

STATE AGENCY ACTION REPORT
ON APPLICATION FOR CERTIFICATE OF NEED

A. PROJECT IDENTIFICATION

1. Applicant/CON Action Number

Liberty Behavioral Management of Florida, Inc. d/b/a Savannas Hospital/CON #9555
2550 Southeast Walton Road
Port St. Lucie, Florida 34952

Authorized Representative: Dr. Robert Cobiella, CEO
(561) 335-0400

2. Service District/County

District 9 (St. Lucie County)

B. PUBLIC HEARING

A public hearing was not held or requested. However, the applicant submitted three letters of support for the proposed project. Raymond N. Dean, M.D., Executive Director of The Center for Emotional and Behavioral Health, Neil H. Merkatz, M.D., a practicing psychiatrist who specializes in Child and Adolescent Psychiatry, and the Hon. Gayle Harrell, State Representative, 81st District, wrote in support of the proposed project. The letters indicate that since the closing of G. Pierce Wood Hospital and the elimination of child/adolescent psychiatric beds at New Horizons, there is a shortage of child/adolescent psychiatric beds in (DCF) District 15 (Indian River, Okeechobee, St. Lucie, and Martin Counties).

C. PROJECT SUMMARY

Liberty Behavioral Management of Florida, Inc. d/b/a Savannas Hospital seeks approval to add five child and adolescent psychiatric inpatient beds through the conversion of five private rooms to five semi-private rooms. The applicant is the only provider of child and adolescent psychiatric inpatient beds in St. Lucie County and one of three such

providers in AHCA District 9 (Indian River, Okeechobee, St. Lucie, Martin, and Palm Beach Counties). The hospital, located in Port St. Lucie, is a 70-bed Class III Specialty Psychiatric Hospital licensed for 45 adult psychiatric beds, 10 child and adolescent psychiatric beds, and 15 adult substance abuse beds.

According to the *Certificate of Need Predicated on Conditions* page, the applicant is proposing that a minimum of 0.5 percent of the patient days associated with the five additional beds be provided to charity care patients. The applicant also proposes a condition of Physician and Hospital Staff Education, by which the applicant will continue providing clinical internships, medical staff programs, and staff and community education programs.

The total project cost is estimated at \$36,973. There are no construction costs involved in the project.

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 meet 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, John Williamson, who evaluated the financial data, and the Architect, Joel Hill, who evaluated the architectural and the schematic drawings as part of the application.

E. CONFORMITY OF PROJECT WITH REVIEW CRITERIA

The following indicate the level of conformity of the proposed project(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, Chapter 59C-1 and 59C-2, Florida Administrative Code (F.A.C.); 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 59C-1.040, Florida Administrative Code.

In Volume 28, Number 4, dated January 25, 2002, on pages 375-376 of the Florida Administrative Weekly, a fixed need pool of six beds was published for additional child and adolescent psychiatric beds in District 9 for the July 2007 planning horizon.

District 9 has 45 licensed child and adolescent psychiatric beds and zero approved child and adolescent psychiatric beds as of January 25, 2002. District 9 also has 64 intensive residential treatment programs for children and adolescents (IRTF) beds licensed as specialty hospital beds and zero approved IRTF beds as of January 25, 2002. The child and adolescent psychiatric and IRTF beds experienced an occupancy rate of 75.37 percent during the period July 2000 through June 2001.

The applicant proposes the expansion of its existing child and adolescent psychiatric program from 10 to 15 beds. The applicant is applying for beds identified in the fixed need pool.

The special circumstances provision of Chapter 59C-1.040(4)(g), Florida Administrative Code, addresses expanded capacity at hospitals with licensed inpatient psychiatric services for children and adolescents. Since need is shown this provision is not applicable. However, the rule (Ch. 59C-1.040(4)(h), Florida Administrative Code) does address other factors to be considered in the review of certificate of need applications for hospital inpatient general psychiatric services for children and adolescents. The applicant included additional information regarding the current bed shortage in the area.

b. Other Special Circumstances

In addition to responding to the published need, the applicant cited a number of circumstances, which support the proposed project. The state psychiatric hospital, G. Pierce Wood Hospital, recently closed its 450 beds. As a result of the closure, a 10-bed child/adolescent crisis stabilization unit at New Horizons was converted to a short-term residential treatment program. The patients previously utilizing the 10 CSU beds at New Horizons must now access Savannas Hospital or Indian River Memorial Hospital. Per DCF request, Savannas Hospital agreed to accept five patients per day at a reduced rate.

