STATE AGENCY ACTION REPORT

ON APPLICATION FOR CERTIFICATE OF NEED

A. PROJECT IDENTIFICATION

1. Applicant/CON Action Number

Wellington Regional Medical Center, Inc. (CON #9559)
2623 W. Jetton Avenue
Tampa, Florida 33629

Authorized Representative: Thomas A. Davidson
(813) 251-5470

2. Service District/Subdistrict

District 9/Subdistrict 5 (Palm Beach County)

B. PUBLIC HEARING

A public hearing was not requested or held regarding the proposed project. A letter of support from David C. Fielding, President and CEO, Hospice of Palm Beach County, Inc., was submitted by the applicant. Mr. Fielding states that Hospice of Palm Beach County is continuously faced with need for dedicated inpatient beds in the western part of Palm Beach County and is interested in working on the idea of dedicated inpatient beds within the facility.

C. PROJECT SUMMARY

The applicant operates Wellington Regional Medical Center, a 120-bed general acute care private for-profit hospital located in Palm Beach County. The hospital is licensed for 104 acute care beds and 16 adult substance abuse beds. The applicant has been approved to establish 10 Level II NICU beds and delicense the 16 adult substance abuse beds.

The applicant proposes to add seven acute care beds to be located in space already in existence on the third floor of the hospital. The project summary in the application identifies the purpose of the bed addition as being "…to permit the hospital to lease acute care beds to Hospice of Palm Beach County for use as inpatient hospice beds." The application contains the following proposed condition: "Wellington Regional Medical Center will make seven (7) acute care beds authorized by CON 9559 available for lease as hospice inpatient beds for a period of not less that (sic) three years from their date of licensure."

The total project cost is estimated at $82,277. Construction costs are projected at $16,480 and the project will involve 1,344 GSF of renovated space.

D. REVIEW PROCEDURE

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

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

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

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

E. CONFORMITY OF PROJECT WITH REVIEW CRITERIA

The following indicate the level of conformity of the proposed project 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; and Local Health Plans.

1. Fixed Need Pool

a. Does the project proposed respond to need as published by a fixed need pool? Ch. 59C-1.008 and 59C-1.038, Florida Administrative Code.

In Volume 28, Number 4, dated January 25, 2002, of the Florida Administrative Weekly, a fixed need pool of zero beds was published for acute care beds in District 9, Subdistrict 5, for the January 2002 batching cycle. The agency shall not normally approve applications for new or additional acute care hospital beds in any acute care subdistrict as specified in Rule 59C-2.100, Florida Administrative Code, unless the average occupancy rate for all existing acute care hospital beds is at or exceeds 75 percent in the respective subdistrict, or the following provisions in Subsection (5) of the rule are met.

The subdistrict occupancy rate for acute care beds was 75.50 percent during July 2000–June 2001. Pursuant to the *Florida Hospital Bed Need Projections by District*, January 2002 Batching Cycle, there is a surplus of 55 acute care beds for the subdistrict.

b. Chapter 59C-1.038(5): Approval Under Special Circumstances. 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). 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. Chapter 59C-1.038(5), Florida Administrative Code.

For the appropriate period as specified by rule, July 2000–June 2001, the hospital’s 104 acute care beds averaged 59.17 percent occupancy. Therefore, the applicant does not meet this rule requirement. The

applicant states that this rule provision "is best suited to the needs of larger hospitals." However, the rule is equally applicable to all hospitals, as is the statutory exemption from CON review for up to 10 percent of licensed acute care beds or 10 acute care beds, whichever is greater, when the applicant hospital reaches 80 percent occupancy.

c. Other Special Circumstances:

Applicants may also apply under other facility specific circumstances if they can demonstrate that demographic and market factors and/or other factors justify the addition of more beds.

