

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

**A. PROJECT IDENTIFICATION**

1. Applicant/CON Action Number

**Lee Memorial Health System, Inc./CON #9549**  
8300 College Parkway  
Fort Myers, Florida 33919

Authorized Representative: James R. Nathan  
(941) 437-5647

2. Service District/County

District 8 (Lee County)

**B. PUBLIC HEARING**

No public hearing was held and the applicant did not submit any letters of support for the proposed project.

**C. PROJECT SUMMARY**

Lee Memorial Health System, Inc., proposes to add two Level III Neonatal Intensive Care Unit (NICU) beds to Lee Memorial – HealthPark’s (HealthPark) existing 13-bed Level III NICU, creating a 15-bed unit. The applicant is one of two providers of neonatal intensive care services in District 8. The hospital, located in Lee County, is a 238-bed Class I General Hospital licensed for 198 acute care, 27 Level II NICU and 13 Level III NICU beds.

The applicant did not reflect any conditions on the *Certificate of Need Predicated on Conditions* page. HealthPark Medical Center is a designated Medicaid Disproportionate Share Provider.

The total project cost is estimated at \$119,695. Construction costs are projected at \$75,000 and the project will involve 550 GSF of renovated space.

**D. REVIEW PROCEDURE**

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

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

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

As part of the fact-finding, the consultant, Richard Patterson, analyzed the application in its entirety with consultation from the Financial Analyst, Roger Bell, who evaluated the financial data, and the Architect, Joel Hill, who evaluated the architectural and the schematic drawings.

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

The following indicate the level of conformity of the proposed project(s) with the criteria and application content requirements found in Florida Statutes, 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? Ch. 59C-1.008 and Ch. 59C-1.042, Florida Administrative Code.**

In Volume 28, Number 4, dated January 25, 2002, on page 374 of the Florida Administrative Weekly, a fixed need pool of two beds was published for Level III Neonatal Intensive Care Unit beds in District 8 for the July 2004 planning horizon.

District 8 has 20 licensed Level III NICU beds and zero approved Level III NICU beds as of January 25, 2002. The Level III NICU beds in District 8 experienced an occupancy rate of 90.42 percent during the period July 2000 through June 2001.

The applicant proposes the expansion of its existing Level III NICU program from 13 to 15 beds. The applicant is applying for the beds identified in the fixed need pool.

**b. Regardless of whether bed need is shown under the need formula, the establishment of new Level III neonatal intensive care unit beds within a district shall not normally be approved unless the average occupancy rate for Level III beds in the district equals or exceeds 80 percent for the most recent 12-month period ending six months prior to the beginning date of the quarter of the publication of the fixed need pool. Ch. 59C-1.042(3)(f), Florida Administrative Code.**

As stated above, the 20 Level III NICU beds in District 8 experienced an occupancy rate of 90.42 percent for the most recent reporting period.

- c. **Special Circumstances for the Approval of Additional Neonatal Intensive Care Unit Beds at Existing Providers, Ch. 59C-1.042(3)(g), Florida Administrative Code - Need for additional Level III neonatal intensive care beds at hospitals with Level III neonatal intensive care services seeking additional Level III beds is demonstrated in the absence of need shown under the formula specified in paragraph (3)(e) of this rule if the occupancy rate for their Level III beds exceeded an average of 90 percent as computed by the agency for the same period specified in subparagraph (3)(e)2.**

The published need in the district is for two Level III NICU beds. Although the foregoing criterion does not apply because need is shown under the formula, the applicant also meets the "special circumstances" defined in Rule, based on 102.34 percent occupancy during July 2000-June 2001 in its 13-bed Level III NICU. Additionally, the applicant notes that need is further justified by the historical occupancy of 93.6 percent and 102.7 percent for the 12 months ending September 30, 2000 and 2001, respectively, in its 13-bed Level III NICU.

**2. Local Health Plan Preferences**

**Is need for the project supported by the applicable district plan? ss. 408.035(1) and 408.037(1), Florida Statutes, and Ch. 59C-1.030(2)(c), Florida Administrative Code.**

The District 8 Local Health Council in its CON Allocation Factors Report, adopted October 2000, has specified the following preferences for neonatal intensive care beds.