According to the applicant, the foregoing exacerbates the bed shortage at its facility. Tables 1 and 2 of the application reflect that approximately 25 percent of the time the facility's 10 beds equal or exceed 100 percent occupancy. (It is assumed that the data for Tables 1 and 2 is CY 2001.) According to the applicant, during February 2001 the ADC was 9.54 and during September-October 2001, Savannas Hospital experienced multiple occasions where it had more than 10 patients requiring inpatient care. The applicant also notes that it had contacted Steven Miller at the AHCA office in West Palm Beach for permission to exceed its 10-bed census on a short-term basis and was denied. The applicant states that the hospital was informed that it should find alternative locations for these patients. On one of those days, the only available beds were too distant and the families refused the transfers. The patients were maintained as 23-hour observation patients, which is unacceptable for a patient requiring hospitalization. The applicant included as Appendix R of the application a copy of a letter dated October 2, 2001, to Steve Miller from Patricia W. Brown, Executive Director of Savannas Hospital. The letter outlines the problems the facility encountered with patient placement. The applicant states that the approval of the requested five beds will provide greater flexibility for Savannas Hospital to care for patients admitted voluntarily and/or non-voluntarily.

c. Other Factors to be Considered in the Review of Certificate of Need Applications for Hospital Inpatient General Psychiatric Services for Children and Adolescents.

- 1. Applicants shall provide evidence in their applications that their proposal is consistent with the needs of the community and other criteria contained in Local Health Council Plans, the district Alcohol, Drug Abuse and Mental Health Plan, and the State Health Plan.**

The applicant did not respond to this rule criterion. The State Health Plan reference is no longer applicable.

- 2. Applications from general hospitals for new or expanded hospital inpatient general psychiatric beds for children and adolescents shall normally be approved only if the applicant converts a number of acute care beds, excluding specialty beds, which is equal to the number of hospital inpatient general psychiatric beds for children and adolescents proposed, unless the applicant can reasonably project an annual occupancy rate of 75 percent for the applicable planning horizon, based on historical utilization patterns, for all acute care beds, excluding specialty beds. If conversion of the number of acute care beds which equals the number of proposed hospital inpatient general psychiatric beds for children and adolescents would result in an annual acute care occupancy exceeding 75 percent for the applicable planning horizon, the applicant shall only be required to convert the number of beds necessary to achieve a projected annual 75 percent acute care occupancy for the applicable planning horizon, excluding specialty beds.**

This criterion is not applicable to the application under review.

- 3. In order to ensure access to hospital inpatient general psychiatric services for Medicaid-eligible and charity care children and adolescents, 40 percent of the gross bed need allocated to each district for hospital inpatient general psychiatric services for children and adolescents should be allocated to general hospitals.**

This criterion is not applicable to the application under review.

4. **Regardless of whether bed need is shown under the need formula, no additional hospital inpatient general psychiatric beds for children and adolescents shall normally be approved in a district unless the average annual occupancy rate of the licensed hospital inpatient general psychiatric beds for children and adolescents in the district, including beds in intensive residential treatment programs for children and adolescents licensed as specialty hospital beds, equals or exceeds 75 percent for the 12-month period ending six months prior to the beginning date of the quarter of the publication of the fixed bed need pool.**

The child and adolescent psychiatric and IRTF beds experienced an occupancy rate of 75.37 percent during the period July 2000 through June 2001.

5. **The applicant for an intensive residential treatment program for children and adolescents seeking to have the program beds licensed as specialty hospital beds shall provide documentation that the district's licensed non-hospital residential treatment programs for children and adolescents with psychiatric disorders do not meet the need for the proposed service. The documentation shall include the number of residential facilities and beds in the district, the type of clients served, and the type of program provided. In addition, the applicant shall provide letters of support from other mental health professionals in the district for the proposed facility.**

The proposal is not for a residential treatment program.

