

STATE AGENCY ACTION REPORT
ON APPLICATION FOR CERTIFICATE OF NEED

A. PROJECT IDENTIFICATION

1. Applicant/CON Action Number

HCA Health Services of Florida, Inc./CON #9556

d/b/a St. Lucie Medical Center
1800 S.E. Tiffany Avenue
Port St. Lucie, Florida 34952

Authorized Representative: Gary Cantrell, CEO
(561) 398-3600

Martin Memorial Medical Center, Inc./CON #9557

P. O. Box 9010
Stuart, Florida 34995

Authorized Representatives: Richmond M. Harman, CEO
Christopher H. Coffey
Director of Planning
(561) 287-5200

2. Service District/Subdistrict

District 9, Subdistrict 2, (Martin & St. Lucie Counties)

B. PUBLIC HEARING

A public hearing was not requested and there were no letters of support for CON #9556 HCA's project. However, Martin Memorial (CON #9557) included three volumes with on form letter that was signed by approximately 740 persons in support for its project. This letter states there was a lack of planning for a sufficient infrastructure in the west Port St. Lucie community; that the North Fork of the St. Lucie River geographically divides the majority of Port St. Lucie residents from the nearest commercial center, US 1, which is east of the river and refers to the fact that there are only two bridges crossing the river with approximately 56,000 people residing west of it. This support letter also cites the rapid growth of this area and states that there are enough home

lots approved to add over 100,000 more residents. The letter concludes that St. Lucie West, a planned community, is becoming and will be the hub of infrastructure supporting the large and growing west Port St. Lucie population and that St. Lucie West is the best location for serving present and future hospital needs. In addition, Dr. Eric K. Young and Dr. Dean S. Cohen, two Port St. Lucie area physicians, provided letters of support that emphasize Martin Memorial's quality care and service to residents in the Port St. Lucie area.

C. PROJECT SUMMARY

HCA Health Services of Florida, Inc. d/b/a St. Lucie Medical Center (CON #9556) proposes to add 18 new acute care beds at its facility located at 1800 SE Tiffany Avenue in Port St. Lucie, Florida. St. Lucie Medical Center has a total of 194 beds, 126 acute care and 24 hospital-based skilled nursing beds¹.

The applicant proposes to condition CON approval to five percent of the 18-bed project's total patient days being provided to Medicaid and charity care patients on a combined basis. This is same condition that the applicant agreed to in CON #9323, which conditions the facility's existing 170 acute care beds to five percent of their total patient days being provided to Medicaid and charity care patients on a combined basis. CON #9323 is the first CON to require a Medicaid/charity condition on the facility's beds and a report on this CON is not required until April 1, 2003.

The proposed project consists of no new construction and 16,201 GSF of renovation. Construction costs are projected at \$3,363,855. Total project costs are projected at \$5,204,540.

Martin Memorial Medical Center, Inc. (CON #9557) proposes to establish a new 80-bed acute care hospital in St. Lucie County. The applicant is a non-profit corporation, which operates a 236-bed facility consisting of 231 acute care and five Level II NICU beds located in Stuart, Martin County, Florida. The applicant also operates Martin Memorial Hospital – South, a 100-bed acute care facility, which is also located in Stuart.

¹ The *Florida Hospital Bed Need Projections by District* Volume I, published 1/26/02, shows 126 acute care beds and 44 CON approved beds (CON Numbers 9094 for 30 and 9323 for 14). However, these 44 CON acute care beds were licensed on 1/9/02, shortly before these data were published.

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The applicant proposes to condition CON approval to 2.5 percent of the proposed project's gross revenues being provided to charity care patients and eight percent of total admissions for Medicaid and Medicaid HMO. Martin Memorial South's 100 acute care beds are conditioned pursuant to CON #5296 to provide a minimum of two percent of annual patient days to Medicaid and 0.77 percent to charity patients.

The proposed project consists of 128,000 GSF² of new construction. Construction costs are projected at \$23,552,000. Total project costs are projected at \$57,629,966.

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 or service planning area), applications are comparatively reviewed to determine which applicants best meet the review criteria.

Section 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, James B. McLemore, analyzed the application in its entirety with consultation from the financial analyst, Doug Pierce, who evaluated the financial data, and the Architect, Joel Hill, who evaluated the architectural and the schematic drawings.

² The applicant indicates that the First Floor will be approximately 94,000 square feet with the 2nd Floor having 33,000 square feet. This does not equal the 128,000 square feet listed for the entire project.

E. CONFORMITY OF PROJECT WITH REVIEW CRITERIA

The following indicate the level of conformity of the proposed projects 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.), and the Local Health Plan.

1. Fixed Need Pool

a. Does the project proposed respond to need as published by a fixed need pool? Or does the project proposed seek beds or services in excess of the fixed need pool? Ch. 59C-1.008(2), Florida Administrative Code.

On January 25, 2002, AHCA published a fixed need pool (FNP) in Volume 28, Number 4, of the Florida Administrative Weekly (F.A.W.) of zero (0) for additional acute care hospital beds licensed under Chapter 395, Florida Statutes, in District 9, Subdistrict 2 (Martin and St. Lucie Counties).

According to the AHCA Hospital Bed Need Projections – January 2002 Batching Cycle Volume I, District 9, Subdistrict 2 has a total of 717 licensed acute care beds and 24 CON approved beds. However, as noted earlier, St. Lucie Medical Center has implemented the 30 beds via CON #9094 and 14 by CON #9323 and Lawnwood Regional Medical Center's 20 acute care beds were delicensed, per a condition of CON #9094, effective January 9, 2002. Therefore, St. Lucie Medical Center is presently licensed for 170 acute care beds. In addition, Lawnwood Regional Medical Center added 33 acute care beds through the conversion of 33 skilled nursing beds via exemption #0100044, which were licensed effective March 12, 2002. Therefore, the subdistrict has 774 acute care beds; the Martin Memorial facilities with 331 in Martin County and the HCA/Columbia facilities with 443 in St. Lucie County. The subdistrict's licensed 717 beds experienced an occupancy rate of 68.45 percent during the period July 2000 through June 2001. St. Lucie Medical Center's then licensed 126 acute care beds averaged 90.07 percent occupancy, Martin Memorial Medical Center's main campus's 231 acute care beds averaged 70.45 percent, and Martin Memorial South's 100 acute care beds averaged 54.09 percent occupancy during the reporting period.

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The facility's acute care beds averaged 90.07 percent utilization during the 12-month reporting period ending June 30, 2001. The facility's 24 HBSNU beds averaged 83.21 percent during the 12 months ending June 30, 2001.

The applicants projects are not submitted in response to the fixed need pool, but rather, what the applicants consider to be special circumstances.

b. Approval Under Special Circumstances; Rule 59C-1.038(5):

Regardless of the subdistrict's average annual occupancy rate, need for additional acute care beds at an existing hospital is demonstrated if the hospital's average occupancy rate based on inpatient utilization of all licensed acute care beds is at or exceeds 80 percent. The determination of the average occupancy rate shall be made based on the average 12 months occupancy rate for the reporting period specified in section (4) above. Proposals for additional beds submitted by facilities qualifying under this subsection shall be reviewed in context with the applicable review criteria in Section 408.035, Florida Statutes.

HCA Health Services of Florida, Inc. d/b/a St. Lucie Medical Center (CON #9956): The applicant's 126 acute care beds averaged 90.07 percent occupancy; however, since the reporting period, the applicant has 44 additional acute care beds, licensed January 9, 2002. Had these 44 additional beds been fully operational during this most recent reporting period, utilization would have averaged 66.76 percent.

Martin Memorial Medical Center, Inc. (CON # 9557): Not applicable as Martin Memorial proposes to construct a new 80-bed facility. Martin Memorial Medical Center's main campus's 231 acute care beds averaged 70.45 percent while Martin Memorial South's 100 acute care beds averaged 54.09 percent occupancy during the 12 months ending June 30, 2001.

c. Other Special Circumstances:

The applicants' support of special circumstances for the approval of their project will be discussed below.

HCA Health Services of Florida, Inc. d/b/a St. Lucie Medical Center (CON #9556) seeks to add 18 acute care beds over and above the 44³ recently licensed in order to address service area needs through 2007. The applicant contends that the need to add 18 acute care beds at St. Lucie Medical Center is based on the population increase in the service area and the large percentage of emergency room admissions to acute care beds at the medical center.

In support of its project the applicant provides data enumerating substantial increases in emergency room visits and admissions. The applicant states that emergency room visits increased by 61.0 percent from 1997 to 2001. At the same time, emergency room admits increased by 53.5 percent. However, as noted earlier, the applicant received approval to add 44 acute care beds, which were licensed January 9, 2002. However, the applicant indicates that while all 44 inpatient beds have been licensed, not all 44 are being made available for inpatient use (see footnote #3). In fact, the applicant states that eight beds will not be available for inpatient use until the summer of 2002. This would suggest that any emergency room placement problems have been solved with this January 2002 bed addition.

In determining bed need for St. Lucie Medical Center, the applicant looked at the following:

- population growth in its primary service area by age cohort,
- total St. Lucie County resident hospital discharges,
- market share, and
- residents out-of-area that were discharged from St. Lucie Medical Center.

To demonstrate the projected increase in population, the applicant provides population data by age cohort showing the projected increase from 2001 to 2007, for the applicant's primary service area. The primary service area represents approximately 69 percent of St. Lucie County's population. AHCA data (population estimates, December 2001) show that the population of St. Lucie County will increase from 199,570 in July 2001 to 222,442 by July 2007, an increase of 11.5 percent. Also, population projections published by the Agency indicate that the state population is growing by only 10.1 percent during the same time period. Data presented by the applicant are consistent with published AHCA data.

