

STATE AGENCY ACTION REPORT
CON APPLICATION FOR CERTIFICATE OF NEED

A. PROJECT IDENTIFICATION

1. Applicant/CON Action Number

Columbia Palms West Hospital, L.P./CON #9558
d/b/a Palms West Hospital
13001 State Road 80
Loxahatchee, Florida 33470

Authorized Representative: Heather J. Rohan
(561) 798-6030

2. Service District/Subdistrict

District 9/Subdistrict 4 (Palm Beach County)

B. PUBLIC HEARING

A public hearing was not held or requested. However, the applicant submitted a total of 15 letters of support from areawide physicians (seven) and the general public (eight).

The majority of the support letters attest to the bed capacity constraints currently being experienced at the hospital, which has resulted in excessive waiting times, privacy issues, and admission issues.

C. PROJECT SUMMARY

Columbia Palms West Hospital, L.P. (CON #9558) proposes to add 35 acute care beds to the existing 117 acute care beds at Palms West Hospital, located in Loxahatchee, Florida in Palm Beach County. The applicant was previously awarded CON #9181 to add 23 beds, creating a 140-bed acute care hospital. The proposed project will increase the total existing and approved beds to 175.

CON Action Numbers: 9558

The applicant expects to have the 23-bed expansion project completed by January 2003. By approving the proposed 35-bed expansion the applicant states that the hospital would be able to complete the shelled floor at the same time and the 35 beds could open simultaneously with the completion of the current construction.

The following table provides the bed configuration by floor based upon 117, 140 and 175-bed capacities:

**Bed Configuration at Palms West Hospital
Existing, Approved and Proposed**

Service	Location	Licensed 117 Beds	Licensed & approved 140 Beds	Proposed 175 Beds
Telemetry	2 nd Floor Original	41	39	43
ICU	2 nd Floor Original	8	10	0
Medical/Surgical	3 rd Floor Original	30	40	48
Pediatrics	3 rd Floor Original	17	0	0
PICU	3 rd Floor Original	6	0	0
Surgical Step Down			4	5
OB	4 th Floor Original	15	15	15
Peds	2 nd Floor New		24	24
PICU	2 nd Floor New		8	8
ICU	3 rd Floor New			14
Telemetry	3 rd Floor New			18
Total Beds		117	140	175

Source: CON Application

The hospital was originally constructed in the early 1980s and is located on a 74-acre campus along with seven completed medical office buildings, and one developing medical office building.

The proposed project involves 24,090 GSF of renovation and 800 GSF of new construction and \$4,423,290 in construction costs. The total project cost is \$8,679,000. The financing for the proposed project will be provided by the applicant's parent company, HCA, Inc. (HCA).

The applicant wishes to condition the proposed project to a charity care commitment of 10 percent of gross self-pay patient revenues.

D. REVIEW PROCEDURE

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

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

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

As part of the fact-finding, the consultant, M. Riley Gibson, analyzed the application with consultation from the financial analyst, Doug Pierce, who reviewed the financial data and architect Joel Hill who evaluated the architectural and the schematic drawings.

E. CONFORMITY OF PROJECT WITH REVIEW CRITERIA

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

1. Fixed Need Pool

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

On January 25, 2002, AHCA published a fixed need pool (FNP) in Volume 28, Number 4, Florida Administrative Weekly (F.A.W.) of zero (0) for additional hospital acute care beds in District 9, Subdistrict 4/Palm Beach County.

District 9, Subdistrict 4 had a total of 1,359 licensed beds that experienced an occupancy rate of 55.33 percent for the reporting period July 2000 through June 2001. There is currently an outstanding CON for 23 acute care beds approved for the applicant to construct an addition to Palms West Hospital. The applicant's occupancy at Palms West (80.81 percent) represents the highest reported utilization average of the seven hospitals in Subdistrict 4 and the fourth highest utilization of the 20 hospitals that comprise District 9.

The proposed project is not submitted in response to the fixed need pool, but rather, involves what the applicant perceives are 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.