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 Treasure Coast Health Council, Inc., adopted the following District 9 CON Allocation Factors Report Preferences in October 2000 relative to inpatient psychiatric services:

- (1) **Priority shall be given to those applicants who demonstrate conformity to the goals established by the local agencies serving the alcohol, drug abuse and mental health services populations along with the Local Health Council and its goals as set forth in the District Health Plan.**

The applicant did not address this local health council preference, except to say that it is not applicable and that the applicant attempted to contact the District 9 Alcohol, Drug Abuse, and Mental Health Planning Council in order to obtain a copy of its most recent Comprehensive Service Plan, to no avail. The applicant also states that previously AHCA advised the hospital that this preference was no longer applicable and would be eliminated. This response was included in a prior application by this applicant (CON #9093) in addressing a *former* preference, i.e. the September 1996 District 9 Local Health Council preference, which states: "Priority shall be given to those applicants who demonstrate that they will conform to the goals established by the District 9 Alcohol, Drug Abuse and Mental Health Planning Council in its most recent Comprehensive Service Plan." The referenced 1996 preference is no longer applicable. The reviewer contacted the Local Health Council for guidance regarding its goals set forth in the District Health Plan and understands that there are none specific to the review of this application.

- (2) **Priority shall be given to applicants who can show a commitment to and/or an historical record of service to the most seriously mentally ill, Medicaid/indigent, and underserved populations, as well as providing a continuum of care for children and adolescents including services following discharge.**

As a specialty hospital, the applicant is not eligible for Medicaid reimbursement. The applicant describes its provision of indigent care as follows:

- The applicant pays into the statewide indigent fund, however, as a specialty hospital, does not receive payments from the fund.
- As a private receiving facility, Medicaid patients who remain longer than one day are written off as charity.
- When the state psychiatric hospital was closed, the applicant contacted to accept those patients at a significantly reduced rate (\$250/day vs. \$450/day).

The applicant states that approval of the proposed project will increase its compliance with this priority. As noted earlier, the applicant is proposing to condition approval of this application upon providing a minimum of 0.5 percent of the patient days associated with the five additional beds to charity care patients.

3. Agency Rule Preferences

Please indicate how each applicable preference for the type of service proposed is met. Ch. 59C-1.040, Florida Administrative Code.

In addition to meeting the applicable review criteria in Section 408.035, Florida Statutes, applicants are expected to meet the standards and need determination criteria for the establishment of new or additional adult psychiatric services contained in Chapter 59C-1.040, Florida Administrative Code (all references to psychiatric treatment for adults are deleted for this review). The special circumstances and/or other considerations for approval of expanded capacity at hospitals with licensed hospital inpatient general psychiatric services for children and adolescents was previously discussed in Section E.1 and will not be repeated here. The applicant implies that Ch.59C-1.040(4)(i), Florida Administrative Code, refers to competing applicants; however, 59C-1.040(4)(j) makes the factors in 59C-1.040(4)(i) applicable to non-competitive applicants.

a. Preferences for non-competitive applicants for hospital inpatient general psychiatric services. Ch. 59C-1.040(4)(i)(j), Florida Administrative Code.

In weighing and balancing statutory and rule review criteria, the following factors shall also be considered in the review of a single non-competitive proposal:

- (1) Provide Medicaid and charity care days as a percentage of their total patient days equal to or greater than the average percentage of Medicaid and charity care patient days of total patient days provided by other hospitals in the district, as determined for the most recent calendar year prior to the year of the application for which data are available from the Health Care Board.***

Savannas Hospital is not eligible to participate in the Medicaid program because it is classified as a specialty hospital. As indicated in Section E.2.(2) above, the applicant provided

information relating to its provision of care to indigents. The applicant points out its inability to locate any public documents for a comparison of Medicaid and indigent care with general hospitals, particularly for any psychiatric units therein. Furthermore, the applicant states that it provides care to patients who would typically be classified as Medicaid patients through the CHS for the contract rate of \$250/day, whereas the usual Medicaid per diem of \$600 or more would exceed the charges Savannahs Hospital receives (\$450 for other insurers, \$250 for CHS). The applicant concludes that it receives far less reimbursement for its care to medically indigent patients than the general hospitals providing psychiatric services.

According to AHCA Fiscal Year 2000 data, the applicant provided 4.5 percent charity days.

- (2) ***Propose to serve the most seriously mentally ill patients (e.g. suicidal patients; patients with acute schizophrenia; patients with severe depression) to the extent that these patients can benefit from a hospital-based organized inpatient treatment program.***

As a private receiving facility, the applicant currently serves the most seriously mentally ill patients. The applicant states that it has a 15-bed intensive treatment unit for the sickest patients and will continue to provide this unit and care for these patients.