³ St. Lucie indicates that while it has licensed all 44 beds, it has only 36 new beds in operation and is not going to bring the eight other beds approved by CON #9232 on line until the summer of 2002 as additional PCU beds.

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The following table illustrates the hospital's primary service area population forecast.

**Population Forecast for St. Lucie Medical Center's
Primary Service Area
2001 and 2007**

Age	2001	2007	Numeric Change	Percent Change
0-14	26,716	29,788	3,072	11.5%
15-44	48,493	51,954	3,461	7.1%
45-64	31,384	39,638	8,254	26.3%
65-74	18,331	19,860	1,529	8.3%
75+	12,549	14,039	1,490	11.9%
Total	137,473	155,279	17,806	13.0%

Source: CON #9557, page19, population data from Claritas, Inc.

St. Lucie Medical Center's primary service area (PSA) is comprised of a nine-zip area within the southern portion of St. Lucie County, according to the applicant. The applicant states that the hospital drew 83.5 percent of its inpatients from the PSA in the 12-month period ending June 2001. Also, the hospital held 42.0 percent share of all acute care discharges in the PSA. The applicant noted that this was a drop in market share from 43.7 percent during the 12-month period ending in June 1997 to 40.0 percent in 1999, due to the hospital's inability to accommodate growing patient demand within its current bed capacity limits. The applicant notes that while 2001's share is a two percent increase over 1999's share, it has yet to regain the 43.7 percent share. The applicant contends that with the additional 18 beds in this application and five obstetrical beds it plans to utilize for acute care, it expects to further increase its market share to 44.1 percent in CY 2007.

In support of its request for 18 beds, the applicant provided detailed calculations projecting patient days for the year 2007 as demonstrated in the two tables below.

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**Projected Hospital Discharges/Patient Days for Year 2007
Year 2007 Projection Data**

	0-14	15-44	45-64	65-74	75+	Total
St. Lucie Co. Population						222,442*
Applicant's Adj. PSA Pop (74.6% of County Pop.)	27,802	52,395	44,599	21,393	19,835	166,023
Discharge/Rate	34.21	41.02	99.54	201.15	333.40	
PSA Discharges	951	2,149	4,439	4,301	6,613	18,454
PSA Resident ALOS	3.4	4.1	4.5	5.2	5.6	
PSA Expected Pat. Days	3,272	8,707	20,181	22,469	37,297	91,927
Applicant's Market Share of 44.1%						40,550
In-Migration of 14.2%						47,249
AHCA Reviewer Calculation**						
PSA Expected Pat. Days	3,233	8,810	19,975	22,365	37,032	91,415
Applicant's Market Share of 44.1%						40,314
In Migration of 14.2%						5,725
Total Patient Days						46,039

Source: CON Application, page 32

*AHCA Population Estimates, published 12/01

**Reviewer calculation uses use PSA Discharges x ALOS and has different results than applicant's, as applicant appears to have modified table but not expected patient days.

**St. Lucie Medical Center PSA Patient Days
Year 2004 - 2007 Projections**

Year	Non-OB		Obstetric		Total	
	Pt Days	Occ.	Pt. Days	Occ.	Pat. Days	Occupancy
2004	42,510	67.9%	3,255	52.3%	45,765	66.5%
2005	44,234	70.9%	3,267	52.7%	47,501	69.2%
2006	45,730	73.3%	3,280	52.9%	49,010	71.4%
2007	47,249	75.7%	3,294	53.1%	50,543	73.7%

Source: CON Application, page 22.

For the year 2007, the applicant projected 8,138.2 admissions and a total of 40,550 patient days for the primary service area. In addition, the applicant allocates 6,699 patient days coming from outside of the hospital's primary service area representing 14.2 percent of total patient days. The applicant projects a 12.3 percent increase in patient days between 2001 and 2007, from 42,060 to 47,249. The proposed project is expected to be completed in December 2003. Therefore, the year two (CY 2005) projection of 44,234 patient days from CY 2001's 42,060, calculates to an increase of 5.2 percent in patient days.

The applicant held a 42.0 percent share of all acute care discharges in the PSA during the 12 months ending June 2001. The projected market share of discharges in 2005 is almost identical to its 1999 share.

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The above figures demonstrate a projected 69.2 percent occupancy rate in 2007 in 188 beds (170 + 18 proposed), or 81.46 percent occupancy rate in 170 beds. However, for year two of the project, CY 2005, the occupancy rate for 170 beds is projected at 76.6 percent and only 69.2 percent for 188 beds.

The applicant has not shown need for 18 additional acute care beds. Recent changes in CON law have given hospitals in high growth areas that are experiencing high utilization the ability to add acute care beds without CON review. The applicant can permanently add up to 17 acute care beds should it experience occupancy of 80 percent or higher in its existing 170 acute care beds over a 12-month period or temporarily add up to 17 acute beds if it experiences high seasonal occupancy for at least three consecutive months.

Martin Memorial Medical Center, Inc. (CON #9557) indicates that the following factors support the need for its project. These are:

- The future population hub of the Ft. Pierce/Port St. Lucie metropolitan statistical area is the western portion of Port St. Lucie (discussed below).
- Population-based demand (discussed below).
- Geographic assess in that the applicant demonstrates that north fork of the St. Lucie River is a natural barrier between service area residents and the existing hospital in eastern Port St. Lucie. There are only two bridges that cross the river in the service area and population growth will significantly increase traffic, making access to the existing hospital difficult. The area also has infrastructure problems such as sewer, water services and storm water, which are being addressed by the City of Port St. Lucie through corrective action plans.
- Enhancement to existing Martin Memorial and affiliated outpatient facilities will occur as a result of this project. Presently there is a 65,000 square foot outpatient center on the same campus as the proposed site for this project. Although this may be one of the applicant's reasons for making this application, it cannot be considered as a factor in supporting need for it.

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- Access to low-cost services will be offered according to the applicant based on its analysis of area inpatient charges. Martin Memorial compares its charges with St. Lucie Medical Center and Lawnwood and indicates that Martin Memorial's charges are 29 percent lower than Lawnwood's and 36 percent lower than St. Lucie Medical Center's based on case mix-adjusted charge per PSA discharge. However, St. Lucie Medical Center reported a net revenue per adjusted patient day of \$1,219 in 2000 compared to Martin Memorial's \$1,270. Martin Memorial projects net revenue per adjusted patient day with 416 beds (includes project) of \$2,384 (Year ending September 30, 2006) compared to St. Lucie Medical Center's \$2,085 with 212 beds (Year ending December 31, 2006).
- Extension of services for medically underserved and/or under funded populations - Martin Memorial compares its service to charity care patients with Port St. Lucie MC's and as shown in Item 4.i., Martin provides more charity care. However, Martin Memorial does not provide more Medicaid or charity care than Lawnwood Regional, the subdistrict's Medicaid disproportionate share provider.
- Expansion of hospital services in a cost-effective manner. Martin Memorial compares alternatives to this project and cites the fact that since there is an existing comprehensive outpatient facility the new hospital will be designed to focus almost exclusively on inpatient and emergency care, thus reducing construction costs, square footage, and equipment costs. Again, while this may be true, it does not support need for the project.
- Introduction of a not-for-profit provider to St. Lucie County - Currently the two hospitals serving Port St. Lucie are for-profit HCA affiliated. The applicant contends that its project, which would result in a new competitor in St. Lucie County, (but not in the planning area) would have a positive effect on costs to patients, employers and managed care companies, as two hospital studies indicate that hospitals in the most competitive markets have lower rates of increase in costs when compared to hospitals in less competitive markets. However, Martin Memorial is already in the same planning area/subdistrict as St. Lucie Medical Center and currently enjoys approximately a 23 percent share of this market. It is noted that if this two county planning area were separated into single counties, then Martin Memorial would be the sole provider of acute care services physically located in Martin County. These two hospital systems are currently competing with each other.

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- Furtherance of Martin Memorial's mission and commitment to the Port St. Lucie area. The applicant provides a listing of the services it regularly has at the St. Lucie outpatient center. These include programs such as weight control, smoking cessation, CPR instruction, exercise classes, massage therapy and health fairs. Support groups meeting regularly at the outpatient center include ALS, Alzheimer's breast cancer, cancer, cardiac, and so forth. Martin Memorial concludes that the addition of inpatient services will ensure a comprehensive medical campus that serves most medical needs. Whether or not the project furthers the applicant's mission is not what is under review. This does not support need for the project.
- Relief for capacity constraints for facilities serving the PSA; Martin Memorial contends that St. Lucie Medical Center and Martin Memorial Medical Center experience capacity constraints, especially during peak periods. However, as noted above, St. Lucie Medical Center recently added 44 acute care beds. Additionally, as noted above, Lawnwood also added 33 acute care beds through the conversion of its hospital-based skilled nursing unit (HBSNU) beds.
- Expanded access for managed care enrollees in St. Lucie County. Martin Memorial contends that the project will increase access for managed care patients. However, the AHCA financial reviewer indicates that the new facility's projected level of managed care is not likely to have a significant positive impact on competition, to promote quality assurance and cost-effectiveness.