Wellington Regional Medical Center, Inc., proposes to add seven acute care beds at its hospital. The applicant contends that the need to add seven acute care beds at Wellington Medical Center is justified based on the intent to offer the beds for lease to Hospice of Palm Beach County. However, need for *hospice* beds are not at issue with regard to the current application. CON applications for new or additional inpatient hospice program beds must be filed in the "Other Beds and Programs" batching cycles. See Chapter 59C-1.008(1)(g), Florida Administrative Code. In this application, the applicant must demonstrate need for additional *acute care* beds. The applicant states: "The Project Summary narrative demonstrates qualitatively why Wellington Regional Medical Center should have additional acute care beds."

In the project summary, the applicant relates its reasons for Hospice of Palm Beach County needing additional inpatient hospice beds. The applicant states that Hospice of Palm Beach County is a licensed provider of hospice services in Palm Beach County and provided hospice services to 3,342 patients during the 12 months ended June 30, 2000. The applicant also states that Hospice of Palm Beach County has identified an unmet need for inpatient hospice services in western Palm Beach County and has approached Wellington Regional Medical Center to serve as its partner in addressing this need. Attachment 1 of the application is a copy of a letter of support from the President and CEO of Hospice of Palm Beach County.

The applicant then describes the types of patients requiring inpatient hospice services: patients with severe pain management issues, patients with severe (final stage) illness, and patients whose terminal illness causes breakdown in family dynamics.

Next, the applicant details the advantages of delivering hospice services in an acute hospital setting. According to the application, Hospice of Palm Beach County staff will provide most patient care services, including hospice nurses, social workers, and chaplains, and the applicant will be required to provide the physical space for the program, and to provide core equipment for the patient rooms, including: beds, minor medical equipment such as over-bed tables, oxygen connections and access to gases, housekeeping services, linen, utilities, and ancillary services, such as pharmaceutical services, diagnostic testing, and laboratory services, on an as-needed basis.

The applicant relates the current availability of dedicated inpatient hospice programs in Palm Beach County and the contracts Hospice of Palm Beach County has with hospitals in the county (including Wellington Regional Medical Center). The applicant states that there are certain deficiencies with contract beds, including that there are limited facilities for family visitation or stays, the provision of care is by acute care nurses, and continuity of care is disrupted for patients transferred from a hospice program to a contract bed.

The applicant states that Hospice of Palm Beach County's inpatient beds are "normally filled to capacity" and the 12-bed dedicated unit Hospice of Palm Beach County leases from JFK Medical Center is always "near capacity."

The applicant contends that there is a need for a dedicated inpatient hospice unit in western Palm Beach County to enhance the continuum of services available at Wellington Regional Medical Center and to provide an important adjunct to its cancer care program. The applicant further contends that the proposed project would be economical for the applicant and Hospice of Palm Beach County. The applicant states, "The need for dedicated inpatient hospice beds in western Palm Beach County, coupled with the capacity constraints at Wellington Regional Medical represent a special circumstance that justify the approval of this Application."

The applicant summarized the reasons it believes it needs additional beds:

- The hospital has experienced significant growth in its inpatient utilization over the past seven years, and is beginning to experience some capacity constraints in its peak demand months;
- The hospital's service area is experiencing substantial population growth and is expected to experience such growth in the future, thus fueling continued growth in the hospital's acute utilization in the future;

- New residential and commercial construction in the hospital's service area;
- High acute care utilization in the subdistrict; and
- No significant incremental capital costs associated with this project.

The table below illustrates the hospital's growth in utilization of its acute care beds over the past six years:

Acute Care Bed Utilization at Wellington Regional Medical Center
By Year Ended June 30

Year	1995	1996	1997	1998	1999	2000	2001
Patient days	10,043	12,832	15,182	15,851	18,055	19,843	22,461
% Occupancy	26.5%	33.7%	40.0%	41.8%	47.6%	52.1%	59.2%
% increase in Pt days from prior year		27.8%	18.3%	4.4%	13.9%	9.9%	13.2%
6 yr avg growth							14.4%

Source: CON Application 9559, Exhibit 1, from AHCA *Florida Hospital Bed & Service Utilization by District.*