- a. **Preference shall be given to those applications that specify how the proposed program will enhance the development of an organized district-wide neonatal program.**

The applicant is an existing provider of Level II and Level III neonatal intensive care services, as well as a Regional Perinatal Intensive Care Center. The RPICC program is a regionalized health care delivery system designed to deliver optimal medical care to high-risk pregnant women and sick or low birth weight neonates. As a RPICC provider, HealthPark covers a multi-county area, which requires sufficient bed availability to admit referred patients.

- b. Preference shall be given to applications that demonstrate renovation is more economical than new construction or vice versa.**

The applicant states that the bed addition will be accomplished economically through the renovation of space in the existing Level III nursery. The construction cost of the project is estimated to be \$75,000. Although the applicant did not demonstrate that the proposed renovation is more economical than new construction, renovation of existing space is typically more economical than new construction. The architectural review (refer to E. 4. h. below) does however note that projected renovation costs are high.

### **3. Agency Rule Preferences**

**Please indicate how each applicable preference for the type of service proposed is met. Chapter 59C-1.042, Florida Administrative Code.**

- a. Ch. 59C-1.042(3)(k), Florida Administrative Code - Services to Medically Indigent and Medicaid Patients. In a comparative review, preference shall be given to hospitals which propose to provide neonatal intensive care services to Children’s Medical Services patients, Medicaid patients, and non-Children’s Medical Services patients who are defined as charity care patients according to the Health Care Board, Florida Hospital Uniform Reporting System Manual, Chapter III, Section 3223. The applicant shall estimate, based on its historical patient data by type of payer, the percentage of neonatal intensive care services patient days that will be allocated to:**

- (1) Charity care patient;**
- (2) Medicaid patients;**
- (3) Private pay patients, including self-pay; and**
- (4) Regional Perinatal Intensive Care Center Program and Step Down Neonatal Special Care Unit patients.**

As stated above, HealthPark is a RPICC as well as a designated Medicaid Disproportionate Share Provider. Application Attachments 2 and 3 document that status. The applicant has a long history of serving all persons in need especially Medicaid and charity care patients.

Refer to E.4.i. below for further discussion.

**b. Ch. 59C-1.042(4), Florida Administrative Code - Level II and Level III Service Continuity. To help assure the continuity of services provided to neonatal intensive care services patients:**

- (1) The establishment of Level III neonatal intensive care services shall not normally be approved unless the hospital also provides Level II neonatal intensive care services.**

The applicant currently has 27 Level II and 13 Level III NICU beds.

- (2) Applicants proposing to provide Level III neonatal intensive care services shall ensure developmental follow-up on patients after discharge to monitor the outcome of care and assure necessary referrals to community resources.**

HealthPark has a fully developed follow-up program for infants who are identified as at risk for developmental delay or disability. Attachment 4 of the application provides the Criteria for Neurodevelopmental Evaluation and Follow up.

**c. Ch. 59C-1.042(5), Florida Administrative Code - Minimum Unit Size.**

Since HealthPark is a RPICC, it is exempt from the rule that establishes minimum unit size requirements. The proposal to add two beds to the existing 13-bed Level III NICU would achieve the 15-bed minimum unit size for Level III NICUs.

**d. Ch. 59C-1.042(6) - Minimum Birth Volume Requirement. Hospitals applying for Level III neonatal intensive care services shall not normally be approved unless the hospital has a minimum service volume of 1,500 live births for the most recent 12-month period ending six months prior to the beginning date of the quarter of the publication of the fixed bed need pool. Specialty children's hospitals are exempt from these requirements.**

The hospital exceeds the minimum service volume of 1,500 live births.

**e. Ch. 59C-1.042(7) - Geographic Access. Level II and Level III neonatal intensive care services shall be available within two hours ground travel time under normal traffic conditions for 90 percent of the population in the service district.**

Currently Level II and Level III NICU services are available and accessible within the two hours ground travel time to 90 percent of the residents of District 8.

f. **Ch. 59C-1.042(8) - Quality of Care Standards.**

- (1) **Physician Staffing: Level III neonatal intensive care services shall be directed by a neonatologist or a group of neonatologists who are on active staff of the hospital with unlimited privileges and provide 24-hour coverage, and who are either board-certified or board-eligible in neonatal-perinatal medicine.**

The applicant states that there are four neonatologists on staff providing 24-hour coverage at the hospital, and a maternal fetal medicine specialist. Curricula vitae were provided in Attachment 5 of the application.