In reference to the population hub criteria above, the applicant indicates that the west Port St. Lucie area has grown from 41,934 in 1990 to an estimated 72,784 today. The population is projected to increase by over 13,000 residents (18.5 percent) between 2001 and 2007, while the rest of St. Lucie County is projected to grow by 7.4 percent. The service area is projected to account for 59 percent of the total St. Lucie County growth between 2001 and 2007.

The applicant provides the following chart detailing population growth projections and distribution for these areas as of December 31, 2001.

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City of Port St. Lucie Certificates of Occupancy & Platted Lots				
Planning Area	Certificates of Occupancy	Platted Lots	Percent Built-Out	Estimated Population*
East of the North Fork				
6	4,216	4,684	88.1%	12,824
7	4,005	7,026	57.0%	13,521
Subtotal	8,131	11,710	69.4%	26,345
West of the North Fork				
1	489	3,971	12.3%	1,865
2	868	2,329	37.3%	2,288
3	12,081	20,212	59.8%	29,154
4N	7,191	20,409	35.2%	17,849
4S	2,777	14,983	18.5%	6,701
5	1,119	4,474	25.0%	2,729
8	2,447	3,245	75.4%	7,785
Subtotal	26,972	69,623	38.7%	68,370
Total	35,103	81,333	43.2%	94,715

Population includes residents of single and multiple family units.

Source: "Certificates of Occupancy and Platted Lots by Section," and "Number of Dwelling Units and Population by Section," City of Port St. Lucie Planning and Zoning Department, Fourth Quarter 2001, December 31, 2001.

The applicant notes that while 69.4 percent of the areas east of the North Fork are built-out, only 38.7 percent of the area west of the North Fork has been developed. The applicant further indicates that the city has recently installed sewer and water service in the northern-most planning areas (1 and 2), which has opened this relatively undeveloped area for residential development. The proposed PSA site does have many attractions for current and future residents such as moderately priced luxury homes, elementary, middle and high schools, public library, two regional grocery stores, a baseball stadium used as spring training site for the New York Mets, Indian River Community College and Florida Atlantic University, the county's only stadium-seat multiplex movie theaters, an ice skating rink, restaurants, and physician offices and outpatient health care facilities.

Martin Memorial indicates that there are 41,852 platted General Development Corporation lots still undeveloped in west PSL, or a potential additional population of 100,500 people, assuming the 2000 census 2.4 persons per household multiplier continues. Overall, the west PSL area is presently approved for around 123,500 additional residents, bringing its build-out population to nearly 200,000. However, the applicant does not state when the date build-out is projected to occur. As shown in the chart below, July 2007 population estimates for the entire county, according to AHCA's December 2001 population projection publication, are estimated at 222,442. The applicant includes more detail in its build-out discussion and notes that a recent New York Times article states that "In the last year, the Port St. Lucie Metropolitan

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area has had the fastest growing economy in the state and Florida has the fastest growing economy in the United States”. This article was included in Attachment A and dated January 21, 2002. It also cites Port St. Lucie’s low price luxury housing resulting in a construction boom and examples of corporate relocation to area based on the area’s low wages and high unemployment rate i.e. a wealth of unemployed people willing to accept low paying jobs. The value of building permits issued in the county in the first two weeks of January 2002 had already exceeded the value of permits in the entire month of January 2001, per city officials according to the article.

In reference to “Population based demand” the applicant provides the following table.

St. Lucie County Population Projections 2001 through 2007							
				Increase			
				2001-2006		2001-2007	
Area	2001	2006	2007	Number	Percent	Number	Percent
PSA	72,784	83,867	86,283	11,083	15.2%	13,499	18.5%
Non-PSA	126,786	134,490	136,159	7,704	6.1%	9,373	7.4%
TOTAL	199,570	218,357	222,442	18,787	9.4%	22,872	11.5%

Source: CON #9557, page 21 from Claritas Zip Code Level population data adjusted to tie to AHCA July 1 population estimates by county, published in December 2001. Projection for 2007 extrapolated based on growth from 2001 to 2006.

The applicant notes that the population of the PSA its new facility will serve represents approximately 37 percent of the County’s total population but the land mass for this area is only 12.4 percent of St. Lucie County. The applicant contends that with the PSA population’s size and growth rate, an inpatient facility is needed within this service area.

Utilization projections for the satellite hospital were prepared using the following general methodology.

The applicant provided the following analysis to project the potential admissions for the satellite hospital's primary service area (PSA) by zip code. These zip codes consist of 34953,34983, 34985 and 34986 and are primarily that portion of the City of Port St. Lucie located west of the North Fork of the St. Lucie River. The applicant states it made the following assumptions:

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- The hospital utilization to population percentage is held constant at the average of the years 1998 – 2000, which are 56.34 per 1,000 population less than age 65, 317.88 or ages 65+ and 52.57 per 1,000 female population age 15-44. These rates are held constant for 2006–2008 projections.
- DRG groups representing cardiac surgery, transplantation, trauma, neonatal intensive care, burns, psychiatry, and substance abuse were excluded because the satellite hospital will not be a tertiary hospital. Obstetric cases are calculated based on fertility rates and adjusted for non-delivery obstetric cases.
- The applicant estimated the satellite hospital's share of total discharges originating from the PSA based on the following: Martin Memorial's historic market share, the market share of other local hospitals, geographic proximity and road access to the satellite hospital and services to be provided at the satellite hospital.
- While the population and therefore overall resident admissions are projected to increase, the market share for the applicant is also projected to increase over Martin Memorial's present 26.2 percent market share CY 2000 to 36.0 percent in 2007 and 44.2 percent in 2008. These increases are highly speculative and would, of course, mean a reduction in the market share of other area hospitals.
- The average length of stay (ALOS) of 4.73 days is based on the overall length of stay for service area residents treated at all hospitals for the types of services provided at the satellite hospital. The ALOS is a composite of the medical/surgical cases age less than 65, 65 and over, and female fertility rate as discussed above.
- In-migration is projected to equal 20.0 percent of the satellite hospital's total admissions for medical/surgical and obstetrics.

The applicant provided the following chart based on the assumptions above, which details projected admissions for the satellite hospital. The applicant projects an overall market share of 25.8 percent in 2006, 36.0 percent in 2007 and 44.2 percent in 2008. The applicant provided total projected occupancy for the facility-based on projected patient days for both the primary and the secondary service area, assuming 20 percent of all patient days coming from other areas.

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Martin Memorial Satellite Hospital Total Occupancy Projections for Years One – Three			
	Year 2006	Year 2007	Year 2008
Medical/Surgical Discharges	2,344	3,444	4,346
OB Discharges	496	625	764
Total Discharges	2,840	4,069	5,110
Medical/Surgical Patient Days	11,083	16,291	20,563
OB Days	1,290	1,625	1,986
Total Days	12,373	17,916	22,550
Occupancy @ 80 beds	42.4%	61.4%	77.2%

Source: CON #9557, page 26.

However, a comparison of what St. Lucie is projecting and what Martin Memorial is projecting indicates that Martin Memorial's projections seem high compared to St. Lucie Medical Center's. Assuming St. Lucie Medical Center's projections for 2007, from page 32 of its application are correct, then Martin Memorial's projections would negatively impact both St. Lucie Medical Center and Lawnwood Medical Center⁴, the subdistrict's disproportionate Medicaid share provider.

The applicant projects an occupancy of only 42.4 percent for the year 2006 (year one of the project), and 61.4 percent for CY 2007, the planning horizon year. An occupancy level of 77.2 percent is projected for 2008, based on an increase in market share from 25.8 percent in 2005 to 44.2 percent in Year 2007. The applicant indicates that population growth will only serve to increase the demand for inpatient and outpatient services. However, the applicant's projected increases are highly speculative.

Both applicants show that if either project is approved the other will lose some percentage of its current market share. As stated earlier, if Martin Memorial's estimates prove accurate, then this new hospital will adversely impact at least one existing acute care hospital because the projected primary service area that makes up almost one half of St. Lucie Medical Center's primary service area. Population growth and projected use rates do not support projected need. Because of changes in CON laws, should St. Lucie Medical Center add temporary or permanent beds through the exemption process or convert its existing 24-bed HBSNU to acute care beds, the bed additions would be in relatively small increments. Although Martin Memorial's market share might be reduced as a result of small acute beds additions at St. Lucie Medical Center, any impact of beds added through the CON exemption process is estimated to be minimal.

⁴ AHCA Patient Discharge Data for the 12 months ending June 30, 2001 indicates that 4,122 of St. Lucie Medical Center's 9,990 total discharges originated from the above zip codes. Lawnwood Regional had 1,003 discharges compared to Martin Memorial's 2,048 and Martin Memorial South's 110, during the reporting period.

2. Local Health Plan

Is need for the project proposed supported by the applicable district plan? ss. 408.035(1), 408.037(1), Florida Statutes.

The October 2000 District 9 CON Allocation Factors Report lists the following preferences relevant to acute care beds:

- a. Priority shall be given to area hospitals, which can show a commitment to or an historical record of service to Medicaid/indigent, handicapped and underserved population groups.**

HCA Health Services, Inc. d/b/a St. Lucie Medical Center (CON #9556) proposes to condition CON approval to five percent of the 18-bed project's total patient days being provided to Medicaid and charity care patients on a combined basis. This is same condition that the applicant agreed to in CON #9323, which conditions the facility's existing 170 acute care beds to five percent of their total patient days being provided to Medicaid and charity care patients on a combined basis. Schedule 7A shows the applicant projects Medicaid and Medicaid HMO to account for 6.0 percent of year two's (ending December 31, 2005) total patient days and notes to this schedule indicate charity care will amount to 2.2 percent of total patient days.