- (3) ***Propose to serve Medicaid-eligible persons.***

As stated above, the applicant cannot participate in the Medicaid program. However, the applicant provides services to some indigent children who might otherwise be classified as Medicaid patients. Refer to Sections E.2.(2) and E.3.a.(1) below for additional discussion.

- (4) ***Propose to serve individuals without regard to their ability to pay.***

The applicant states that it currently provides care without regard to the patient's ability to pay. As a private receiving facility, the applicant must accept every Baker Act patient regardless of ability to pay, and they must keep all patients, even patients for whom they receive no funding.

(5) *Agree to be a designated public or private receiving facility.*

The applicant is currently a designated private receiving facility.

(6) *Provide a continuum of psychiatric services for children and adolescents, including services following discharge.*

The applicant provides a continuum of psychiatric services for children and adolescents including inpatient and partial hospitalization programs. The applicant states that it has continued to serve child and adolescent patients at significantly reduced rates, despite the closure of many child/adolescent units due to major cutbacks in reimbursement for inpatient services. In 1998, the applicant began increasing its outpatient child/adolescent program and currently continues to develop appropriate programs for these patients.

b. Unit Size Ch. 59C-1.040 (5) Florida Administrative Code. A separately organized unit for hospital inpatient general psychiatric services for children and adolescents shall have a minimum of 10 beds.

The applicant currently meets this criterion.

c. Access Standard Ch. 59C-1.040 (6), Florida Administrative Code. Hospital inpatient general psychiatric services should be available within a maximum ground travel time of 45 minutes under average travel conditions for at least 90 percent of the district's total population.

The travel time standard is met as it applies to District 9.

d. Quality of Care Ch. 59C-1.040 (7), Florida Administrative Code.

(1) *Compliance with Agency Standards.* Hospital inpatient general psychiatric services for children and adolescents shall comply with the agency standards for program licensure described in Chapter 59A-3, Florida Administrative Code. Intensive residential treatment programs for children and adolescents with beds licensed as specialty hospital beds shall comply with the agency standards for program licensure described in Chapter 59A-3, Florida Administrative Code. Applicants who include a statement in their certificate of need application that they will meet applicable agency licensure standards are deemed to be in compliance with this provision.

The applicant did not specifically address this rule criterion. Refer to E. 4. b below for a discussion of quality of care standards.

- (2) ***Hospital Inpatient General Psychiatric Services for Children.*** As required by paragraph 394.4785(1)(b), Florida Statutes, facilities providing hospital inpatient general psychiatric services to children must have beds and common areas designated for children, which cannot be used by adults. Adolescents may be treated in the units designated for children. Adolescents may only be treated in units designated for adult hospital inpatient general psychiatric services if the admitting physician indicates that such placement is medically indicated, or for reasons of safety.

The applicant did not specifically address this rule criterion. Refer to the architectural review and the quality of care reviews below.

- (3) ***Continuity.*** Providers of hospital inpatient general psychiatric services shall also provide outpatient services, either directly or through written agreements with community outpatient mental health programs, such as local psychiatrists, local psychologists, community mental health programs, or other local mental health outpatient programs.

The applicant did not specifically address this rule criterion. In the response to other review criterion contained in Ch. 59C-1.040(4)(i)6., Florida Administrative Code, the applicant states: "In 1998 the applicant began increasing its outpatient child/adolescent program and to this day continues to develop appropriate programs for these patients."

- (4) ***Screening Program.*** All facilities providing hospital inpatient general psychiatric services shall have a screening program to assess the most appropriate treatment for the patient. Patients with a dual diagnosis of a psychiatric disorder and substance abuse, shall be evaluated to determine the types of treatment needed, the appropriate treatment setting, and, if necessary, the appropriate sequence of treatment for the psychiatric and substance abuse disorders.

The applicant did not specifically address this rule criterion; however, Appendix M of the application contains a description of the assessment and treatment plan.

- e. **Services Description Ch. 59C-1.040(8), Florida Administrative Code. An applicant for hospital inpatient general psychiatric services shall provide a detailed program description in its CON application including:**

(a) age groups to be served;

The applicant currently operates 10 psychiatric beds for children and adolescents, which are defined by AHCA as under 18.

(b) specialty programs to be provided;

The applicant did not address this rule criterion.

(c) proposed staffing including qualifications of the clinical director and specialty program staffing;

Schedule 6 shows that the applicant expects to add 6.6 new staff with the six-bed addition and curricula vitae of the medical director, director of nurses, and assistant director, were included in the application.