- (2) **Nursing Staffing: The nursing staff in Level II and Level III neonatal intensive care units shall be under the supervision of a head nurse with experience and training in neonatal intensive care nursing. The head nurse shall be a registered professional nurse. At least one-half of the nursing personnel assigned to each work shift in Level II and Level III neonatal intensive care units must be registered nurses.**

The applicant states that the NICU Executive Director is Michelle Waddell, R.N. A curriculum vitae was provided in Attachment 5 of the application. At all times, at least one-half of the nursing personnel assigned to work each shift in the neonatal intensive care units are registered nurses.

- (3) **Special Skills of Nursing Staff: Nurses in Level II and Level III neonatal intensive care units shall be trained to administer cardio-respiratory monitoring, assist in ventilation, administer I.V. fluids, provide pre-operative and post operative care of newborns requiring surgery, manage neonates being transported, and provide emergency treatment of conditions such as apnea, seizures, and respiratory distress.**

The applicant states that its nursing staff already has the required competencies. All nursing personnel are reviewed in these skills with competency reviews performed annually.

- (4) **Respiratory Therapy Technician Staffing:** At least one certified respiratory care practitioner therapist with expertise in the care of neonates shall be available in the hospitals with Level II or Level III neonatal intensive care services at all times. There shall be at least one respiratory therapist technician for every four infants receiving assisted ventilation.

The applicant states that it currently meets the requirements of at least one certified respiratory care practitioner with expertise in the care of neonates is available 24 hours a day and there is at least one respiratory therapist technician for every four infants receiving assisted ventilation. The applicant has sufficient respiratory therapists currently on staff to support the additional Level III NICU beds.

- (5) **Blood Gases Determination and Ancillary Service Requirements:** Blood gas determination shall be available and accessible on a 24-hour basis in all hospitals with Level II or Level III neonatal intensive care services. Hospitals providing Level II or Level III neonatal intensive care services shall provide on-site, on a 24-hour basis, x-ray, obstetric ultrasound, and clinical laboratory services. Anesthesia shall be available on an on-call basis within 30 minutes. Clinical laboratory services shall have the capability to perform microstudies.

The applicant provides all of the foregoing requirements, including blood gas determination, on-site x-ray, obstetric ultrasonography including ultrasound, CT scan, nuclear medicine and clinical laboratory services with the capability to perform microstudies available 24 hours, seven days a week. Board-certified anesthesiologists are available on an on-call basis within 30 minutes.

- (6) **Nutritional Services:** Each hospital with Level II or Level III neonatal intensive care services shall have a dietician or nutritionist to provide information on patient dietary needs while in the hospital and to provide the patient's family instruction or counseling regarding the appropriate nutritional and dietary needs of the patient after discharge.

The applicant states that it has comprehensive nutritional support services to meet the dietary needs of the mother and infant and provides counseling following discharge.

- (7) **Social Services: Each hospital with Level II or Level III neonatal intensive care services shall make available the services of the hospital's social service department to patients' families which shall include, but not be limited to, family counseling and referral to appropriate agencies for services. Children potentially eligible for the Medicaid, Children's Medical Services, or Developmental Services Programs shall be referred to the appropriate eligibility worker for eligibility determination.**

The applicant describes the duties of the social workers in assisting the patient's family, including family counseling and referral to appropriate agencies for services.

- (8) **Developmental Disabilities Intervention Services: Each hospital that provides Level II or Level III neonatal intensive care services shall provide in-hospital intervention services for infants identified as being at high-risk for developmental disabilities to include developmental assessment, intervention, and parental support and education.**

The applicant provides in-hospital intervention services for infants identified as being high-risk for developmental disabilities to include developmental assessment, and intervention with other support groups.

- (9) **Discharge Planning: Each hospital that provides Level II or Level III neonatal intensive care services shall have an interdisciplinary staff responsible for discharge planning. Each hospital shall designate a person responsible for discharge planning.**

HealthPark's neonatal unit case manager, Norma Vandameer, RN, is responsible for discharge planning. The application includes a description of the interdisciplinary staff responsible for discharge planning and resulting discharge plan, which includes referrals to appropriate community agencies.