According to AHCA data, the District 9 average for conventional Medicaid days was 8.0 percent during FY 2000 and Subdistrict 2 16.5 percent during FY 2000. St. Lucie Medical Center provided 6.4 percent of its FY 2000 patient days to Medicaid patients, which is below the subdistrict and district average. St. Lucie Medical Center provided charity care at 1.5 percent of its total patient days. This is also below the subdistrict (2.3 percent) and district (1.9 percent) averages for charity care. St. Lucie Medical Center is not certified as a Medicaid disproportionate share provider for state fiscal year 2001-2002.

Martin Memorial Medical Center, Inc. (CON #9557) proposes to condition the project to the provision of eight percent of admissions to Medicaid/Medicaid HMO patients and 2.5 percent of gross revenues for charity care. The applicant is currently conditioned to provide two percent of its patient days to Medicaid and 0.77 percent to charity care in the 100 acute care beds at Martin

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Memorial South. There is no indigent/charity condition on the 231 acute care beds at Martin Memorial's main campus. The applicant indicates that it has a long history of providing care to medically indigent patients and Medicaid and Medicaid HMO patients accounted for 6.9 percent of the total admissions⁵ for the 12 months ending September 30, 2001.

As stated above, the District 9 average for conventional Medicaid days was 8.0 percent and Subdistrict 2 was 16.5 percent during FY 2000. Martin Memorial provided 5.2 percent of its total (includes both facilities) patient days to conventional Medicaid patients. The applicant is below the district and subdistrict averages. However, Martin Memorial provided 2.3 percent of its total patient days to charity care, which exceeds the district average of 1.9 percent and equals the subdistrict average. Martin Memorial Medical Center, Inc. is not certified as a Medicaid disproportionate share provider for state fiscal year 2001-2002.

- b. Priority shall be given to applicants who can document cost containment practices in their facilities. Cost containment practices, such as sharing services with other hospitals, enhance efficient resource utilization and help to avoid duplication.**

HCA Health Services of Florida, Inc. d/b/a St. Lucie Medical Center (CON #9556): As a member of the HCA hospital network, the applicant claims that St. Lucie Medical Center benefits from the purchasing, cost control, and other management expertise arising from within the parent organization. The applicant also cites the transfer of beds from Lawnwood as an example of the efficient resource utilization and sharing within the HCA system. The applicant doesn't mention Lawnwood Regional Medical Center's addition of 33 acute care beds through the conversion of 33 skilled nursing beds via exemption #0100044, which were licensed effective March 12, 2002.

Martin Memorial Medical Center, Inc. (CON #9557) states that it is a member of Voluntary Hospitals of America, a 900-member hospital alliance, which allows many opportunities for cost savings, such as collective purchasing agreements, which reduce supply costs. The applicant also cites its use of a centralized laboratory, which processes specimens from its hospitals and

⁵ This includes Martin Memorial Medical Center and Martin Memorial South, as these are combined for AHCA financial reporting.

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affiliated service sites. The new hospital will be located to adjacent existing outpatient center, which will allow for the use of the existing MRI and outpatient rehabilitation service. Certain management and supervisory personnel will be assigned to positions at more than one of its hospitals, where appropriate. The applicant also notes that it has already centralized financial services, human resources, information systems, purchasing, and materials management, which enable it to achieve economies of scale.

- c. Priority shall be given to an applicant who proposes to use existing space rather than new construction, including space created by previous voluntary delicensure of underutilized or unused beds and/or through transfer of beds within a subdistrict.**

HCA Health Services of Florida, Inc. d/b/a St. Lucie Medical Center (CON #9556) proposes to use existing shell space for its project, however, the project does not involve space that was previously licensed for acute care beds and does not involve the transfer of beds within the subdistrict.

Martin Memorial Medical Center, Inc. (CON #9557) is proposing to construct a new 80 acute care bed hospital. The applicant contends that it does not have beds available at Martin Memorial or Martin Memorial South to transfer to the new facility.

3. Agency Rule Criteria

Does the project respond to preferences stated in agency rules? Indicate how each applicable criteria for the type of service proposed is met.

Ch. 59C-1.031-.044, Florida Administrative Code.

Priority Considerations.

- a. Priority consideration for initiation of new acute care services or capital expenditures shall be given to applicants with a documented history of providing services to medically indigent patients or a commitment to do so.**

Both applicants provision of care to Medicaid and charity was previously discussed in 2. a. above in local health plan preferences.

- b. When there are competing applications within a subdistrict, priority consideration shall be given to the applications which meet the need for additional acute care beds in a particular service through the conversion of existing underutilized beds.**

Both applicants' projects do not involve the transfer of acute care beds from one campus to the other.

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.**

HCA Health Services of Florida, Inc. d/b/a St. Lucie Medical Center (CON #9556) states its contention that the project is needed to ensure appropriate availability and accessibility of beds in St. Lucie Medical Center's service area. The obstetric unit's low occupancy is discussed and the applicant contends it is inappropriate to change more than five of these beds to acute care. The HBSNU occupancy is again discussed and the applicant maintains it will continue to offer this service for the foreseeable future. However, hospital after hospital has elected to return HBSNU beds back to acute care⁶. This process does not take 12 months of occupancy and could be completed in a short period of time. If HCA chose to do this at St. Lucie Medical Center, 24 acute care beds could be added to its inventory.

The exemption process for obtaining additional beds is rejected as the applicant contends the facility experienced unacceptable levels of disruption in inpatient bed availability and accessibility, ER holds, ER bypass, difficulty in scheduling elective surgeries, patient incompatibility issues, and peak demand problems. It is noted that the applicant has not demonstrated that it continues to experience these unacceptable levels of disruption after activating 36 of the 44 newly licensed acute care beds. The fact that the applicant has not fully activated all of its licensed beds suggests the opposite. The applicant contends the 18 additional beds are needed to prevent availability and accessibility problems

⁶ AHCA utilization data indicates that D9 had eight facilities with licensed HBSNUs in operation as of 9/3/99, with two others CON approved for units. As of 3/1/02 There are now six licensed, with two of these reporting zero utilization during CY 2001, two of the six having exemptions to delicense the entire HBSNU, and utilization reported for only three, one of which Lawnwood which has an exemption to delicense its 33 bed SNU. The remaining two, Indian River Memorial's 28 bed HBSNU reported 55.42 percent utilization and St. Lucie Medical Center's 24 bed HBSNU reported 79.11 percent utilization during CY 2001. While St Lucie's HBSNU averaged 84.05 percent in CY 2000, utilization dropped to 79.11 percent in CY 2001.

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through the 2007 planning horizon. As previously noted, the project would be on line in 2005 and the occupancy rate for 170 beds is projected at 76.6 percent and only 69.2 percent for 188 beds. The applicant projects occupancy to be 69.2 percent in year of 2007 with 188 beds.

The applicant did not question the quality of care provided by other hospitals in the subdistrict. See item 4.b. for a discussion of the applicant's quality of care.

Martin Memorial Medical Center, Inc. (CON #9557) again cites the tremendous growth of the west Port St. Lucie area and its contention that the division of the city by the St. Lucie River creates two distinct planning areas. The separation of the area with only two bridges to provide access to the existing St. Lucie Medical Center is again discussed. Future population growth will stress the existing bridges beyond capacity and unless there is a hospital located west of the river, traffic congestion and distance will remain a barrier to access, according to the applicant. The area includes not only residential growth, but commercial, industrial, health care professionals, health care services, and schools. Additional infrastructure opportunities are still being developed and therefore, additional growth is projected for this area.

The new facility should improve access and availability for residents of Port St. Lucie's western portion, and those residents located west of I-95 and expedite treatment for auto accident victims from both the Florida Turnpike and I-95 directly to the west. However, as discussed in E. 1 c. above, need for additional beds in the subdistrict was not demonstrated. The applicant concludes that the need for the project is based on the concentration of population in the proposed service area, the rapid growth of the service area, and the geographic barriers to access the existing providers. It is noted that the applicant includes a newspaper article in Attachment 1 in which an HCA spokesperson indicates HCA is seeking to purchase land in this west Port St. Lucie area in order to build a hospital.

Martin Memorial does not question quality of care at existing facilities, but discusses its provision of quality of care (see item 4. b.)

While not addressed in its response to this criterion, in reference to efficiency, the applicant cites the new facility's ability to share many functions with Martin Memorial. Some of these include: use of the existing outpatient center's MRI, and rehabilitation and other outpatient services, management and supervisory personnel will be assigned to positions at more than one of its hospitals, where appropriate. The

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applicant also notes that it has already centralized financial services, human resources, information systems, purchasing, and materials management, which enables it to achieve economies of scale and will be available to the new facility. The architectural review sheds no light on the facility design to promote cost-effective quality care. The facility location is cited as being an important addition to ensure health care access to emergency and inpatient services in the highest growth area of the county. The applicant also indicates that the new facility will provide relief for Martin Memorial's main campus as approximately 11 percent of residents from the PSA are currently seen at Martin Memorial. It is noted that St. Lucie Medical Center has approximately 56 percent of the market share of this area.

In terms of adequacy of services, the applicant contends that due to the geographic access patterns and the location of existing hospitals, the new hospital is needed to ensure adequate services for residents of the west Port St. Lucie area. (See Item E. 1 need discussion).

As previously discussed, the average occupancy for acute care beds in District 9, Subdistrict 2, was 68.45 percent for the time period of July 2000 through June 2001.