The hospital reported 10,043 patient days in the 12-month period ending June 30, 1995, which increased to 22,461 in the 12-month period ending June 30, 2001. According to the applicant, the utilization growth has averaged 14.4 percent per year over this six-year period, driven to some extent by growth in its ER volume. (AHCA data indicates 2,822 emergency admissions at Wellington Regional Medical Center for the 12 months ended June 2001.) The applicant indicates that it projects the hospital will have 24,896 patient days during July 1, 2001-June 30, 2002, or 65.6 percent utilization. However, this leaves a daily average of approximately 36 unoccupied beds (104 x .656 = 68.2). Furthermore, any trend is difficult to discern. The following table reflects the annual patient day percentage increase since 1995, based on the foregoing table and the applicant's projected utilization for the year ending June 30, 2002:

Annual Patient Day Growth at Wellington Regional Medical Center
By Year Ending June 30

Year	1996	1997	1998	1999	2000	2001	2002*
% increase in Pt days from prior year	27.8%	18.3%	4.4%	13.9%	9.9%	13.2%	10.8%

Source: CON Application 9559; *estimate

In application Exhibit 2, the applicant also compares the growth in its patient days with that of the subdistrict (Acute Care Subdistrict 9-5) and district (District 9) and notes that Wellington Regional Medical Center has substantially exceeded both over the six-year period (14.4 percent vs. 4.8 percent and 14.4 percent vs. 3.0 percent, respectively). Even though the acute care bed utilization in the subdistrict (and district) has been increasing, the data indicate that unoccupied beds are available and the applicant, while experiencing a higher utilization average than the district in 1995, has since then experienced a lower utilization average than District 9 facilities as a whole.

Acute Care Bed Utilization By Year Ended June 30

Year	1995	1996	1997	1998	1999	2000	2001
Subdistrict 9-5	52.27%	53.28%	55.61%	60.12%	68.36%	71.19%	75.50%
District 9	53.47%	51.98%	54.09%	58.09%	62.10%	64.34%	65.63%

Source: AHCA *Florida Hospital Bed and Service Utilization By District*

The applicant discusses the hospital's service area population growth. Wellington Regional Medical Center states that the age 65 and over population of the hospital's primary service area is expected to grow at an average rate of 1.9 percent per year between 2001 and 2006 using Claritas population projections. Census data for 2000 indicates that those projections may be overstated. The Claritas estimate for 2001 for the 65 and over population in the zip codes identified as the hospital's primary service area represents a 2.87 percent increase over the 2000 census (108,138 vs. 105,126), which is a 50 percent higher growth rate than that assumed in Exhibit 5 of the application (2.87 vs. 1.9). A comparison of the 2000 census data to the Claritas 2006 estimate for the 65 and over population for the primary service area shows a total growth rate exceeding 13 percent, or an annual average of 2.18 percent (vs. 9.9 percent and 1.9 percent, respectively). The apparent over-projection of the primary service area population is noted here because the applicant asserts that the Claritas projections *significantly understate* the population growth. The applicant does not mention whether the Claritas estimates include the major housing projects referred to in the application.

The applicant provided Exhibit 6, which portrays subdistrict and district occupancy percentages for District 9 acute care beds. As stated above, unoccupied beds are available in the subdistrict.

The applicant also provided Subdistrict 9-5 utilization data for the peak demand months of January through March to demonstrate bed unavailability in the area. However, a statutory exemption from CON review for up to 10 percent of licensed acute care beds or 10 acute care beds, whichever is greater, for temporary beds in a hospital that has high seasonal occupancy serves to resolve any alleged seasonal bed shortage.

The table below illustrates peak seasonal utilization trends during the first quarter (January through March) for each year 1995 through 2002 at Wellington Regional Medical Center.

Wellington Regional Medical Center
First Quarter (Jan-Mar) Utilization
1995 - 2002

	1995	1996	1997	1998	1999	2000	2001	2002*
Patient days	3,084	3,995	4,617	4,571	5,430	5,991	6,088	4,465
% Occupancy	32.9%	42.2%	49.3%	48.8%	58.0%	64.0%	65.0%	72.8%
% increase in Pt days from prior year		29.5%	15.6%	-1.0%	18.8%	10.3%	1.6%	
5 yr avg growth							12.0%	

Source: CON Application 9559, Exhibit 8;*(Jan-Feb).