**h. Ch. 59C-1.042(10), Florida Administrative Code - Level III Neonatal Intensive Care Unit Standards: The following standards shall apply to Level III neonatal intensive care services:**

- (1) Pediatric Cardiologist. A facility providing Level III neonatal intensive care services shall have a pediatric cardiologist, who is either board-certified or board eligible in pediatric cardiology, available for consultation at all times.**

There are two board-certified pediatric cardiologists on staff and available for consultation at all times. Curriculum vitae for Drs. Sam Edwards and Carl Reed are included in Attachment 5 of the application.

- (2) Nurse to Neonate Staffing Ratio. Hospitals shall have a nurse to neonate ratio of at least 1:2 in Level III NICUs at all times. At least 50 percent of the nurses shall be registered nurses.**

The applicant indicates that its Level III NICU maintains a staffing ratio of at least 1:2 and a nurse staffing complement of a minimum of 50 percent registered nurses. Schedule 6 of the application includes sufficient nurse staffing in the NICU.

- (3) Requirements for Level III NICU Patient Stations. Each patient station in a Level III NICU shall have, at a minimum:**

- a. Eighty square feet per infant;**
- b. Two wall mounted suction outlets preferably equipped with a unit alarm to signal loss of vacuum;**
- c. Twelve electrical outlets;**
- d. Two oxygen outlets and an equal number of compressed air outlets and adequate provisions for mixing these gases;**
- e. An incubator or radiant warmer;**
- f. One heated humidifier and oxyhood;**
- g. One respiration or heart rate monitor;**
- h. One resuscitation bag and mask;**
- i. One infusion pump;**
- j. At least one non-invasive blood pressure monitoring device for every three beds;**
- k. At least one portable suction device; and**
- l. Availability of devices capable of measuring continuous arteria; oxygenation in the patient**

The applicant indicates that it is in compliance with all of the requirements above. Refer to the architectural review below in E.4.h.

- (4) Equipment Required to be Available to Each Level III NICU on demand:**
- a. An EKG machine with printout capacity;**
  - b. Portable suction equipment; and**
  - c. Not less than one ventilator for every three beds**

The applicant indicates it has available all of the required equipment above.

- i. Ch. 59C-1.042(11) - Emergency Transportation Services: Each hospital providing Level II neonatal intensive care services or Level III neonatal intensive care services shall have or participate in an emergency 24-hour patient transportation system.**

- (1) Provision of Emergency Transportation. Hospitals providing Level II or Level III neonatal intensive care services must operate a 24-hour emergency transportation system directly, or contract for this service, or participate through a written financial or non-financial agreement with a provider of emergency transportation services.**
- (2) Requirements for Emergency Transportation System. Emergency transportation systems, as defined in paragraph (11)(a), shall conform to section 10D-66.52, Florida Administrative Code.**

HealthPark operates a licensed emergency medical neonatal transportation system on a 24-hour basis. Back up coverage is provided by Lee County EMS. Attachment 6 of the application includes the applicant's transport protocols and its EMS license profile.

- j. **Ch. 59C-1.042(12) - Transfer Agreements: A hospital providing only Level II neonatal intensive care services shall provide documentation of a transfer agreement with a facility providing Level III neonatal intensive care services in the same or nearest service district for patients in need of Level III services. Facilities providing Level III neonatal intensive care services shall not unreasonably withhold consent to transfer agreements which provide for transfers based upon availability of service in the Level III facility, and which will be applied uniformly to all patients requiring transfer to Level III, as defined in subparagraph (2)(e)2. An applicant for Level II or Level III neonatal intensive care services shall include, as part of the application, a written protocol governing the transfer of neonatal intensive care services patients to other inpatient facilities.**

See response to 3.i. above.

- k. **Ch. 59C-1.042(13) - Data Reporting Requirements: All hospitals with Level II or Level III neonatal intensive care services shall provide the agency or its designee with patient utilization and fiscal reports which contain data relating to patient utilization of Level II and Level III neonatal intensive care services.**

The applicant states that it will continue to provide all patient utilization and patient origin data required by the agency in this section of the Rule.