The following table shows the occupancy rate for all facilities in District 9, Subdistrict 2 for the 12-month period ending June 30, 2001.

District 9, Subdistrict 2 Acute Care Occupancy Rates July 2000 ~June 2001		
Hospital	# of Acute Care Beds	Percent Occupancy
St. Lucie Medical Center	126	90.07
Lawnwood Regional Medical Center	260	61.72
Martin Memorial Medical Center	231	70.45
Martin Memorial Hospital South	100	54.09
TOTALS	717	68.45

Source: AHCA Hospital Bed and Service Utilization Volume II January 2002 Batching Cycle.

St. Lucie Medical Center has the highest utilization, Martin Memorial Medical Center the second highest utilization and Martin Memorial South, the lowest utilization of the four hospitals in the subdistrict. As noted in the Project Summary and E. 1. above, a total of 77 acute care beds have either been added to or approved for the subdistrict: 44 at St. Lucie Medical Center and 33 at Lawnwood.

Need for the projects are not evidenced by the availability, quality of care, efficiency, accessibility and extent of utilization of existing health care facilities and health services in the subdistrict.

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

HCA Health Services of Florida, Inc. d/b/a St. Lucie Medical Center (CON #9556) discusses St. Lucie Medical Center's JCAHO accreditation and the Organizational Performance and Quality Improvement Program. The applicant has demonstrated its ability to provide quality care.

The applicant is licensed by the state, (#4193, expires September 19, 2003) and certified to participate in the Medicare and Medicaid programs. The applicant has no current deficiencies associated with its license. Records on file with the Agency show that during the period from October 24, 1997 through April 19, 2002, St. Lucie Medical Center has had 28 complaints filed with the Agency, involving patient care and/or EMTALA/Emergency access issues. Only one of the EMTALA allegations was confirmed: "Patient with a fractured mandible presented to ER but ER physician requested patient be transferred to another hospital for treatment". This complaint was closed on April 4, 2001. There were three confirmed patient care complaints, which were closed on June 21, 2000, February 14, 2001, and May 23, 2001. There are no pending investigations as of April 19, 2002.

Martin Memorial Hospital, Inc. (CON #9557) indicates that it has been cited as one of the top 100 performing hospitals of all hospitals in 1998, 1999, and 2000 by HCIA-Sachs (now Solucient), a Baltimore based health care information company. The hospital is accredited by the Joint Commission on Accreditation of Health Care Organizations (JCAHO) and received a score of 93 on its most JCAHO recent survey in July 2001. The applicant also states that the hospital's parent organization, Martin Memorial Health System, was the first in Florida to receive JCAHO accreditation as a network of services. These accreditations and the applicant's Quality Assessment and Improvement Plan (Attachment 10 in Volume 2 of the application) demonstrate the hospital's capacity for quality patient care.

The applicant is licensed by the state (#4102, expires June 30, 2003) and certified to participate in the Medicare and Medicaid programs. The applicant has no current deficiencies associated with its license. Records on file with the Agency show that during the period from October 24, 1997 through April 19, 2002, Martin Memorial Medical Center has had nine complaints filed with the Agency, involving patient care and/or EMTALA/Emergency access issues. Only one of the EMTALA allegations was confirmed: "Patient with a C2 fracture not accepted by transfer from

another hospital without a reciprocal agreement". This complaint was closed on December 13, 2000. None of the patient care complaints were confirmed. There are presently two pending investigations; one involving patient care and the other the hospital's practices for tracking and reconciling controlled substances.

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

The proposed projects do not address the need for special equipment or services that are not reasonably or economically accessible in adjacent districts.

- d. Is this project to be located in a 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 applicants' facilities are not teaching hospitals and the project's primary purpose is not research or physician education. However, both applicants contend the projects will provide additional educational opportunities for health care professionals.

St. Lucie Medical Center indicates it has affiliations with Indian River Community College, Port St. Lucie School of Practical Nursing and the University of Florida and Nova University.

Martin Memorial indicates it maintains affiliations with universities, community colleges, vocational training programs and research centers for a variety of educational and training programs. The applicant lists affiliations with Florida Atlantic University, Indian River Community College, Barry University and the University of Florida.

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

HCA Health Services of Florida, Inc. d/b/a St. Lucie Medical Center (CON #9556) presents a brief bibliography of its key management personnel. The applicant indicates that since the project will result in additional patient days for the facility by the end of the second year, no incremental FTEs have been attributed to this project during the first two years of operation. However, Schedule 6 indicates that in year two the applicant proposes 32 FTE staff for the project, which is the same as

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proposed for year one. RN FTEs are projected at 14.0, LPNs 4.0 and nurses sides 8.0 FTEs. The applicant presents a detailed description of its recruitment and employee benefit programs. HCA indicates that St. Lucie Medical Center has only modest employee turnover and it anticipates no difficulty in staffing the relatively few additional FTEs required for this expansion.

The applicant's audited financial statements for the periods ending December 31, 2000 and 1999 were reviewed to assess the financial position as of the balance sheet date and the financial strength of its operations for the period presented. Key financial account balances along with specific ratios are presented for this analysis.

HCA Health Services of Florida, Inc. – CON #9556

FINANCIAL INDICATORS AND RATIOS

	12/31/2000	12/31/1999
Current Assets	\$ 80,043,822	\$ 72,851,991
Cash and Current Investment	\$ 7,428	\$ 0
Assets Restricted for Capital Funding	\$ 0	\$ 0
Total Assets	\$ 453,419,487	\$ 403,901,616
Current Liabilities	\$ 37,496,921	\$ 39,692,663
Total Liabilities	\$ 37,606,511	\$ 39,692,663
Total Equity	\$ 415,812,976	\$ 364,208,953
Net Operating Revenues	\$ 438,575,715	\$ 417,530,042
Interest Expense	\$ 4,209,522	\$ 4,331,720
Net Profit - Operations	\$ 68,096,625	\$ 83,909,414
Net Income	\$ 51,641,559	\$ 57,304,037
Cash Flow Provided by Operating Activities	\$ 63,669,685	\$ 74,718,655
Working Capital	\$ 42,546,901	\$ 33,159,328
Current Ratio (CA/CL)	2.1	1.8
Long-Term Debt to Equity (TL-CL/TE)	0.0	0.0
Operating Cash Flow (CFO/CL)	1.7	1.9
Equity to Total Assets (TE/TA)	91.7%	90.2%
Operating Margin (NPO/NOR)	15.5%	20.1%
Total Margin (NI/NOR)	11.8%	13.7%
Return on Assets (NI/TA)	11.4%	14.2%
Operating Cash Flow to Assets (CFO/TA)	14.0%	18.5%

The applicant, HCA Health Services of Florida, Inc. (d/b/a Saint Lucie Medical Center), is a for-profit health care provider that operates four hospitals and related entities in Saint Lucie and surrounding counties. The project's initial operating costs are projected to be \$2,171,256 in the first year and \$2,326,415 in the second year.

Short-term position:

The applicant's current ratio of 2.1 indicates current assets are two times that of short-term liabilities, a relatively strong position. The working capital (current assets less current liabilities) of \$42.5 million indicates quite robust short-term liquidity. The applicant has a strong short-term position.

Long-term position:

The long-term debt to equity ratio of zero shows that the applicant has no long term debt. Net income (total margin) was \$51.6 million in 2000 or 11.8 percent, which is well above than the 80th percentile for Florida hospitals of 10.8 percent. Total equity was \$415.8 million. The long-term position is very strong.

Capital requirements:

Schedule 2 indicates capital projects total \$137.5 million. There are no maturities on long-term debt through 2005. The total capital requirement is estimated at \$137.5 million. The capital budget has an estimated \$21.3 million in duplicate projects. Removing these projects leaves a net capital budget of \$116.2.

Available capital:

Operating cash flows amounted to \$74.7 million in 1999 and \$63.7 million in 2000. The applicant states that funding for the project will come from cash on hand of \$51.9 million, operating cash flows estimated at \$39.2 million, and parent company (HCA) financing of \$46.4. A letter from the parent company (HCA) states that they will fund the expansion project and provide working capital for its operation.

Conclusion:

Funding is likely to be available for this project as well as the entire capital budget.

Martin Memorial Medical Center, Inc. (CON #9557) indicates that existing personnel will have the opportunity to apply for positions at the proposed facility. Utilization relief at Martin Memorial North as a result of this project is stated to result in a reduction of staff requirements, making transfers possible. The applicant also provides a description of its recruiting strategies. Schedule 6 indicates that in year two the applicant proposes 230.4 FTE staff, for the new facility. Nursing RNs are projected at 71.9 FTE positions and CNAs at 15.1 FTEs. There are no LPN FTEs projected for the project. However, the applicant does not address recruitment in the face of the Statewide nursing shortage.

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The applicant's audited financial statements for the periods ending September 30, 2001 and 2000 were reviewed to assess the financial position as of the balance sheet date and the financial strength of its operations for the period presented. Key financial account balances along with specific ratios are presented for this analysis.