CON Action Numbers: 9558

Based on the average 12-month occupancy rate reported by the applicant for the period July 2000 to June 2001, the 117-bed Palms West Hospital meets the 80 percent occupancy threshold with a reported occupancy average of 80.81 percent. However, the inclusion of 23 additional approved acute care beds reduces the overall average occupancy below the 80 percent threshold. Although it has been demonstrated that the hospital's 117 licensed beds are already operating above the threshold for new beds under the special circumstance rule, it is necessary for the applicant to demonstrate that the actual 140 beds (117 licensed and 23 approved) will also exceed the occupancy threshold, thus supporting the applicant's request to increase the total existing and approved beds to 175. The additional 23 beds already approved for the applicant are expected to become operational on or before January 2003 (with the new emergency room scheduled to open earlier in November 2002).

c. Other Special Circumstances:

The applicant states that Palms West had an average occupancy of 88 percent for CY 200. According to preliminary hospital utilization data submitted to the agency for CY 2001. As noted earlier, Palms West was awarded CON #9181 to add 23 acute care beds . The applicant is projecting future growth for Palms West once the proposed project and the previously approved 23-bed addition are completed based upon several reasons including:

- ▶ The hospital will have a new highly visible main lobby and emergency department entrance.
- ▶ The construction project
- ▶ The size of the ER and the number of patient bays will allow for quick patient turn around
- ▶ The addition of a fast-track treatment area which will attract more patients to the hospital
- ▶ The ability to send admitted patients directly to their room without the need to hold them in the emergency department
- ▶ The population growth of the area is greater than that projected even three to four years ago.

Without an additional increase in beds, the applicant believes that the hospital census will increase to 85 percent by 2003 and over 100 percent in CY 2006. However, these projections are based on 2001 patient days of 37,522. As noted above, patient day data reported to the Agency indicates that actual 2001 patient days were 36,414. The applicant presented a chart on page 6 showing occupancy at over 80 percent in 175 acute care beds by 2006. Again, however this was based on a 2001 base year patient days of 37,522 rather than 36,414.

CON Action Numbers: 9558

However, it is noted that patient days at Palms West have increased from 23,007 in 1996 to 36,414 in 2001. This growth rate in patient days over the past five years and the anticipated population growth for the next five years, support the applicant's approximate 80 percent occupancy expectation in 175 acute care beds by 2006. It is interesting to note that the CY 2001 utilization data shows the hospital averaging 92.26 percent occupancy for the peak season months of January-March. This further supports the project based on seasonal demands at the hospital.

The applicant also discusses the service area growth indicating that the area in which Palms West is located will become the most populated area in the county by 2010. The hospital's primary service area incorporates Palm Beach County's western communities including, but not limited to: the Acreage, Loxahatchee, Royal Palm Beach, and Wellington.

The applicant expects to have the current expansion project completed by January 2003. By approving the proposed 35-bed expansion the applicant states that the hospital would be able to complete the shelled floor at the same time and the 35 beds could open simultaneously with the completion of the current construction. This would apparently minimize the inconveniences brought upon by construction and would reduce the costs as the construction team is already on site and would not need to be brought back a second time.

2. Local Health Plan Preferences

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

The Treasure Coast Health Council, Inc adopted the following acute care preferences in October 2000 for both competing and non-competing applications for acute care beds:

- 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.**

According to the FY 2000 Hospital Financial Data Guide, Palms West provided 14.2 percent of total patient days to Medicaid patients and 0.3 percent to charity care. The applicant's provision of Medicaid represents the fourth highest of the seven hospitals that comprise Subdistrict 4 and charity care represents the second lowest amount in the subdistrict (the third lowest of the 20 hospitals that comprise District 9).