The data show that for the first quarter of 1995, utilization was 32.9 percent and by 2001, it reached 65 percent. A 65 percent occupancy rate for the hospital's quarterly seasonal peak in 2001 does not suggest need for an additional seven acute care beds. Coincidentally, the January-February 2002 occupancy percentage reported in Exhibit 8 is identical to the result of inflating the 2001 utilization percentage by 12 percent.

The applicant also contends that its observation bed occupancy should be considered in determining the need for additional acute care beds. The applicant's inclusion of observation patient days in Exhibit 9 of the application for 2001 shows less than 70 percent occupancy. The applicant may add observation beds without CON review.

According to the applicant, Exhibit 10 of the application depicts projected bed need based on historical utilization by unit (ICU, OB, and medical/surgical), including observation patient days, for 2001 and the population projections provided by Claritas. The applicant designates the number of beds to be placed into each unit. The applicant concludes that nine to 22 additional beds are needed at 75 percent occupancy over the next five years based on peak season demand, with an unknown number of them being observation beds. As noted earlier, observation beds can be added without CON review and therefore need for that type of bed is not considered in this review. The applicant appears to have

based this application for seven acute beds on the perceived needs of hospice patients and outpatients[1], two distinct bed categories. As noted earlier, need for inpatient hospice beds, per Rule 59C-1.0355, Florida Administrative Code, is not being reviewed in this batching cycle. The next batching cycle for applicants applying for inpatient hospice bed need begins with the application deadline of May 29, 2002. The Letter of Intent deadline for that cycle was April 29 and Wellington did not submit a letter to establish inpatient hospice beds. Any request for the addition of outpatient/observation beds should be submitted directly to the Office of Plans and Construction.

Moreover, based on the applicant's current use rate (and assuming a constant market share and length of stay), applied to the applicant's year 2006 total adult population for the service area, an occupancy rate of approximately 60 percent is likely, which is below the 80 percent benchmark for approval of additional acute care beds under special circumstances in rule.

The applicant did not demonstrate need for seven additional acute care beds.

2. Local Health Plan Preferences

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

The 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.

The applicant proposes no conditions relating to Medicaid/indigent, handicapped, or underserved population groups. The following chart shows the hospital's service levels to Medicaid, self-pay, and charity patients for 2000, according to the applicant:

[1] It is noted that the Letter of Intent and CON application indicate that the applicant is applying for seven acute care beds, not seven inpatient hospice or seven outpatient beds. Had either the Letter of Intent or the CON application initially submitted indicated that the applicant was seeking to add inpatient hospice beds or observation beds, it would have been rejected.

Wellington Regional Medical Center's Medicaid, Self-Pay and Charity Year 2000

Patient Type	Charges (000's)	% of Total Charges	Patient Days	Percent of Total Patient Days
Medicaid	$ 5,162	3.6%	1,208	5.7%
Self Pay	$ 5,523	3.9%	899	4.2%
Charity	$ 1,732	1.2%	NA	NA
Total	$141,860	8.8%	21,245	9.9%

Source: CON Application 9559

According to AHCA data, the Fiscal Year 2000 District 9 and Subdistrict 9-5 averages for conventional Medicaid days were 8.0 and 3.8 percent, respectively. The applicant is below the district average and above the subdistrict average. AHCA data also shows that for Fiscal Year 2000, the District 9 and Subdistrict 9-5 averages for charity care were 1.9 and 1.3 percent, respectively. The applicant is below the District 9 and Subdistrict 9-5 averages for charity care. The hospital is not a designated Medicaid Disproportionate Share Provider.

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.**

The applicant submitted Exhibit 11, which illustrates cost reductions of almost nine percent have occurred between 1998 and 2000 in most of the hospital's cost centers.