Martin Memorial Medical Center, Inc. – CON #9557 **FINANCIAL INDICATORS AND RATIOS**

	09/30/2001	09/30/2000
Current Assets	\$ 74,591,000	\$ 63,098,000
Cash and Current Investment	\$ 31,085,000	\$ 24,421,000
Assets Restricted for Capital Funding	\$ 10,454,000	\$ 10,318,000
Total Assets	\$ 188,107,000	\$ 182,096,000
Current Liabilities	\$ 25,794,000	\$ 25,225,000
Total Liabilities	\$ 120,979,000	\$ 122,061,000
Total Equity	\$ 67,128,000	\$ 60,035,000
Net Operating Revenues	\$ 185,680,000	\$ 176,485,000
Interest Expense	\$ 5,149,000	\$ 5,452,000
Net Profit – Operations	\$ 7,590,000	\$ 4,641,000
Net Income	\$ 7,601,000	\$ 5,019,000
Cash Flow Provided by Operating Activities	\$ 12,610,000	\$ 11,607,000
Working Capital	\$ 48,797,000	\$ 37,873,000
Current Ratio (CA/CL)	2.9	2.5
Long-Term Debt to Equity (TL-CL/TE)	1.4	1.6
Operating Cash Flow (CFO/CL)	0.5	0.5
Equity to Total Assets (TE/TA)	35.7%	33.0%
Operating Margin (NPO/NOR)	4.1%	2.6%
Total Margin (NI/NOR)	4.1%	2.8%
Return on Assets (NI/TA)	4.0%	2.8%
Operating Cash Flow to Assets (CFO/TA)	6.7%	6.4%

The applicant, Martin Memorial Medical Center, Inc. (d/b/a Martin Memorial Medical Center), is a not-for-profit health care provider that operates two hospitals in Martin County, an outpatient clinic in Port Saint Lucie, and a home health agency in Martin and Saint Lucie Counties. The initial cost of this project is expected to be \$57,629,966, with initial operating costs of this project are projected to be \$25,001,894 in the first year and \$30,339,033 in the second year.

Short-term position:

The applicant's current ratio of 2.9 indicates current assets are almost three times that of short-term liabilities, a relatively strong position. The working capital (current assets less current liabilities) of \$48.8 million indicates quite robust short-term liquidity. The applicant has a strong short-term position.

Long-term position:

The long-term debt to equity ratio of 1.4 shows that the applicant is carrying \$1.40 of debt for each dollar of equity and is less than the 70th percentile statewide. Long-term debt of \$83.9 million is somewhat significant, but is not considered to be overly burdensome, given the relatively robust cash flow. Net income (total margin) was \$7.6 million in 2001 or 4.1 percent, which is slightly less than the 50th percentile for Florida hospitals of 4.2 percent. Net assets (equity) total \$67.1 million. The long-term position is adequate.

Capital requirements:

Schedule 2 indicates capital projects total \$115.7 million. Maturities on long-term debt through 2005 are included in the total. The total capital requirement is estimated at \$115.7 million.

Available capital:

The applicant has set aside \$10.5 million in Board designated assets for capital improvements. Cash and current investments total \$31 million. Operating cash flows amounted to \$11.6 million in 2000 and \$12.6 million in 2001. The applicant states that funding for the project will come from cash on hand of \$19.6 million, operating cash flows estimated at \$36.8 million, and tax exempt bond financing of \$56.3. Ziegler Capital Markets Group of Chicago, Illinois has expressed an interest in underwriting the bond issue.

Conclusion:

Funding is likely to be available for this project as well as the entire capital budget.

i. What is the immediate and long-term financial feasibility of the proposal? ss. 408.037(8), Florida Statutes.

A comparison of the applicants 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 of economies must be realized to achieve the desired outcome. These relationships hold true for a constant intensity of service through the

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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.

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.

HCA Health Services of Florida, Inc. d/b/a St. Lucie Medical Center (CON #9556): Comparative data were derived from hospitals in peer groups that reported data in 2000. The applicant will be compared to the hospitals in group 5. Per diem rates are projected to increase by an average of 3.3 percent per year through 2007. Inflation adjustments were based on the most current Florida Hospital Input Price Index.

Net revenue per adjusted patient day (NRAPD) of \$1,417 in year one and \$1,450 in year two is between the control group median and highest values of \$1,287 and \$1,655 in year one and \$1,326 and \$ 1,705 in year two. The median is generally viewed as the best balance between financial feasibility and economies of operation. With net revenues per adjusted patient day falling between the median and the highest level, the hospital is expected to consume health care resources in a somewhat greater proportion to the services provided. (See Peer Group Comparative Table). Saint Lucie Medical Center reported an NRAPD of \$1,465 in 2000.

Projected cost per adjusted patient day of \$1,229 in year one and \$1,258 in year two is also between the group median and lowest values of \$1,310 and \$972 in year one and \$1,349 and \$1,001 in year two. This applicant is considered cost efficient when compared to the control group. (See Peer Group Comparative Table). Saint Lucie Medical Center reported an NRAPD of \$1,219 in 2000

The year two operating profit for the hospital is estimated at \$14.7 million which computes to an operating margin per adjusted patient day of \$192. This falls between the peer group median and highest values of \$9 and \$246. The operating margin computes to 13.2 percent, which is above the 80th percentile for Florida acute care hospitals of 10.8 percent. Contingent on the continued profitability of the applicant, the project is economically feasible. (See Peer Group Comparative Table).

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PEER GROUP COMPARISON TABLE

PEER GROUP 5

	2005	YEAR 2	INFLATION ADJ. VALUES		
	YEAR 2	ACTIVITY	Highest	Median	Lowest
	ACTIVITY	PER DAY			
ROUTINE SERVICES	39,932,209	522	1,023	579	287
INPATIENT AMBULATORY	2,943,239	38	135	46	17
INPATIENT SURGERY	66,375,453	*	*	*	*
INPATIENT ANCILLARY SERVICES	157,036,405	3,052	3,882	2,154	1,391
OUTPATIENT SERVICES	103,190,460	1,349	2,072	1,432	702
TOTAL PATIENT SERVICES REV.	369,477,766	4,831	5,955	4,170	2,937
OTHER OPERATING REVENUE	529,182	7	69	11	1
TOTAL REVENUE	370,006,948	4,838	6,024	4,181	2,938
DEDUCTIONS FROM REVENUE	259,096,728	3,388	*	*	*
NET REVENUES	110,910,220	1,450	1,705	1,326	886
EXPENSES					
ROUTINE	20,083,565	263	307	225	169
ANCILLARY	28,817,453	377	626	459	329
AMBULATORY	3,890,537	51	0	0	0
TOTAL PATIENT CARE COST	52,791,555	690	933	684	498
ADMINISTRATIVE & OVERHEAD	31,418,516	593	681	600	419
PROPERTY	12,021,937	*	*	*	*
TOTAL HOSPITAL EXPENSE	96,232,008	1,258	1,506	1,349	1,001
OTHER OPERATING EXPENSE	0	0	0	0	0
TOTAL EXPENSE	96,232,008	1,258	1,506	1,349	1,001
OPERATING INCOME (MARGIN)	14,678,212	192	246	9	-374
PERCENT OPERATING MARGIN	13.23%				
			PERCENTAGES NOT INFLATION ADJUSTED		
PATIENT DAYS	55,037				
ADJUSTED PATIENT DAYS	76,474				
TOTAL BED DAYS AVAILABLE	77,380				
ADJ. FACTOR	0.7197				
TOTAL NUMBER OF BEDS	212				
PERCENT OCCUPANCY	71.1%		90.6%	53.6%	23.0%
<u>PAYER CLASS</u>					
	PATIENT	PERCENT			
	DAYS	OF			
		TOTAL			
SELF-PAY	1,219	2.2%	13.3%	1.2%	0.0%
MEDICAID	3,030	5.5%	22.8%	6.0%	0.7%
MEDICAID HMO	298				
MEDICARE	39,672	72.1%	68.2%	53.6%	19.4%
MEDICARE HMO	889				
INSURANCE	1,420	2.6%			
HMO/PPO	8,295	17.2%	64.6%	36.0%	13.7%
OTHER	214	0.4%			
TOTAL	55,037	100.0%			

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Martin Memorial Medical Center, Inc. (CON #9557): Comparative data were derived from hospitals in peer groups that reported data in 2000. In order to establish a group assignment for the new facility, current patient data for 2000 were analyzed to compute a case mix score. Intensity adjusted discharges of patients coming from two Martin Memorial hospitals, out of the service areas indicated in the application; produced a case mix score of 1.0821. The case mix score along with other factors, such as services offered, payer mix and facility size determined that the applicant would be compared to the hospitals in-group 3. Per Diem rates are projected to increase by an average of 3.3 percent per year through 2007. 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 outpatient revenues into the per patient day computation.

Net revenue per adjusted patient day (NRAPD) of \$1,529 in year one and \$1,552 in year two is between the control group median and highest values of \$1,178 and \$2,086 in year one and \$1,214 and \$2,149 in year two. The median is generally viewed as the best balance between financial feasibility and economies of operation. With net revenues per adjusted patient day falling between the median and the highest level, the hospital is expected to consume health care resources in a somewhat greater proportion to the services provided. Martin Memorial Medical Center reported an NRAPD of \$1,270 in 2001. (See Peer Group Comparative Table).

Projected cost per adjusted patient day of \$1,746 in year one and \$1,465 in year two is also between the group median and highest values of \$1,249 and \$1,833 in year one and \$1,286 and \$1,888 in year two. This applicant is considered marginally cost-efficient when compared to the control group. (See Peer Group Comparative Table). Martin Memorial Medical Center reported a CAPD of \$1,260 in 2001.

The year two operating profit for the hospital is estimated at \$1,788,033 which computes to an operating margin per adjusted patient day of \$86. This falls between the peer group median and highest values of \$15 and \$399. The operating margin computes to 5.6 percent, which is above the 50th percentile for Florida hospitals of 2.0. The project is economically feasible.