**District 9/Subdistrict 4 Hospital Comparison
Table for Medicaid and Charity Care**

Subdistrict 4 Hospitals	Medicaid Provision	Charity Care Provision
Palm Bch. Gardens Medical Ctr.	1.6%	0.2%
Glades General Hospital	28.2%	2.6%
Good Samaritan Medical Center	5.6%	1.7%
Columbia Hospital	18.2%	0.4%
Jupiter Medical Center	1.7%	0.7%
Palms West Hospital	14.2%	0.3%
St. Mary's Medical Center	22.8%	5.4%
District 9 Average	8.0%	2.8%

Source: Hospital Financial Data Guide 2000

As shown above, Palms West does provide a substantial amount of Medicaid services, exceeding the district average. However, the hospital falls short in the provision of charity care within the subdistrict and district. Palms West is not a Medicaid Disproportionate share provider for fiscal year 2001-2002. However, the hospital is a children's medical services provider and as such accepts patients regardless of their ability to pay.

The applicant is proposing to condition the project to a charity care commitment of 10 percent of gross self-pay patient revenues. According to Financial Schedule 7A, approximately 14.62 percent of the total patient days are expected to be provided to Medicaid recipients.

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

The applicant states that Palms West is a member of the HCA Healthcare System of South Florida, which currently includes 15 hospitals. Within District 9, HCA currently operates five hospitals including three in Palm Beach County (Palms West, JFK, and Columbia Hospital). According to the applicant, the three Palm Beach County hospitals work closely together to provide an integrated health care delivery system with maximum efficiency.

In view of the transportation systems between the three Palm Beach County hospitals, the applicant did not explain why the sister facilities, especially Columbia Hospital with an average occupancy of 44 percent, cannot assist with alleviating any bed shortage situations at Palms West.

3. **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.**

The proposed project is to be located in a new patient tower that is currently under construction to house the 23 beds previously approved. The applicant states that the new patient tower has one floor shelled for future bed expansion.

3. **Agency Rule Preferences**

Does the project respond to preferences stated in agency rules? Indicate how each applicable criteria for the type of service proposed is met. Ch. 59C-1.031-.044, Florida Administrative Code.

The following criteria and standards found in Chapter 59C-01.038(6) of the Florida Administrative Code are applicable to a request for additional acute care beds:

- 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.**

According to the 2000 Hospital Financial Data Guide, Palms West Hospital provided 14.2 percent of its total patient days to Medicaid patients and 0.3 percent to charity care patients. The applicant's provision of Medicaid services is higher than the District 9 average but the hospital's charity care average is less than the district average of 2.8 percent. The hospital has the second lowest charity care average of the seven hospitals that comprise Subdistrict 4 and the third lowest of the 20 hospitals that comprise District 9.

According to Financial Schedule 7A, approximately 14.62 percent of the total patient days to be provided in the expanded facility will be Medicaid sponsored. The applicant does not specifically identify a charity care provision on Schedule 7A, however, self-pay is expected to comprise 4.04 percent of total patient days in year two. The applicant agrees to a charity care commitment of 10 percent of gross self-pay patient revenues.

- b. **When there are competing applications within a sub-district, 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.**

There are no competing applications within the subdistrict. The project is being filed under facility specific provisions of the rule based on facility specific utilization considerations at Palms West Hospital. The applicant contends that the proposed 35-bed addition is needed above and beyond the current hospital capacity and the additional 23 beds currently under construction. The proposed project does not involve the conversion of existing underutilized beds.

4. **Statutory Review Criteria**

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

As previously noted, the fixed need pool for acute care beds in District 9, Subdistrict 4 does not yield a numeric need for additional beds. However, the applicant basically contends that when Palms West Hospital's occupancy is examined more closely, a persuasive case is

CON Action Numbers: 9558

made for taking advantage of the present opportunity to build out current shelled space to accommodate 35 new beds in addition to the current licensed and approved beds at Palms West.

The applicant reasonably demonstrated through hospital records that there are patients residing in the emergency department holding beds, observation beds, recovery room beds and in the admitting office waiting for an acute care bed due to the lack of a sufficient number of acute care beds. The project is designed to reduce and/or eliminate the wait for inpatient beds at Palm West Hospital for several years. In view of the apparently increasing utilization of acute care beds at the hospital, including a high seasonal demand, the need for an additional 35 beds, over and above the 23-bed addition currently underway at the hospital, appears to be reasonably demonstrated.