#### **4. Statutory Review Criteria**

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

With respect to availability, the applicant is one of only two providers in District 8 offering Level III NICU services. The other, Sarasota Memorial Hospital, is approximately a 90-minute drive north of HealthPark. Additional beds at HealthPark will improve the availability of this service for district residents, especially in the densely populated coastal areas of Lee and Collier Counties, around and south of HealthPark. Further, as a RPICC, HealthPark must have Level III beds available to admit and treat seriously ill neonates. As noted above, HealthPark's *average* occupancy in its Level III NICU exceeded 100 percent for the 12 months ending June 2001, and no quarter was below 95 percent.

Moreover, HealthPark has documented nine Level III neonatal diversions since January 1, 2000. Additional Level III NICU capacity will increase availability of the service.

Accessibility would be enhanced if more Level III NICU beds become available. Access to Level III NICU services in the district will be adversely affected unless more capacity is obtained.

The facility is accredited by the Joint Commission on Accreditation of Healthcare Organizations (JCAHO). Refer to E.4.b. below for more discussion on quality of care.

The applicant provided its monthly Level III NICU bed utilization (year ending September 30, 2001) which indicates only two months below 95 percent, with eight months at 100 percent or higher. The applicant also notes the annual occupancy at Sarasota Memorial Hospital (year ending June 30, 2001) of 68.3 percent. However, the applicant contends that the additional beds requested are to alleviate the chronic capacity problems at HealthPark and will not have an adverse impact upon the utilization of Sarasota Memorial's Level III NICU beds.

Need for the project is demonstrated by the availability, quality of care, accessibility, and extent of utilization of existing health care services in the service district of the applicant.

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

The applicant is accredited by the JCAHO and has been continuously since 1964. All of the applicant's hospitals have been honored with special recognitions and awards for quality care and service, which are described in the application. A copy of the JCAHO accreditation certificate, other accreditations, licenses, and certifications are included in Attachment 1 of the application. Further, the applicant is a Medicaid Disproportionate Share Provider.

The applicant describes its integrated, interdisciplinary performance improvement program. Attachments 7, 8, and 9 of the application contain a summary of the applicant's performance improvement plan, a list of the clinical practice guidelines, and the medical staff roster, respectively.

According to AHCA data, the applicant had 16 confirmed complaints during the last three years. All except five (patient care, medicine problem, and medical service) were related to billing. Also pending as of April 19, 2002, is a Lee Memorial self-reported possible EMTALA.

- 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 project does 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.**

The proposed project is not to be located in a research or teaching hospital nor will the primary purpose of the project involve research or physician education. The applicant participates with several educational institutions by providing clinical training sites for students. The applicant also provides continuing medical education and organizational education and training.

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

The audited financial statements for the periods ending September 30, 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:

**FINANCIAL INDICATORS AND RATIOS**

	<u>09/30/2001</u>	<u>09/30/2000</u>
Current Assets	\$ 304,173,000	\$ 289,568,000
Cash and Current Investment	\$ 203,374,000	\$ 174,918,000
Assets Restricted for Capital Projects	\$ 0	\$ 0
Total Assets	\$ 756,877,000	\$ 736,442,000
Current Liabilities	\$ 83,138,000	\$ 70,437,000
Total Liabilities	\$ 459,464,000	\$ 456,610,000
Total Equity	\$ 297,413,000	\$ 279,832,000
Net Operating Revenues	\$ 404,792,000	\$ 371,230,000
Interest Expense	\$ 13,283,000	\$ 13,080,000
Net Profit - Operations	\$ 31,783,000	\$ 14,936,000
Net Income	\$ 15,725,000	\$ 12,946,000
Cash Flow from Operations	\$ 80,973,000	\$ 22,080,000
Working Capital	\$ 221,035,000	\$ 219,131,000
Current Ratio (CA/CL)	3.7	4.1
Cash Flow to Current Liabilities (CFO/CL)	1.0	0.3
Long-Term Debt to Equity (TL-CL/TE)	1.3	1.4
Times Interest Earned (NPO+Int/Int)	3.4	2.1
Equity to Total Assets (TE/TA)	39.3%	38.0%
Operating Margin (NPO/NOR)	7.9%	4.0%
Total Margin (NI/NOR)	3.9%	3.5%
Return on Assets (NI/TA)	4.2%	1.8%
Operating Cash Flow to Assets (CFO/TA)	10.7%	3.0%

**Short-term position:**

The applicant's current ratio of 3.7 indicates current assets are over three times that of short-term liabilities, a good position. The working capital (current assets less current liabilities) of \$221 million is a very significant amount. The ratio of cash flow to current liabilities of 1.0 is good. The applicant has a strong short-term position.