(d) patient groups by primary diagnosis ICD 9 code that will be excluded from treatment;

The applicant did not address this rule criterion.

(e) therapeutic approaches to be used;

The applicant did not address this review criterion.

(f) expected sources of patient referrals;

The applicant did not address this rule criterion. It is assumed that the sources of patient referrals will remain as it is for the existing program. Appendix G of the application contains a list of hospitals with which the applicant has transfer agreements.

(g) *expected average length of stay for discharges by age group;*

The applicant did not address this rule criterion. According to the application, the average length of stay was 5.1 days in 2001.

(h) *projected number of patient days by payer type, including Medicare, Medicaid, Baker Act, private insurance, self pay and charity care patient days for the first two years of operation after completion of the project;*

Refer to Section E.4.i. below.

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

The applicant did not address this rule criterion. Appendix F of the application contains a copy of the Division of Family Services Contract to provide services to indigent patients. The applicant states "...this contract only pays the hospital a portion of its routine charges to other patients and sees the care of these patients as a community responsible action on behalf of the hospital." Refer to Section E.4.i. below for further discussion.

f. *Quarterly Reports Ch. 59C-1.040 (10), Florida Administrative Code. Facilities providing licensed hospital inpatient general psychiatric services, including facilities with intensive residential treatment program beds for children and adolescents licensed as specialty hospital beds, shall report to the agency or its designee, within 45 days after the end of each calendar quarter, the number of hospital inpatient general psychiatric services admissions and patient days by age and primary diagnosis ICD 9 code.*

The applicant did not address this rule criterion.

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) and 408.035(7), Florida Statutes, and Ch. 59C-1.030 and 59C-1.040, Florida Administrative Code.*

The applicant states that whenever capacity is added to a facility with a high occupancy rate, the capacity increase leads directly to increased availability and access. The proposed project will allow enhanced access

to child and adolescent psychiatric services to patients within the district. The applicant also states that a facility typically provides a lower level of quality when the resources are stretched due to capacity restraints, and therefore, the addition of child and adolescent beds at Savannas Hospital would be expected to increase availability and access and, at the same time, improve the quality of care. Refer to Section E.1.b. above for further discussion.

The following table depicts the utilization of the district's child and adolescent psychiatric and IRTF beds for the 12 months ending June 2001:

C/A & IRTF Occupancy July 2000-June 2001

Facility Name	# Beds	Occupancy (%)
Columbia Hospital	27	37.61%
Indian River Memorial Hospital	8	57.64%
SandyPines	64	98.90%
Savannas Hospital	10	48.79%
District 9 Total	109	75.37%

Source: *Florida Hospital Bed and Service Utilization by District January 2002 Batching Cycle*

The applicant's historical utilization is as follows:

Savannas Hospital C/A Psychiatric Bed Utilization by Year Ended June 30

1997	1998	1999	2000	2001
27.87%	26.08%	27.21%	26.72%	48.79%

Source: *Florida Hospital Bed and Service Utilization by District*

Calendar year 2001 data indicates utilization of the child and adolescent psychiatric beds at Savannas Hospital was approximately 70 percent.

Need for six additional beds was published and the applicant is responding to published need.

- 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 JCAHO accredited and also has been designated a private receiving facility by the Department of Children and Family Services. Copies of the JCAHO accreditation and private receiving facility Certificate of Designation are included in Appendix Q of the application.

According to AHCA data, the applicant had 11 confirmed complaints during the last three years. Four of the confirmed complaints were related to patient care, two concerned staffing, and two others involved Chapter 394/Baker Act. The others were lack of supervision, inappropriate discharge, and EMTALA/ emergency access.

- 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 proposes a condition of continuing the provision of clinical internships, medical staff programs, and staff and community education programs.