With regard to quality of care, the applicant suggests that the quality of care rendered at any hospital is reduced during times of high census. The applicant cites the patients having to wait in the emergency department has having an impact on the provision of quality of care.

Although the applicant currently has an outstanding CON to add 23 additional acute care beds to the hospital, the need for additional beds appears to be evidenced by the availability, quality of care, efficiency, accessibility and extent of utilization of existing health care facilities in this area.

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

The hospital is currently JCAHO accredited and meets all licensure requirements of the State of Florida. On its most recent JCAHO accreditation survey, Palms West scored 93 out of a 100 and 95 out of 100 for the laboratory survey without Type 1 deficiencies. In addition, the hospital's laboratory and blood gas lab recently received CAP accreditation from the College of American Pathologists.

According to the most recent EMTALA report provided by the Office of Quality Assurance-Hospital Section, Palms West Hospital has had 33 allegations since 1997 with 12 confirmed violations involving patient care, lack of activities, patient rights, patient abuse/neglect, billing/refunds, and nursing service.

CON Action Numbers: 9558

The applicant states that the hospital has established and maintains a comprehensive set of policies and procedures to guide the hospital staff, physicians, volunteers, and patients as well as the patients families. The applicant's quality assurance program will also routinely review the facility's operations to assure compliance with all regulations.

The applicant contends that the proposed project will improve the quality of service offered by the hospital since patients will be less likely to be held in a holding area for any prolonged period; and the project will improve both patient satisfaction and efficiency of staff.

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

Palms West Hospital is not a statutorily defined teaching hospital, nor is its primary purpose research or physician education. However, the applicant states that the hospital does have a positive effect upon the clinical needs of health professional training programs in the service area through the provision of opportunities for clinical rotations for medical students.

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

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

CON Action Numbers: 9558**FINANCIAL INDICATORS AND RATIOS**

	<u>12/31/2000</u>	<u>12/31/1999</u>
Current Assets	\$ 15,043,778	\$ 12,860,185
Cash and Current Investment	\$ 137,734	\$ 56,750
Assets Restricted for Capital Projects	\$ 0	\$ 0
Total Assets	\$ 75,601,244	\$ 67,013,035
Current Liabilities	\$ 6,865,549	\$ 6,371,377
Total Liabilities	\$ 6,950,858	\$ 6,371,377
Total Equity	\$ 68,650,386	\$ 60,641,658
Net Operating Revenues	\$ 80,990,911	\$ 69,956,518
Interest Expense	\$ 927,507	\$ 927,507
Net Profit – Operations	\$ 12,149,272	\$ 7,527,176
Net Income	\$ 9,852,345	\$ 6,463,379
Cash Flow from Operations	\$ 11,160,725	\$ 11,017,021
Working Capital	\$ 8,178,229	\$ 6,488,808
Current Ratio (CA/CL)	2.2	2.0
Operating Cash Flow (CFO/CL)	1.6	1.7
Long-Term Debt to Equity (TL-CL/TE)	0.0	0.0
Equity to Total Assets (TE/TA)	90.8%	90.5%
Operating Margin (NPO/NOR)	15.0%	10.8%
Total Margin (NI/NOR)	12.2%	9.2%
Return on Assets (NI/TA)	16.1%	9.6%
Operating Cash Flow to Assets (CFO/TA)	14.8%	16.4%

Short-term position:

The applicant's current ratio of 2.2 indicates current assets are over two times that of short-term liabilities, an adequate position. The working capital (current assets less current liabilities) of \$8 million is a satisfactory amount. The ratio of cash flow to current liabilities of 1.6 is good. The applicant has a strong short-term position.