**Long-term position:**

The long-term debt to equity of 1.3 is below average for Florida hospitals. The cash flow to assets of 10.7 percent is good. The most recent year had an operating profit of \$32 million, which resulted in a margin of 7.9 percent, a good level. The total equity of \$297 million with the equity to assets of 39 percent is strong. Even with the mediocre long-term debt to equity of 1.3 the applicant has a satisfactory long-term position.

**Capital requirements:**

Schedule 2 indicates the applicant had \$136.3 million in capital projects planned or underway. The audited financial statements disclosed long-term debt maturing through 2004 of \$22.8 million, which when added to the Schedule 2 projects would total \$159.1 million needed.

**Available capital:**

Schedule 2 indicates funding for these projects will come from cash in hand of \$46.4 million, cash flows of \$48.8 million and the balance currently being sought. The applicant's audited financial statement for September 30, 2001 indicates cash and short-term investments of \$203 million are available. The audit also shows cash flows for that year of \$81 million, which if continued through 2004 would result in \$243 million in cash flows.

**Conclusion:**

With potentially over \$400 million available along with the strong financial position 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. 408.035(8), Florida Statutes.**

A comparison of the applicant's estimates to the control group values provides for an objective evaluation of financial feasibility, (the likelihood that the services can be provided under the parameters and conditions contained in Schedules 7 and 8), and efficiency, (the degree of economies achievable through the skill and management of the applicant). In general, projections that approximate the median are the most desirable, and balance the opposing forces of feasibility and efficiency. In other words, as estimates approach the highest in the group, it is more likely that the project is feasible, because fewer economies must be realized to achieve the desired outcome. Conversely, as estimates approach the lowest in the group, it is less likely that the project is feasible, because a much higher level of economies must be realized to achieve the desired outcome. These relationships hold true for a constant intensity of service through the relevant range of outcomes. As these relationships go beyond the relevant range of outcomes, revenues and expenses may, either go beyond what the market will tolerate, or may decrease to levels where activities are no longer sustainable.

Comparative data were derived from hospitals in peer groups that reported data in 2000; the applicant will be compared to the hospitals in group 6. 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 \$1,497 in year one and \$1,526 in year two is between the control group median and highest values of \$1,427 and \$1,900 in year one and \$1,470 and \$1,957 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 \$ 1,298, which was between the lowest and the median in that year.

Projected cost per adjusted patient day of \$1,423 in year one and \$1,452 in year two is between the group median and highest values of \$1,310 and \$1,890 in year one and \$1,349 and \$1,947 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 \$1,218, which was between the lowest and median in the group.

The year two operating profit for the hospital of \$22.8 million computes to an operating margin per adjusted patient day of \$74 which is similar to the peer group median of \$77. The operating margin computes to 4.8 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 \$81, which is similar to the projected margin. For year two this project makes a net contribution of \$19,789 to the facility's margin. The projected margins appear to be reasonable.

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

The applicant projects managed care to represent 31.0 percent of its patient days. This is almost identical to the control group's median level of 30.6 percent and is moderately higher than the hospital's own 2000 managed care level of 26.7 percent. The applicant's level of managed care will have a positive impact on competition to promote quality assurance and cost-effectiveness.

The proposed NICU III project was compared to all other hospitals in the state with approved NICU III programs. Schedule 7, total gross revenue for the NICU III only is projected to be \$28,396,649 for year two. With 4,941 patient days anticipated the gross revenue (gross charges) per patient day computes to \$5,747. This amount exceeds the statewide

highest values for all NICU providers with level III beds. As the estimated revenues per day are expected to be the most expensive statewide, the project will not foster competition to promote quality and cost-effectiveness. NICU revenues per patient day for HealthPark Medical Center as reported to the agency averaged \$1,954 in 2000. The estimates projecting \$5,747 per patient day for the NICU III beds are open to question.