The applicant states that the hospital participates in a number of shared services with other area hospitals which includes the following:

- Healthy Start Home Visiting Program
- Healthy Mothers, Healthy Babies
- Participation in the St. Mary's Hospital Child Development Center
- Participation in the Palm Beach County Public Health Unit and the Children's Medicaid Service

The applicant did not document cost containment practices in its facility.

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.**

The applicant states that it is proposing to add the seven acute care beds in space that is already constructed to hospital code and equipped to accommodate inpatient care.

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.**

The applicant's provision of care to Medicaid and charity was previously discussed. See E.2.a. above.

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.**

There are no competing applications for additional acute care beds in District 9, Subdistrict 5. The applicant is proposing the addition of seven acute care beds in existing space.

4. Statutory Review Criteria

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

The applicant incorporates by reference, in response to this criterion, the narrative and exhibits in the project summary section of the application.

The quality of care provided by other hospitals in the district is not questioned by the applicant. Refer to E. 4. b. below for additional discussion.

The applicant did not state that any area residents had a problem accessing acute care services. As discussed above in E. 1. above, the applicant has not demonstrated need for any additional acute care beds.

As previously discussed, the average occupancy for acute care beds in District 9, Subdistrict 5, was 75.50 percent for the time period of July 2000–June 2001.

The following table shows the occupancy rate for all facilities in District 9, Subdistrict 5, for the 12-month period July 2000–June 2001.

District 9, Subdistrict 5 Acute Care Occupancy Rates July 2000–June 2001		
Hospital	# of Acute Care Beds	Percent Occupancy
Bethesda Memorial Hospital	300	71.76%
Boca Raton Community Hospital	384	70.67%
Delray Medical Center	290	82.50%
JFK Medical Center	367	89.07%
Wellington Regional Medical Center	104	59.17%
West Boca Medical Center	171	61.87%
TOTALS	**1,619**	**75.50%**

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

Wellington Regional Medical Center has the lowest occupancy in the subdistrict. Need for the project is not evidenced by the availability, quality of care, accessibility, and extent of utilization of existing health care facilities and health services in the applicant's service area.

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

Wellington Regional is accredited by the Joint Commission on Accreditation of Health Care Organizations. The applicant included a copy of the hospital's JCAHO accreditation letter in Appendix 1 of the application. The hospital has a comprehensive performance improvement plan, contained in Appendix 2 of the application, that sets forth the authority and governing structure for performance monitoring, which exhibits its ability to provide quality of care.

According to AHCA data, the applicant had five confirmed complaints (one without deficiency) during the last three years. One of the confirmed complaints was related to billing. The others concerned inappropriate discharge, physical plant, and life safety code. As of April 19, 2002, there were two pending complaints.

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

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

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

The proposed project is not to be located in a research or teaching hospital nor will the primary purpose of the project involve research or physician education. The applicant currently has education and training available for its employees. Information concerning the applicant's staff and community education programs appears in Appendix 3 of the application.

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

Schedule 6A of the application shows that 0.3 FTE for nursing, 0.3 FTE for plant, and 1.4 FTE for housekeeping will be added by this project.

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

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FINANCIAL INDICATORS AND RATIOS

	12/31/2000		12/31/1999	
Current Assets	$	12,643,000	$	12,545,000
Cash and Current Investment	$	129,000	$	12,000
Assets Restricted for Capital Projects	$	0	$	0
Total Assets	$	37,307,000	$	33,165,000
Current Liabilities	$	6,511,000	$	5,122,000
Total Liabilities	$	54,206,000	$	51,465,000
Total Equity	$	(16,899,000)	$	(18,300,000)
Net Operating Revenues	$	53,390,000	$	44,578,000
Interest Expense	$	0	$	0
Net Profit - Operations	$	585,000	$	555,000
Net Income	$	1,401,000	$	1,564,000
Cash Flow from Operations	$	2,980,000	$	114,000
Working Capital	$	6,132,000	$	7,423,000
Current Ratio (CA/CL)		1.9		2.4
Long-Term Debt to Equity (TL-CL/TE)		-2.8		-2.5
Operating Cash Flow (CFO/CL)		0.5		0.0
Equity to Total Assets (TE/TA)		-45.3%		-55.2%
Operating Margin (NPO/NOR)		1.1%		1.2%
Total Margin (NI/NOR)		2.6%		3.5%
Return on Assets (NI/TA)		1.6%		4.7%
Operating Cash Flow to Assets (CFO/TA)		8.0%		0.3%