Long-term position:

The long-term debt to equity of 0.0 indicates the applicant has no long-term debt, an excellent position. The cash flow to assets of 14.8 percent is very good. The most recent year had an operating profit of \$12 million, which resulted in a margin of 15.0 percent, a very good level. The total equity of \$69 million with the equity to assets of 90.8 percent is very strong. The applicant has an excellent long-term position.

Capital requirements:

Schedule 2 indicates the applicant has total capital projects of \$56.3 million. The audited financial statements disclosed no significant long-term debt; therefore the \$56.3 million would be the total funding needed.

Available capital:

Schedule 2 indicates funding for these projects will come from funding assured but not on hand. A letter from the parent, HCA states it will fund this project up to an initial cost of \$9 million and will provide any necessary working capital and any additional funding needed to cover any operating losses during the startup of operations. The letter stated that funding for the proposed project will be provided through an intercompany loan. HCA's Form 10-K shows total assets of \$17.6 billion, stockholders' equity of \$4.4 billion, revenues of \$16.7 billion, operating profit of \$600 million, and cash flows of \$1.5 billion.

Staffing:

The applicant states that the project entails the addition of clinical and technical personnel only without the need for additional management personnel. The applicant intends to stagger the hiring of sufficient nursing personnel to meet the projected increase of 8 to 10 patients per year. According to Schedule 6, the applicant does not anticipate that additional staff will be added during the first year of the project. This is due to the fact that the applicant expects to experience the same, facility wide occupancy in both its 140 bed and 175 bed configurations. It is anticipated that additional staff will be required in year two, including an additional 2.22 Registered Nurses, 2.83 Licensed Practical Nurses, and less than one ancillary and housekeeping personnel.

Conclusion:

The applicant's cash flows will be able to fund part of the capital projects. If we assume the parent, HCA will provide funding for the balance of the capital projects then all funding should be available as needed. Even without the parent's assistance, the applicant's strong financial position would enable it to borrow additional funds as needed.

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

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

Comparative data were derived from hospitals in peer groups that reported data in 2000; the applicant will be compared to the hospitals in group 3. Per diem rates are projected to increase by an average of 3.1 percent a year through 2007. Inflation adjustments were based on the most current Florida Hospital Input Price Index.

Gross revenues, net revenues, and costs for the hospital, including the requested 35 acute care beds, 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.

CON Action Numbers: 9558

Net revenue per adjusted patient day (NRAPD) of \$1,648 in year one and \$1,700 in year two is between the control group median and highest values of \$1,176 and \$2,082 in year one and \$1,211 and \$2,145 in year two. The highest level is generally viewed as the practical upper limit on economies of operation. With net revenues falling between the median and highest level, the facility is expected to consume health care resources in somewhat greater proportion to the services provided. (See Comparison Table). The 2000 actual NRAPD for this hospital was \$1,329, which was between the median and highest in that year. NRAPD is not likely to increase by over \$319 per day between 2000 and 2004 in the current national economy, with Medicare and commercial third party payers holding the line on reimbursement. Net revenues are likely overstated.

Projected cost per adjusted patient day of \$1,151 in year one and \$1,164 in year two is between the group median and lowest values of \$1,247 and \$758 in year one and \$1,284 and \$781 in year two. This application is considered cost-efficient when compared to the control group. (See Comparison Table). The 2000 actual CAPD for this hospital was \$1,103, which was between the median and highest in the group. As stated in the previous paragraph, in the current recession driven economy, the increase in CPAPD of only \$48 in four years is unreasonable to expect. It appears that costs have been structured to produce the unreasonably high profit margins shown below.

The year two operating profit for the hospital of \$44.4 million computes to an operating margin per adjusted patient day of \$536 which falls above the peer group highest value of \$399. The 2000 hospital financial data submitted to the agency shows the hospital with an operating margin per adjusted patient day of \$226, which is well below the margin projected in the application. The projected operating margin computes to 31.5 percent, which is very high for Florida hospitals. The applicant's 2000 and 1999 audited income statement operating margins are 15.0 percent and 10.8 percent respectively. This project (35 additional beds) contributes only \$578,621 to the facility's operating margin. The projected margins are unreasonably high, which is caused in part by the likely overstatement of net revenues and the understatement of expenses. Considering the projections taken as a whole, this project is financially feasible albeit at a lower profit margin.