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

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

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	12/31/2000	12/31/1999
Current Assets	\$ 2,813,484	\$ 2,920,207
Cash and Current Investment	\$ 0	\$ 0
Assets Restricted for Capital Projects	\$ 0	\$ 0
Total Assets	\$ 10,903,231	\$ 11,291,598
Current Liabilities	\$ 7,282,655	\$ 6,251,878
Total Liabilities	\$ 14,772,655	\$ 14,256,878
Total Equity	\$ (3,869,424)	\$ (2,965,280)
Net Operating Revenues	\$ 11,189,847	\$ 10,928,744
Interest Expense	\$ 788,554	\$ 661,052
Net Profit - Operations	\$ (904,144)	\$ (1,157,915)
Net Income	\$ (904,144)	\$ (1,157,915)
Cash Flow from Operations	\$ (341,153)	\$ (733,145)
Working Capital	\$ (4,469,171)	\$ (3,331,671)
Current Ratio (CA/CL)	0.4	0.5
Cash Flow to Current Liabilities (CFO/CL)	0.0	-0.1
Long-Term Debt to Equity (TL-CL/TE)	-1.9	-2.7
Times Interest Earned (NPO+Int/Int)	-0.1	-0.8
Equity to Total Assets (TE/TA)	-35.5%	-26.3%
Operating Margin (NPO/NOR)	-8.1%	-10.6%
Total Margin (NI/NOR)	-8.1%	-10.6%
Return on Assets (NI/TA)	-8.3%	-10.3%
Operating Cash Flow to Assets (CFO/TA)	-3.1%	-6.5%

Short-term position:

Savannas Hospital's current ratio of .4 and the ratio of cash flow to current liabilities of 0.0 are both in the lower 20th percentile of Florida hospitals, a very weak position. The working capital (current assets less current liabilities) of -\$4.5 million is the result of the applicant having current liabilities \$4.5 million greater than the financial resources to pay them. The applicant has an extremely weak short-term position.

Long-term position:

The ratio of long-term debt to equity of -1.9 and the ratio of cash flows to assets of -3.1 percent is in the lower 20th percentile of Florida hospitals, a very weak position. The most recent year had an operating loss of -\$904.1 thousand, resulting in an operating margin of -8.1 percent. Total equity is -\$3.9 million with the ratio of equity to assets -35.5 percent, a very weak position. The applicant has an extremely weak long-term position.

The applicant is totally dependent on the parent, Liberty Management Group, Inc. for its continued operation. No financial information was provided for Liberty Management Group, Inc. that would support its ability to continue to fund Savanna's losses. A search of the Securities and Exchange Commission web site did not disclose any filings with them by Liberty Management Group, Inc. that would allow us to evaluate their financial strength.

Capital requirements:

Schedule 2 indicates capital projects of \$396.4 thousand. This did not include payments of long-term debt of \$567.0 thousand through year one of the project, which would increase the funded need to \$961.4 thousand.

Available capital:

The applicant states that funding for these projects will come from operating cash flows. The audited financial statements show negative annual cash flows of \$341.2 thousand.

Conclusion:

Based on the audited financial statements of the applicant, cash flows would be insufficient to fund this project or any capital expenditures. All funding would have to come from the parent. No information was provided for Liberty Management Group, Inc. in support of its ability or willingness to fund this project. Based on the information provided, this project could not be funded.

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

The applicant provided data in Schedules 7 and 8 only for the unit within the hospital where the proposed new beds would be located, not for the whole hospital. Comparative data is based on hospital operations as a whole; therefore no comparisons of the estimates provided in Schedules 7 and 8 can be made.

Actual net revenue per adjusted patient day (NRAPD) reported by this hospital in 2000 was \$412, between the group median and highest values of \$384 and \$482.

Actual cost per adjusted patient day reported by this hospital in 2000 was \$452, at the group median value for that year.

The hospital reported a loss of \$904.1 thousand in 2000, between the lowest and median value reported in that year of -\$2.6 million and -\$638.2 thousand.

The additional beds are estimated to increase year two operating profit by \$195.6 thousand. Without complete data in the schedules, no assessment of the reasonableness of this estimate can be made.

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 50.0 percent of its patient days for the 15 beds on which data was submitted. The hospital reported no managed care in 2000. The influence of the project on competition in the local market cannot be estimated.

h. Are the proposed costs and methods of construction reasonable? ss. 408.035(10), Florida Statutes; Ch. 59A-3 or 59A-4, Florida Administrative Code.

The addition of five beds is proposed by the conversion of five private rooms to semi-private. There are letters in the application indicating that the existing private rooms have only 148 square feet, which is 12 square feet less than the 160 required for a semi-private room. It is also noted that the proper clearances for the beds cannot be attained in these existing rooms. The applicant is obviously aware of these issues.