Short-term position:
The applicant's current ratio of 1.9 indicates current assets are almost twice that of short-term liabilities, an adequate position. The working capital (current assets less current liabilities) of $6.1 million is also adequate in relation to the entity's size. The ratio of cash flow to current liabilities of 0.5 is about average for Florida hospitals. The applicant has a satisfactory short-term position.

Long-term position:
The long-term debt to equity of –2.8 reflects the negative equity, a weak position. The cash flow to assets of 8.0 percent is good. The most recent year had an operating profit of $585,000, resulting in a margin of 1.1 percent, a relatively low level. The negative total equity of $-16.9 million with the equity to assets of –45.3 percent is very weak. Because of the positive earnings and good cash flows the applicant eventually may be able to overcome the large negative equity. Due primarily to the very significant negative equity, the applicant has a weak long-term position.

Capital requirements:
Schedule 2 indicates the applicant has total capital projects of $18.3 million.

Available capital:
Schedule 2 indicates funding for these projects will come from the parent corporation, Universal Health Services. The audited balance sheet of the parent shows cash on hand of $10.5 million, funds restricted for construction of $37.3 million and cash flows of $182 million. The cash, restricted assets and cash flows through 2003 totals $595.3 million. The parent had total assets of $1.7 billion and equity of $717 million. A letter from Universal Health Services, inc. states it will fund "the referenced project and all projects that are in process, planned or pending from current cash balances or its revolving line of credit."

Conclusion:
Funding for this project appears to be available from the parent. The applicant is able to fund a portion of its capital projects; however, its financial situation does not indicate that it is capable of funding the entire capital budget. If we assume the parent will fund the applicant's capital budget as indicated in the notes to Schedule 2, then funding for all projects should be available as needed.

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

The hospital is making application to add seven acute care beds to its existing bed inventory for the stated purpose of leasing these beds to the Hospice of Palm Beach County for use as a dedicated inpatient hospice unit. However, this application is logically flawed in that, if approved, these beds could only be contracted to the Hospice of Palm Beach County and would have to be operated as acute care beds of the hospital. As discussed earlier, if these were to be leased beds, the Hospice of Palm Beach County would have to make application for them in the next "other beds and services" batching cycle. Since the financial data for the seven beds is being shown as other revenue and expense, the application will be reviewed based on the data for the entire hospital, including the seven additional beds.

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 ability 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 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 $1,225 in year one and $1,229 in year two between the control group median and highest values of $1,183 and $1,522 in year one and $1,219 and $1,567 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 slightly greater proportion to the services provided. (See Comparative Table). The 2000 actual NRAPD for this hospital was $1,155, which was between the group median and highest in that year.

Projected cost per adjusted patient day of $1,169 in year one and $1,151 in year two is below the median of $1,204 in year one and $1,240 in year two. This application is considered marginally cost efficient when compared to the control group. (See Comparative Table). The 2000 actual data reported the applicant's costs per adjusted patient day of $1,115, which was just below the group's median $1,121.

The year two operating profit for the hospital of $3.9 million computes to an operating margin per adjusted patient day of $78 which falls between the peer group median and highest values of $9 and $246. The operating margin ratio computes to 6.4 percent. The project is expected to account for only an $83,610 addition to the operating surplus in year two. The audited financial statements indicated the hospital had an operating profit of $585,000 in 2000, and a similar amount in 1999 of $555,000. The operating margins for these profits were 1.1 percent and 1.2 percent respectively.

