**

Florida Hospital is a Medicaid Disproportionate Share Provider for State Fiscal Year 2001-2002. The majority of patients treated in Florida Hospital's 49 CMR beds are 65 years of age or older and are covered by Medicare. However, Florida Hospital has historically provided a significant proportion of its patient care to Medicaid patients. In 2001, Florida Hospital provided 689 Medicaid CMR patient days of care, representing 5.2 percent of total CMR patient days and 12.7 percent of non-Medicare CMR patient days. According to the applicant, these proportions include all CMR services provided by Florida Hospital, including care for pediatric patients and those with spinal cord injuries.

Data from the Agency's Financial Analysis unit indicates that for fiscal year 2000, Florida Hospital Orlando provided 10.3 percent of total patient days of care to Medicaid patients and 2.1 percent of patient days of care to charity patients. During the same time period, Winter Park Memorial Hospital provided 4.6 percent of patient days to Medicaid patients and 1.2 percent of care to charity patients.

The applicant does not wish to accept any conditions pursuant to approval of the proposed project.

**F. SUMMARY**

In Volume 28, Number 4, dated January 25, 2002 on page 375 of the Florida Administrative Weekly, a fixed need pool of zero beds was published for comprehensive medical rehabilitation beds in District 7 for the July 2007 planning horizon.

**Need/Other Special Circumstances:**

The proposed project is a simple transfer of 20 of the applicants 49 CMR beds from one campus to another campus, both under the same licensee. The applicant does not propose to change the license capacity of the existing CMR beds, only to transfer a portion of them, therefore there will be no change in the number of CMR beds in the district as a result of this project. The applicant is currently operating a 19-bed HBSNU at the Winter Park campus and will convert those 19 beds plus one acute care bed to CMR beds if this project is approved. Therefore, not only will there be no increase in CMR beds in the district, there will also not be an increase in beds at Florida Hospital's Orlando facilities.

**Quality of Care:**

The applicant has a history of providing quality care as demonstrated by the award of accreditation from both the JCAHO and CARF.

**Medicaid/Indigent Care:**

Data from the Agency's Financial Analysis unit indicates that for fiscal year 2000, Florida Hospital Orlando provided 10.3 percent of total patient days of care to Medicaid patients and 2.1 percent of patient days of care to charity patients. During the same time period, Winter Park Memorial Hospital provided 4.6 percent of patient days to Medicaid patients and 1.2 percent of care to charity patients.

**Financial Feasibility:**

A reasonable probability exists that funding for this and all capital projects will be available as needed, based on the financial position, cash on hand, designated assets and cash flows of the applicant. The projected margins appear to be reasonable and the project taken as a whole is financially feasible.

**Architectural:**

The new CMR will be created by converting nine private rooms to nine semi-private rooms. Another existing private room will be enlarged to provide the tenth semi-private room. Most of the work is to occur within the existing building envelope with the exception of nine new accessible patient toilets that will be constructed on the exterior of the building. Since these toilets rooms are new construction outside the existing footprint of the building, the Disaster Preparedness requirements of the Florida Building Code and Chapter 59A-3 of the Florida Administrative Code will apply. There are also issues regarding showers that must be addressed. The renovation cost of \$128 per square foot appears reasonable, however the time frame for renovation and construction may be conservative. The applicant provided a list of the most common applicable codes, however it is not accurate and will have to be revised if this project should proceed.

**G. RECOMMENDATION**

Approve CON #9542 to establish a 20-bed comprehensive medical rehabilitation (CMR) unit at Winter Park Memorial Hospital through the conversion of one acute care bed at the hospital, 19 hospital-based skilled nursing unit (HBSNU) beds and the delicensure of 20 CMR beds at Florida Hospital in Orlando. The project involves 3,275 GSF or renovation and construction costs of \$420,000. The total project cost is \$673,371.

**CONDITIONS:**

- (1) Twenty CMR beds shall be delicensed at Florida Hospital Orlando's Main Campus upon licensure of the 20-bed CMR unit at Winter Park Memorial Hospital.
- (2) One acute care bed at Winter Park Memorial Hospital and 19 HBSNU beds shall be delicensed upon licensure of the 20-bed CMR unit.

**AUTHORIZATION FOR AGENCY ACTION**

Authorized representatives of the Agency for Health Care Administration adopted the recommendation contained herein and released the State Agency Action Report.

DATE: \_\_\_\_\_

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

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