The application also indicates that this proposal was discussed with the architectural reviewer and that he agreed that schematic plans prepared previously would suffice for this application. There are copies of a letter from the Department of Children and Families to the AHCA Office of Plans and Construction requesting a variance for the room sizes. The reply from AHCA merely states that it was determined that no further review was required by the Office of Plans and Construction and does not indicate that a variance was or might be granted.

The floor plan sheets show the entire facility and have large-scale plans of typical patient rooms. The only private room shown has 242 net square feet, so it does not appear that this is the same type room referred to above as having 148 square feet. It also does not seem possible that this room could be converted to semi-private because of its configuration. The semi-private room shown in the large-scale plans is also noted to have 242 square feet, and it does not have the clearances required in the Florida Building Code. There must be a drafting error on the plans because the rooms are shaped quite differently but are noted as having the exact same square footage.

The architectural reviewer was willing to accept plans previously drafted believing that the rooms in question would be shown on the plans. This is apparently not the case, so it is not possible to comment favorably on the conversion of private rooms to semi-private without seeing the existing configuration of these spaces.

There is a partial list of applicable codes on the drawings, but it is out of date and would need to be corrected if the project progresses.

- 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.**

As a specialty hospital, the applicant is not eligible for Medicaid reimbursement. The applicant describes its provision of indigent care as follows:

- The applicant pays into the statewide indigent fund, however, as a specialty hospital, does not receive payments from the fund.
- As a private receiving facility, Medicaid patients who remain longer than one day are written off as charity.
- When the state psychiatric hospital was closed, the applicant contacted to accept those patients at a significantly reduced rate (\$250/day vs. \$450/day).

The applicant presented a chart showing its provision of services to medically indigent patients:

PROVIDING SERVICES TO MEDICALLY INDIGENT PATIENTS

CY	% of Self-Pay, Indigent Charity Patients	% of DCF Patients
2001	18%	18%
2000	23%	
1999	17%	
1998	16%	

Source: CON Application 9555

Fiscal Year 2000 Actual Data prepared by AHCA reveals that the applicant provided charity care of 4.5 percent of charges.

According to the *Certificate of Need Predicated on Conditions* page, the applicant is proposing that a minimum of 0.5 percent of the patient days associated with the five additional beds will be provided to charity care patients.

F. SUMMARY

Liberty Behavioral Management of Florida, Inc. d/b/a Savannas Hospital, located in District 9, St. Lucie County, is a private for-profit psychiatric hospital licensed for 45 adult psychiatric beds, 15 adult substance abuse beds, and 10 child and adolescent beds.

The applicant proposes to add five child and adolescent beds to its existing 10 beds, creating a 15-bed unit.

Need/Other Special Circumstances

- The fixed need pool for child and adolescent psychiatric beds was six (6) beds. The applicant is responding to published need.

Quality of Care

- Savannas Hospital has had 11 confirmed complaints involving patient care, staffing, Chapter 394/Baker Act, lack of supervision, inappropriate discharge, and EMTALA/emergency access during the last three years.

Cost/Financial Analysis

- The applicant has an extremely weak short-term position and an extremely weak long-term position. Based on the audited financial statements of the applicant, cash flows would be insufficient to fund this project or any capital expenditures. All funding would have to come from the parent. No information was provided for Liberty Management Group, Inc., in support of its ability or willingness to fund this project.
- Although the applicant projects managed care to represent 50 percent of its patient days for the 15-bed unit, the hospital reported no managed care in 2000. The influence of the project on competition in the local market cannot be estimated.

Medicaid/Indigent Care

- The applicant is a specialty hospital and not eligible for Medicaid participation. The applicant is proposing a condition that a minimum of 0.5 percent of the patient days associated with the five additional beds will be provided to charity care patients.

Architectural Analysis

- Overall, the proposal, as submitted, presents several issues that cause architectural concerns with the project in that the private rooms to be converted to semi-private lack sufficient square footage and clearances, although there is no indication on the plans of any patient rooms having 148 square feet, as indicated in Appendix S of the application.

G. RECOMMENDATION

Approve CON #9555 to add five child/adolescent beds to Savannas Hospital. The project consists of no construction and project costs of \$36,973.

CONDITIONS:

- (1) A minimum of 0.016 percent of the total annual patient days in the 15-bed unit shall be provided to charity care.
- (2) Physician and Hospital Staff Education shall be provided through clinical internships, medical staff programs and staff and community education programs.

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

Jeffery N. Gregg
Chief, Bureau of Health Facility Regulation