The projected net revenues and costs per patient day are reasonable when compared to the control group and the applicant's own 2000 activity. The operating profitability of 6.4 percent of revenues is slightly below the 80th percentile of all Florida acute care hospitals of 10.8

percent, which is considered to be superior financial performance from operations. This profit level at 6.4 percent is significantly higher than the hospital's relatively stable profits in 2000 and 1999 of 1.1 percent and 1.2 percent. It is probable that the operations will be financially feasible but at a lower level of profit than projected.

Comparative Table

PEER GROUP 5	2007 YEAR 2 ACTIVITY	YEAR 2 ACTIVITY PER DAY	INFLATION ADJ. VALUES Highest	Median	Lowest
ROUTINE SERVICES	116,151,676	2,292	941	533	264
INPATIENT AMBULATORY	0	0	124	42	16
INPATIENT SURGERY	0	0	0	0	0
INPATIENT ANCILLARY SERVICES	0	0	3,568	1,980	1,278
OUTPATIENT SERVICES	97,060,140	1,915	1,905	1,316	645
TOTAL PATIENT SERVICES REV.	213,211,816	4,207	4,634	3,250	2,290
OTHER OPERATING REVENUE	1,175,765	23	63	10	1
TOTAL REVENUE	214,387,581	4,230	5,537	3,843	2,700
DEDUCTIONS FROM REVENUE	152,083,708	3,001	*	*	*
NET REVENUES	62,303,873	1,229	1,567	1,219	814
EXPENSES					
ROUTINE	10,216,223	202	282	207	155
ANCILLARY	24,696,316	487	576	422	303
AMBULATORY	2,993,124	59	0	0	0
TOTAL PATIENT CARE COST	37,905,663	748	858	629	458
ADMINISTRATIVE & OVERHEAD	17,925,177	354	626	552	385
PROPERTY	2,502,975	49	*	*	*
TOTAL HOSPITAL EXPENSE	58,333,815	1,151	1,385	1,240	920
OTHER OPERATING EXPENSE	0	0	0	0	0
TOTAL EXPENSE	58,333,815	1,151	1,385	1,240	920
OPERATING INCOME (MARGIN)	3,970,058	78	246	9	-374
PERCENT OPERATING MARGIN	6.4%				
			PERCENTAGES NOT INFLATION ADJUSTED		
PATIENT DAYS	27,459				
ADJUSTED PATIENT DAYS	50,683				
TOTAL BED DAYS AVAILABLE	46,355				
ADJ. FACTOR	0.5418				
TOTAL NUMBER OF BEDS	127				
PERCENT OCCUPANCY	59.2%		90.6%	53.6%	23.0%
PAYER CLASS	PATIENT DAYS	PERCENT OF TOTAL			
SELF-PAY	1,111	4.0%	13.3%	1.3%	0.0%
MEDICAID	1,477	5.4%	22.8%	6.0%	0.7%
MEDICAID HMO	0	0.0%			
MEDICARE	7,072	25.8%	68.2%	41.6%	19.4%
MEDICARE HMO	0	0.0%			
INSURANCE	0	0.0%			
HMO/PPO	17,724	64.5%	64.6%	36.0%	13.7%
TOTAL	27,459	100.0%			

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

The applicant is projecting managed care for the total facility at 64.5 percent of its patient days. This is approximately equal to the control group's highest level of 64.6 percent, which is also the hospital's own managed care level for 2000. The applicant's level of managed care for the total facility has a significant positive impact on competition, which may promote quality assurance and cost-effectiveness. However, the proposed additional seven beds will have little additional impact on competition in the local market.

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

The hospital proposes to add seven acute care beds to its facility in West Palm Beach. There will be three semi-private rooms and one private suite. Each semi-private room has a toilet/shower with the lavatory located in the patient room. The private suite has all the fixtures separated from the sleeping area. There appears to be a tub in the toilet room. None of the toilet rooms meet the accessibility requirements, but the hospital may have enough accessible rooms to meet code requirements. This needs to be verified.

The application states that the seven rooms will be leased to a hospice program in Palm Beach County. The application included an 8 1/2 x 11 floor plan of the rooms to be added and all of the affected rooms are located in the west wing of the hospital's third floor.