**COMPARATIVE TABLE**

<b>CON # 9549</b>						
<b>Lee Memorial 1999 DATA Peer Group 6</b>	2004	YEAR 2	<u>INFLATION ADJ. VALUES</u>			
	YEAR 2	ACTIVITY	Highest	Median	Lowest	
	ACTIVITY	PER DAY				
ROUTINE SERVICES	200,154,000	651	778	535	315	
INPATIENT AMBULATORY	0	0	89	43	15	
INPATIENT ANCILLARY SERVICES	633,807,000	2,062	3,969	2,618	1,566	
OUTPATIENT SERVICES	379,605,000	1,235	1,637	1,124	822	
OTHER OPERATING REVENUE	4,853,000	16	193	11	1	
TOTAL REVENUE	1,218,419,000	3,963	5,674	4,585	2,809	
DEDUCTIONS FROM REVENUE	749,223,000	2,437	*	*	*	
NET REVENUES	469,196,000	1,526	1,957	1,470	1,256	
EXPENSES						
ROUTINE	148,457,000	483	290	214	173	
ANCILLARY	152,097,000	495	830	522	426	
AMBULATORY	0					
OVERHEAD	145,890,000	475	808	570	377	
OTHER	0	0				
TOTAL EXPENSES	446,444,000	1,452	1,947	1,349	1,120	
OPERATING INCOME	22,752,000	74	383	77	-101	
		4.8%				
PATIENT DAYS	207,886		NOT INFLATION ADJUSTED			
ADJUSTED PATIENT DAYS	307,433					
TOTAL BED DAYS AVAILABLE	346,020					
ADJ. FACTOR	0.6762					
TOTAL NUMBER OF BEDS	948					
PERCENT OCCUPANCY	60.1%		82.5%	60.6%	34.1%	
<u>PAYER TYPE</u>	<u>PATIENT DAYS</u>	<u>% TOTAL</u>				
MEDICARE	100,796	48.5%	75.2%	58.4%	35.3%	
COMMERCIAL	10,394	5.0%				
MEDICAID	15,591	7.5%	15.2%	4.1%	1.3%	
PRIVATE	8,918	4.3%				
HMO/PPO	64,474	31.0%	49.2%	30.6%	5.9%	
OTHER	7,713	3.7%				
TOTAL	207,886	100.0%				

- 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 proposal is to renovate two spaces in the Level II Neonatal area to house two additional Level II beds and to convert two existing Level II beds in the Level III area to Level III beds. The two spaces to be renovated are labeled as “office” and “isolation” on one plan, but are identified as Level II spaces on other sheets. This needs to be clarified. It appears that the Level II designation is correct based on the wording of material submitted. Overall the project is not very complicated and does not represent any major changes other than the installation of headwalls and counters in these two spaces.

The application includes a site plan, a life safety plan and existing and proposed floor plans of the floor in question. There are also large-scale plans of the two areas involved in this project.

Revisions to the proposed plans need to be made in two areas:

1. The control center (nurses’ station) for the two renovated rooms is required to offer a view of all of the neonatal stations. This requirement is not met in the proposed plan. A view window or other means of visual control needs to be added.
2. Although there appear to be sufficient hand washing stations, the location of these stations is not clear on the plans. Items are shown which might be lavatories, but because they are not labeled, it is not clear that ~~if~~ they are actually hand washing stations.

On Page A4 of Schedule 9, there is apparently a typographical error in the last paragraph, which refers to “Level I” beds. This should read Level II, based on the other information in the application. On the same page, there is information about the construction of the “physical plant” being “Type IV unprotected unsprinklered construction”. This probably refers to the building labeled central plant on the site plan, and does not present a problem as long as there is proper separation of the central plant from the hospital. Such separation is not indicated on the plans submitted, but it can be assumed that it is in place since this is an existing building and has been surveyed at various phases by the Office of Plans and Construction.

Schedule 10 indicates a fairly lengthy construction schedule, and some explanation of the phasing would have been helpful. The facility would obviously try to keep as many neonatal beds in operation as possible during the renovation.

The projected cost of almost \$60,000 per bed for two new level III beds appears to be rather high. However, the extent of the new elements required during the renovation is not presented, and new headwalls and other required items could warrant the high cost per bed. Only two walls are shown to be altered, and the others are existing. The renovation of the two spaces is essentially no more than the addition of headwalls and work counters for the two additional beds.