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**PEER GROUP COMPARISON TABLE
PEER GROUP 3**

	2007	YEAR 2	INFLATION ADJ. VALUES		
	YEAR 2 ACTIVITY	ACTIVITY PER DAY	Highest	Median	Lowest
ROUTINE SERVICES	70,367,232	3,399	874	554	270
INPATIENT AMBULATORY	0	0	140	53	5
INPATIENT SURGERY	0	0	0	0	0
INPATIENT ANCILLARY SERVICES	0	0	3,084	1,877	861
OUTPATIENT SERVICES	9,622,008	465	2,395	1,483	242
TOTAL PATIENT SERVICES REV.	79,989,240	3,864	5,342	4,166	1,636
OTHER OPERATING REVENUE	1,314,000	63	163	6	3
TOTAL REVENUE	81,303,240	3,927	5,505	4,172	1,639
DEDUCTIONS FROM REVENUE	49,175,513	2,375	*	*	*
NET REVENUES	32,127,727	1,552	2,149	1,214	786
EXPENSES					
ROUTINE	8,826,649	426	291	203	118
ANCILLARY	7,247,294	350	568	367	158
AMBULATORY	911,967	44	0	0	0
TOTAL PATIENT CARE COST	16,985,910	820	859	570	276
ADMINISTRATIVE & OVERHEAD	4,937,088	568	1,053	579	360
PROPERTY	6,816,696	*	*	*	*
TOTAL HOSPITAL EXPENSE	28,739,694	1,388	1,888	1,286	783
OTHER OPERATING EXPENSE	1,600,000	0	0	0	0
TOTAL EXPENSE	30,339,694	1,465	1,888	1,286	783
OPERATING INCOME (MARGIN)	1,788,033	86	399	15	-198
PERCENT OPERATING MARGIN	5.57%				
			PERCENTAGES NOT INFLATION ADJUSTED		
PATIENT DAYS	17,918				
ADJUSTED PATIENT DAYS	20,703				
TOTAL BED DAYS AVAILABLE	29,200				
ADJ. FACTOR	0.8655				
TOTAL NUMBER OF BEDS	80				
PERCENT OCCUPANCY	61.4%		90.1%	53.0%	26.4%
<u>PAYER CLASS</u>					
	<u>PATIENT</u>	<u>PERCENT OF</u>			
	<u>DAYS</u>	<u>TOTAL</u>			
SELF-PAY	585	3.3%	6.0%	1.4%	0.0%
MEDICAID	918	5.1%	28.2%	12.6%	3.3%
MEDICAID HMO	165				
MEDICARE	9,397	52.4%	69.9%	38.7%	13.0%
MEDICARE HMO	162				
INSURANCE	1,893	10.6%			
HMO/PPO	4,501	26.9%	64.5%	36.2%	0.0%
OTHER	297	1.7%			
TOTAL	17,918	100.0%			

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

HCA Health Services of Florida, Inc. d/b/a St. Lucie Medical Center (CON #9556) projects managed care patient days including Medicare and Medicaid managed care days to represent 17.2 percent of total patient days. Since this falls below the control group’s median of 36.0 percent, this level of managed care is not likely to have a significant positive impact on competition, or to promote quality assurance and cost-effectiveness.

Martin Memorial Medical Center, Inc. (CON #9557) projects managed care patient days including Medicare and Medicaid managed care days to represent 26.9 percent of its patient days. Since this falls below the control group’s median of 36.2 percent, this level of managed care is not likely to have a significant positive impact on competition, to promote quality assurance and cost-effectiveness.

SATELLITE HOSPITAL AND MEDICAL CENTER WITH ADDITIONAL BEDS					
COMPARISION OF SECOND OPERATING YEAR					
TABLE TWO	NRPAD	CAPD	% OF CHARITY	% OF HMO/PPO	% OF MEDICARE
SAINT LUCIE MEDICAL CENTER	\$1,450	\$1,258	2.2%	17.2%	72.1%
MARTIN MEMORIAL HOSPITAL	\$1,552	\$1,465	3.3%	26.9%	52.4%

- h. Are the proposed costs and methods of construction reasonable? ss. 408.035(10), Florida Statutes.**

HCA Health Services of Florida, Inc. d/b/a St. Lucie Medical Center (CON #9556): The addition of 18 acute care beds to St. Lucie Medical Center will be part of a newly created space on the third floor of the hospital. The application also states that the hospital will be converting five obstetric beds to acute care and these will be relocated to the shell space area with the 18 in this request for the total of 23 beds. There will also be 17 observation beds co-located in the new area.

In order to accommodate these 40 beds, there will be a total build-out of the existing shell space on the third floor. According to the application, the construction is already in progress. The plans in the application package show that all the acute care beds will be private and that eight of them will be fully accessible. Two of the accessible patient rooms are set up as isolation rooms. None of the accessible toilet rooms has a shower large enough to accommodate a wheelchair, but this is not required. All the patient rooms have a lavatory in the room as well as one in the toilet/shower room.

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There are large-scale plans of typical observation bedrooms, but none of the acute care rooms, which are similar. All the acute care rooms appear to be large enough to meet code requirements.

There are five nurse stations shown on the floor as well as several clean and soiled rooms and one janitor's closet. The physical plant requirements in Chapter 59A-3 of the Florida Administrative Code and in The Florida Building Code refer to required "service areas" that must be provided for each nursing unit. These service areas include staff toilets, nourishment rooms, medication rooms etc. From the floor plans and the application narrative, it is not possible to determine exactly how many "nursing units" there will be with the added 23 acute care beds. Without this information, it cannot be determined if the requisite number of service areas has been provided and if their locations are acceptable.

It is obvious that more "Nurse Stations" are shown for this space than are usually seen for 23 beds. The service area requirements do not preclude the hospital from having more stations that could be described as "sub-nurse stations", nor more service areas than are required.

Lacking the information above, some comments can be made based on the plans submitted. The nurse station toilets are not located adjacent to the respective nurse stations as required, and are more distant than could be approved. In clarifying the issues above, the applicant should ensure that the service areas are called by the correct terms used in the physical plant requirements to eliminate any guesswork on the part of AHCA as to the actual purpose of each space. Other than the location of the staff toilets and the uncertainty as to the actual function of some of the spaces, the plan is, in fact, fairly well thought-out. It is possible that only one nurse station is needed for the observation beds and only one for the acute care beds (if they constitute just one nursing unit). In any case, observation by the staff and logistics may dictate that more than the minimum number of spaces be provided.

The application did not address what the construction ramifications might be if these 18 new beds are not granted. Since the shell space is already under construction, there must be a contingency plan. There is also no mention of what the vacated space on the other floors will be used for, and this will be an issue if it has not already been addressed on a previous project.

The project involves 16,201 GSF of renovation with a total construction cost of \$3,363,855. The applicant's projected costs appear reasonable.

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Martin Memorial Medical Center, Inc. (CON #9557): The proposed new hospital will have two stories and be located next to an existing outpatient facility. The first floor will be approximately 94,000 square feet with the second floor having 33,000 square feet. This does not equal the 128,000 square feet listed for the entire project. The applicant should review these figures and verify the total space in the project. There are areas where space for future expansion has been shown on the first floor.

There is not sufficient information in the application regarding the site relating to the requirements for Disaster Preparedness in The Florida Building Code. Information pertaining to the 100-year flood plain and Category 3 Hurricane Surge Inundation elevations will need to be supplied if this application is granted and the new hospital becomes a project reviewed by the AHCA Office of Plans and Construction. If these code requirements have not been addressed in the current design, and the site elevation is too low, this could be a major issue. There is no reason to think that these requirements have not been taken into account by the design professionals, but the applicant should be aware that this could be a serious impediment to the project depending on the site elevation.

All patient bedrooms will be private. The 80-bed facility will have eight LDRP, eight ICU/CCU beds and 64 medical/surgical beds located in two pods with a nurse station at the juncture of the two wings in each pod. There are good sightlines from the nurse stations. All but the eight ICU/CCU beds are on the second floor.

The plans show a generous number of toilets for staff and visitors as well as numerous janitor's closets in strategic locations. However, there is not a janitor's closet within or adjacent to the kitchen/dietary area. It might be advisable to add one unless clean-up facilities are located in or near the kitchen, which are not identified on the plans. All patients will eat in their rooms, but there is a dining and private dining room for staff and visitors.

Entrances for the various departments and for visitors are located where they do not appear to cause any congestion. There are separate entrances for ambulances, emergency patients as well as a main visitor's entrance and a loading dock. The reason for having two classrooms with doors from the emergency waiting room doesn't seem particularly appropriate unless the hospital is involved in some sort of training that has a relationship to ER medicine. The two classroom doors could easily cause problems with the seating layout of the waiting room. No seating plan is shown, but this could still present a problem.

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One of the rad/flouro rooms on the first floor has an adjoining toilet but the other one does not. It is labeled “special”, which might account for its lack of a toilet. Toilets are usually provided in conjunction with the types of procedures that take place in these rooms.

It is not clear if the patient toilet rooms in the LDRP area are accessible. If they are not, then the facility needs at least one more accessible patient toilet/shower to have the required 10 percent of its rooms accessible.