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

The applicant projects managed care to represent 50.2 percent of its patient days. This is between the control group median and highest levels of 36.7 percent and 69.9 percent and is similar to the hospital's own 2000 managed care level of 51.1 percent. Overall, considering the applicant's level of NRAPD, managed care will have only a marginal impact on competition in the market area. Given the unreasonably high profit margins, it is questionable as to whether it will promote quality assurance and cost-effectiveness.

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

The hospital proposes to add 35 acute care beds to its 117 licensed bed facility in Loxahatchee. The application included a site plan, floor plans of the 2nd and 3rd floors and large scale plans of typical patient rooms.

There is minor renovation/conversion of several existing patient rooms on both floors as well as the conversion of an existing office on the 2nd floor to be a semi-private medical/surgical room. The bulk of the project is a build-out of existing shell space on the 3rd floor. There is a mixture of private and semi-private rooms in the project, but all the telemetry and ICU beds are private. The existing 10-bed ICU on the 2nd floor will be replaced with the new 14-bed unit on the 3rd floor. The application states that "Other minor changes will occur within the existing nursing units.". It is assumed that these "minor changes" refer to several existing private rooms that will be converted to semi-private medical/surgical rooms.

The build-out area is in two parts – telemetry and ICU beds, each with its own generous nurse station. The intensive care unit does not have the required janitor's closet, and no space is labeled for the required "crash cart" area. No staff hand washing facilities convenient to the nurse station are shown. The code requires at least one lavatory for every three patient beds in addition to the lavatory in the staff toilet and the ones in the patient rooms. The applicant needs to verify that the clean hold room is also intended for the storage of linens and linen carts. These items should be easy to correct in the design development phase since there seems to be adequate space in the design.

CON Action Numbers: 9558

An isolation room is included in the telemetry bed area, and there appears to be a mask and glove station and a hand washing station near its entrance, but this area is not labeled as such. The applicant needs to verify that this space is actually what it appears to be. There is also no mask and glove station at the isolation room in the ICU and one is required.

Without access to the floor plans of the entire hospital, it is not possible to tell if the new ICU has convenient access to emergency, respiratory therapy, laboratory, radiology and surgery. This is a requirement of the Florida Building Code and Chapter 59A-3 of the Florida Administrative Code. These functions do not appear to be adjacent to the new 3rd floor renovation, but they may be located on another floor and readily accessible by elevator.

The plans do not show maximum travel distance to the exits. There is a stairwell at the east end of the wing, but the other stair is quite some distance away. If horizontal exits are intended, this should be noted at a schematic phase.

There are references on page 57 of the application to the finishes in the "O.R.'s, darkrooms and upgraded lobby" spaces and also several other paragraphs do not seem to apply to this application.

There is a list of applicable codes on Sheet A-1 and in the narrative and it is mostly correct. The costs and the schedule appear reasonable for renovation of this scope.

In general, aside from the lack of some required ancillary items and spaces, the layout is fairly standard, with a "racetrack" concept where the nurse stations and some subsidiary spaces form the cores, a surrounding corridor and patient rooms located on the perimeter.

- 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.**

According to the 2000 Hospital Financial Data Guide, Palms West Hospital provided 14.2 percent of its total patient days to Medicaid patients and 0.3 percent to charity care patients.

CON Action Numbers: 9558

Palms West is a Children's Medical Services provider and as such accepts patients regardless of their ability to pay. The applicant states that the hospital provided \$1.5 million of charity care in CY 2001. However, according to the previously referenced Hospital Financial Data Guide, the applicant's provision of charity care represents the third lowest of the 20 hospitals that comprise District 9.