There is no list of applicable codes, but this is not a real issue. Evaluating the costs and schedule is not really possible in any accurate way since the extent of the renovation is not really addressed. However, from a construction cost of slightly more than $2,000 per bed, it would appear that these spaces are probably already existing as shown and minimal renovation will be required.

The bulk of the total project cost seems to be in movable equipment.

i. Does the applicant have a history of providing health services to Medicaid patients and the medically indigent? Does the applicant propose to provide health services to Medicaid patients and the medically indigent? ss. 408.035(11), Florida Statutes.

The following table provides an indication of the facility's commitment to Medicaid and charity, with comparison to the subdistrict and district, based on Fiscal Year (FY) 2000 Actual Data prepared by AHCA:

Applicant Hospital	FY 00 Conventional Medicaid Days	FY 00 Gross Charity Percent of Charges
Wellington Regional	5.7%	1.2%
West Boca Medical Center	5.1%	0.2%
JFK Medical Center	4.8%	0.4%
Delray Medical Center	1.7%	1.1%
Bethesda Memorial	7.6%	4.0%
Boca Raton Community	0.7%	0.4%
Subdistrict 5 Average	3.8%	1.3%
District 9 Average	8.0%	1.9%

Source: FY 2000 Actual Data/AHCA

As reflected in the table, Wellington Regional's provision of Medicaid exceeds the subdistrict average and falls short of the district average. The applicant’s charity care provision is less the subdistrict and district averages.

Wellington Regional is not a designated Medicaid Disproportionate Share Provider.

F. SUMMARY

Wellington Regional Medical Center, Inc. CON (#9559) is a 120-bed general acute care hospital located in Palm Beach County. The hospital is licensed for 104 acute care beds and 16 adult substance abuse beds. The applicant has been approved to establish 10 Level II NICU beds and delicense the 16 adult substance abuse beds.

The applicant proposes to add seven acute care beds, which will increase the hospital's total acute care beds to 111.

The total project cost is estimated at $82,277. Construction costs are projected at $16,480 and the project will involve 1,344 GSF of renovated space.

Need/Other Special Circumstances:

The AHCA published no need for acute care beds in District 9, Subdistrict 5.

District 9, Subdistrict 5, has 1,636 licensed acute care beds and 47 CON approved beds as of January 25, 2002. The subdistrict occupancy rate for acute care beds was 75.50 percent during the period July 2000–June 2001 in the 1,616 beds licensed as of June 2001. Wellington's 104 acute care beds averaged 59.17 percent occupancy rate during the same period.

The applicant is applying outside of the fixed need pool. Need analysis and methodologies presented by the applicant do not demonstrate need for additional beds at the hospital nor did the applicant demonstrate that area residents were unable to access appropriate needed care.

Quality of Care:

Wellington Regional Medical Center, Inc., provided a copy of a letter that shows accreditation by the Joint Commission on Accreditation of Health Care Organizations (JCAHO).

Medicaid/Indigent Care:

The applicant is not proposing Medicaid or charity care provision in the application. The applicant is not a designated Medicaid Disproportionate Share Provider.

Financial/Cost:

The applicant has a satisfactory short-term position and a weak long-term position. Based on the assumption that the parent will fund the applicant's capital budget as indicated in the notes to Schedule 2, then funding for all projects should be available as needed.

Architectural:

Evaluating the costs and schedule is not really possible in any accurate way since the extent of the renovation is not really addressed. However, from a construction cost of slightly more than $2,000 per bed, it would appear that these spaces are probably already existing as shown and minimal renovation will be required.

The bulk of the total project cost seems to be in movable equipment.

G. RECOMMENDATION

Deny CON #9559.

CON Action Number: 9559

AUTHORIZATION FOR AGENCY ACTION

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

DATE: ____________________

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Karen Rivera
Health Services and Facilities Consultant Supervisor
Certificate of Need

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Jeffrey N. Gregg
Chief, Bureau of Health Facility Regulation