The east stair does not have a proper exit passageway to reach the exterior of the building, or the corridor is not noted as such. There is an architectural concern with having the ICU/CCU family waiting and the two toilet rooms opening onto the portion of the corridor that is an exit passageway. These public spaces are not normally or continuously occupied, so they need to be relocated so that they do not open off the exit passageway. Since there are no maximum travel distances to the closest exit from any spaces shown, NFPA 101, 2000 edition and other codes need to be reviewed by the design professional to ensure that all requirements are met.

The convenience stair does not open to the exterior on the first floor, and having it do so might be preferable, but is not required.

On the second floor, the nurse station “core” needs to be re-worked so that access to the staff toilets is more direct. The nurse station and its toilet are usually adjacent to each other or the toilet is off a minor hall or alcove open to the nurse station. It should not be a major task to redesign these areas.

The rationale regarding the two areas on the first floor where the staff and physician’s lockers, lounges and toilet functions are duplicated is not clear. The separation between the sterile and non-sterile corridors is not adequately solved. The degree of sterility of each of these corridors needs to be made clear. It appears that the smaller staff/physician’s locker area exits onto the same corridor that other staff must use to reach similar spaces in preparation to enter the sterile corridor leading to the operating rooms. The location of the pair of cross-corridors at LDRP 8 needs to be revised to reflect the degree of sterility of the different areas. The functionality of how personnel go through certain spaces before entering a sterile corridor needs to be revised or it needs to be made clear how the design would actually work to insure patient safety.

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The typical patient rooms shown on the large-scale plans have the required square footage and are well designed for the parameters set by the applicant. The schedule appears to be reasonable unless there are site issues that would delay the project.

The applicant indicates that the project involves 128,000 GSF of new construction with a total construction cost of \$23,552,000. However, as noted above, the applicant's description of the areas to be constructed does not equal 128,000 GSF. However, the applicant's projected costs appear reasonable.

- 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.**

District 9, Subdistrict 2, Hospitals Medicaid and Charity Care Fiscal Year 2000		
Facility	*Medicaid% of total patient days	Charity % of total patient days
St. Lucie Medical Center	6.4%	1.5%
Lawnwood Regional Medical Center	17.4%	2.6%
Martin Memorial Medical Center	5.2%	2.3%
Subdistrict 2 Average	16.5%	2.3%
District 9 Facility Average	8.0%	1.9%

Source: AHCA Financial Data Report for FY 2000.

*Medicaid represented here reflects conventional Medical days, not Medicaid HMO days

The applicants are not designated as disproportionate share Medicaid providers for the state fiscal year 2001-2002, per the state Medicaid office. As the chart above indicates the both applicants provision of Medicaid is below the subdistrict and district average. St. Lucie Medical Center is also below the subdistrict and district averages for charity care. Martin Memorial meets the subdistrict average and exceeds the district's charity care percentages.

HCA Health Services of Florida, Inc. d/b/a St. Lucie Medical Center (CON #9556) proposes to condition CON approval to five percent of the 18-bed project's total patient days being provided to Medicaid and charity care patients on a combined basis. This is same condition that the applicant agreed to in CON #9323, which conditions the facility's existing 170 acute care beds to five percent of their total patient days being provided to Medicaid and charity care patients on a combined basis. Schedule 7A shows the applicant projects Medicaid and Medicaid HMO to account for 6.0 percent of year two's (ending December 31, 2005) total patient days and notes to this schedule indicate charity care will amount to 2.2 percent of total patient days.

Martin Memorial Medical Center, Inc. (CON #9557) proposes to condition this project to the provision of care to 8.0 percent of total admissions to Medicaid patients and 2.5 percent of gross revenue to charity care patients. Schedule 7A shows the applicant projects Medicaid and Medicaid HMO to account for 6.0 percent of year two's (ending September 30, 2007) total patient days and notes to this schedule indicate charity care will amount to 2.5 percent of gross revenues.

F. SUMMARY

HCA Health Services of Florida, Inc. d/b/a St. Lucie Medical Center (CON #9556) proposes to add 18 new acute care beds at its hospital in District 9, Subdistrict 2. St. Lucie Hospital is a 194-bed hospital located in St. Lucie County. The hospital is licensed for 170 acute care beds and has a 24-bed skilled nursing unit. The proposed addition will increase the hospital's total bed complement to 212 beds.

Martin Memorial Medical Center, Inc. (CON #9557) is a non-profit corporation, which operates a 236-bed acute care facility in Stuart, Martin County, Florida. The applicant also operates Martin Memorial Hospital - South, a 100-bed acute care facility, which is also located in Stuart. The applicant proposes to construct a new 80 acute care bed facility to serve the western portion of Port St. Lucie, a rapidly growing area of the subdistrict.

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

Need:

- The proposed projects are not submitted in response to the fixed need pool that indicates zero need for additional acute care beds in District 9, Subdistrict 2. Both proposed projects will result in a net bed increase in the service area. Martin Memorial's will add 80 and St. Lucie Medical Center 18 acute care beds.

HCA Health Services of Florida, Inc. d/b/a/St. Lucie Medical Center (CON #9556):

Special circumstances:

The applicant claims that access is restricted because of increased emergency room activity, the large number of admissions resulting from ER activity, and population growth in the PSA. Although the hospital's 126 acute care beds averaged 90.07 percent occupancy during the July 2000 through June 2001 reporting period, 44 more acute care beds were licensed at St. Lucie Medical Center on January 9, 2002. The applicant notes that it is only using 36 of its 44 newly licensed beds and does not plan to activate the eight remaining beds until this summer, which suggests no immediate need for additional beds.

The applicant has not shown need for 18 additional acute care beds. Various options are available to meet projected demand. Recent changes in CON law have given hospitals in high growth areas that are experiencing high utilization the ability to add acute care beds without CON review.

Quality of Care

- The applicant is JCAHO accredited and is a participant in good standing in the Medicare and Medicaid programs.
- During the period of October 24, 1997 through April 19, 2002, St. Lucie Medical Center had one confirmed EMTALA complaint and three confirmed patient care complaints.

Financials/Costs

- The AHCA financial reviewer indicates that funding for this project and all capital projects is likely to be available.
- The project is deemed to be economically feasible.

Medicaid/Indigent Care

- St. Lucie Medical Center proposes to condition CON approval to five percent of the 18-bed project's total patient days being provided to Medicaid and charity care patients on a combined basis. This percentage is consistent with its current indigent care condition.
- Schedule 7A shows the applicant projects Medicaid and Medicaid HMO to account for 6.0 percent of year two's (ending December 31, 2005) total patient days and notes to this schedule indicate charity care will amount to 2.2 percent of total patient days.
- During FY 2000, St. Lucie Medical Center provided 6.4 percent of its total patient days to Medicaid patients, this is below the subdistrict and district average. St. Lucie Medical Center provided 1.5 percent of its total patient days to charity care, which is below the subdistrict and district averages for charity care.

Architectural

- The proposed project consists of 16,201 GSF of renovation at a total renovation cost of \$3,363,855. The applicant's projected costs appear reasonable.

The proposed patient rooms appear to be large enough to meet code requirements. The AHCA architectural reviewer indicates that based on the submitted floor plans and narrative, it cannot be determined if there are sufficient number of required service areas (i.e. staff toilets, nourishment rooms, medication rooms, etc.).

Martin Memorial Medical Center, Inc. (CON #9557):

Special circumstances:

- The applicant's project is based on several factors it contends demonstrate need for a new 80-bed facility including the location of the project in an area that has high projected population growth and geographic access problems. The applicant projects an occupancy of only 42.4 percent for the year 2006 (year one of the project), and 61.4 percent for CY 2007. While the applicant indicates that population growth will serve to increase the demand for inpatient and outpatient services, the applicant's projected market share increases are highly speculative. Need for the 80 additional beds was not demonstrated and the project, if approved, appears to negatively impact other existing subdistrict providers.

Quality of Care

- The applicant is JCAHO accredited and is a participant in good standing in the Medicare and Medicaid programs.
- During the period of October 24, 1997 through April 19, 2002, Martin Memorial Medical Center had one confirmed EMTALA complaint and no confirmed patient care complaints.

Financials/Costs

- The applicant indicates that funding is coming from cash on hand of \$19.6 million, operating cash flows of \$36.8 million and tax-exempt bond financing of \$56.3 million. The AHCA financial reviewer indicates that funding for this and all projects is likely to be available.
- The project is deemed to be economically feasible.
- The applicant's level of managed care is not likely to have a significant positive impact on competition, to promote quality assurance and cost-effectiveness

Medicaid/Indigent Care

- Martin Memorial Medical Center, Inc. proposes to condition this project to 8.0 percent of total admissions to Medicaid patients and 2.5 percent of gross revenue to charity care patients.

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- Schedule 7A shows the applicant projects Medicaid and Medicaid HMO to account for 6.0 percent of year two's (ending September 30, 2007) total patient days and notes to this schedule indicate charity care will amount to 2.5 percent of gross revenues.
- During FY 2000, Martin Memorial Medical Center, Inc. provided 5.2 percent of its total patient days to Medicaid and 2.3 percent to charity. The applicant's provision of services to Medicaid patients is below the subdistrict and district average. Martin Memorial meets the subdistrict average and exceeds the district's charity care percentages.

Architectural

- The proposed project consists of 128,000 GSF of new construction at a total construction cost of \$23,552,000. However, the applicant's description of the areas to be constructed does not equal 128,0000 GSF. This issue needs to be resolved. However, the applicant's projected costs appear reasonable.
- The proposed patient rooms are all private and are well designed.

G. RECOMMENDATION

Deny CON #9556 and 9557.

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