Renovation - GSF	550	Total Renovation Cost	\$ 75,000.00
		Total Renovation Cost \$/GSF	\$ 136.36
Total Project Cost	\$ 119,695	Total Building Cost \$/SF	\$ 160.00
		Total Project Cost \$/Bed	\$ 59,847.75

**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 applicant states that it is committed to serving all members of the community and accepts all persons in need, especially the medically indigent and Medicaid patients. According to the application, during the last two fiscal years, the applicant has provided in excess of \$46 million in direct charity care. Charity care is also provided through reduced price services and free programs that serve a community health need. As a Medicaid disproportionate share provider, the applicant provides a substantial amount of services below its established rates. The applicant states that contractual adjustments for services provided to Medicaid beneficiaries exceeded \$132 million during the last two fiscal years. Attachment 3 of the application contains the applicant’s Medicaid disproportionate share provider status.

The applicant presented a table depicting the Level III NICU days by payer for the fiscal year ending September 30, 2001:

**HealthPark Medical Center Patient Days  
by Payer Source FY ended 9/30/01**

<b>Payer</b>	<b>Days</b>	<b>Percent</b>
Medicaid	2,403	51.3%
Medicaid HMO	107	2.3%
Commercial	236	5.0%
Commercial HMO/PPO	1,903	40.6%
Other	36	0.8%
Total	4,685	100.0%

Source: CON Application 9549

The following table provides an indication of the applicant’s commitment to charity care and Medicaid, with comparison to the district, based on Fiscal Year (FY) 2000 Actual Data prepared by AHCA.

**Medicaid and Charity Care of the Applicant  
Compared to the District for Fiscal Year 2000**

<b>Applicant</b>	<b>FY00 Conventional Medicaid Days</b>	<b>FY00 Gross Charity Percentage of Charges</b>
Lee Memorial HS	15.1%	2.9%
District 8 Average	7.3%	1.9%

Source: FY 2000 Actual Data/AHCA

As reflected in the table, the applicant’s provision of Medicaid is substantially more than the district average. Its charity care provision is also higher than the district average. The applicant indicates that over 50 percent of the Level III NICU patient days for the last fiscal year were provided to Medicaid patients and projects that the number of RPICC patients will follow historical patterns. The hospital is a designated Medicaid disproportional share provider and regional perinatal intensive care center.

**F. SUMMARY**

HealthPark Medical Center, located in District 8, Lee County, is a 238-bed Class I General Hospital licensed for 198 acute care beds, 27 Level II NICU beds, and 13 Level III NICU beds.

The applicant proposes to add two Level III NICU beds to its existing 13-bed Level III NICU, creating a 15-bed unit. The applicant is one of two providers of neonatal intensive care services in the service area.

**Need:**

- A fixed need pool of two beds was published for Level III NICU services in District 8 for the July 2004 planning horizon. The applicant is responding to the published need.
- District 8 has 20 licensed Level III NICU beds and zero approved Level III NICU beds as of January 25, 2002. The Level III NICU beds in District 8 experienced an occupancy rate of 90.42 percent during the period July 2000 through June 2001. The utilization rate in HealthPark’s Level III NICU during that time exceeded 100 percent.

**Quality of Care:**

- The applicant is JCAHO accredited and has a long history as a quality care provider.

**Medicaid/Indigent Care:**

- The applicant projects that slightly below 50 percent of Level III NICU patient days will be provided to Medicaid patients. The applicant is a designated Medicaid Disproportionate Share Provider and is under contract with the Children's Medical Services/Regional Perinatal Intensive Care Centers (RPICC) program.

**Financial/Cost:**

- The short-term position of the applicant is strong and the applicant has a satisfactory long-term position. The applicant should be able to fund all capital requirements as needed.
- The applicant's level of managed care will have a positive impact on competition to promote quality assurance and cost-effectiveness.

**Architectural:**

- Overall, the proposed project, as submitted, does not pose any architectural concerns that cannot be corrected. The primary concerns are the lack of visual control for the renovated rooms, the identification of sufficient hand washing stations, and the existence of proper separation between the central plant and the hospital.
- The proposed project cost is estimated at \$119,695 and will involve 550 GSF of renovated space and construction costs of \$75,000. Renovation time frames are lengthy and costs appear high.

**G. RECOMMENDATION:**

Approve CON #9549 to add two Level III neonatal intensive care unit (NICU) beds to the existing 13 Level III beds at Lee Memorial - HealthPark, creating a 15-bed Level III NICU. The project involves 550 GSF of renovation and construction costs of \$75,000. Project costs total \$119,695.

**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**