According to Financial Schedule 7A, approximately 14.62 percent of the total patient days to be provided in the expanded facility will be Medicaid sponsored. The applicant does not specifically identify a charity care provision on Schedule 7A, however, self-pay is expected to comprise 4.04 percent of total patient days in year two.

The applicant wishes to condition the proposed project to a charity care commitment of 10 percent of gross self-pay patient revenues. Based on the hospital's historical performance, it appears that a stronger commitment is made to the Medicaid population than to charity care patients.

F. SUMMARY

Columbia Palms West Hospital, L.P. (CON #9558) proposes to add 35 acute care beds to the existing 117 acute care beds at Palms West Hospital, located in Loxahatchee, Florida in Palm Beach County. The applicant was previously awarded CON #9181 to add 23 beds, creating a 140-bed acute care hospital. The proposed project will increase the total existing and approved beds to 175. The applicant expects to have the 23-bed expansion project completed by January 2003. By approving the proposed 35-bed expansion the applicant states that the hospital would be able to complete the shelled floor at the same time and the 35 beds could open simultaneously with the completion of the current construction.

The proposed project involves 24,090 GSF of renovation and 800 GSF of new construction and \$4,423,290 in construction costs. The total project cost is \$8,679,000. The financing for the proposed project will be provided by the applicant's parent company, HCA, Inc. (HCA).

The applicant wishes to condition the proposed project to a charity care commitment of 10 percent of gross self-pay patient revenues.

CON Action Numbers: 9558

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

Need:

- The proposed project is not submitted in response to the fixed need pool that indicates zero need for additional acute care beds in District 1, Subdistrict 2.
- The applicant presents "not normal", hospital-specific special circumstances that include the lack of bed capacity at Palms West due to increasing utilization, the area's population growth, the cost-efficiency of adding the beds now, and seasonal variances, to demonstrate need for an additional 35 acute care beds.

Quality of Care:

- The applicant reasonably demonstrates its ability to provide quality of care, an indication being the hospital's JCAHO accreditation and compliance with all licensure requirements of the State of Florida.
- The current project and inclusion of the proposed addition is designed to upgrade existing programs and reduce operating stresses. This in turn should enhance the quality of care provided by the hospital.

Cost/Financial Analysis:

- The applicant's audited financial statements provide evidence of a strong financial position. Based on the applicant's financial position and the support of the parent company (HCA), funding for the proposed project and all other capital projects is assured.
- With net revenues falling between the median and the highest level, the facility is expected to consume health care resources in somewhat greater proportion to the services provided. The financial analyst concludes that the projected profit margins are unreasonably high, which is caused in part by the overstatement of net revenues and the understatement of expenses. Considering the projections taken as a whole, the project is considered financially feasible albeit at a lower profit margin.

CON Action Numbers: 9558

- The project managed care level of 50.2 percent, may have only a marginal impact on competition in the market area. The financial analyst concludes that given the unreasonably high profit margins, it is questionable as to whether the project will promote quality assurance and cost-effectiveness.

Medicaid/Indigent Charity Care Commitment:

- The hospital has a history of providing Medicaid services but only a partial history of serving charity care patients. The applicant is not a Medicaid disproportionate share provider for State Fiscal Year 2001-2002.
- The applicant wishes to condition the CON to a charity care commitment of 10 percent of gross self-pay patient revenues.

Architectural Analysis:

- The proposed project basically consists of a build-out of existing shell space on the 3rd floor of the hospital. The architectural review reveals several deficiencies that should be easily correctable in the design development stage.
- In general, aside from the lack of some required ancillary items and spaces, the layout is fairly standard, with a "racetrack" concept where the nurse stations and some subsidiary spaces form the cores, a surrounding corridor and patient rooms located on the perimeter.

G. RECOMMENDATION

Approve CON #9558 to add 35 acute care beds to Palms West Hospital. The project involves construction costs of \$4,423,290 and 24,090 GSF of renovation and 800 GSF of new construction. Total project costs are \$8,679,000.

CONDITION: A minimum of 10 percent of the hospital's gross self-pay revenues shall be provided to charity care.

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