

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

**A. PROJECT IDENTIFICATION**

1. Applicant/CON Action Number

**South Broward Hospital District/CON #9564**  
3501 Johnson Street  
Hollywood, Florida 33021

Authorized Representative: Jon D. Bandes  
(954) 985-3452

**Northwest Medical Center, Inc./CON #9565**  
d/b/a Northwest Medical Center  
2801 North State Road 7  
Margate, Florida 33063

Authorized Representative: Mary Lynn Swartz  
(954) 978-4000

2. Service District/Subdistrict

District 10/Broward County

**B. PUBLIC HEARING**

A public hearing was not held or requested with regard to the proposed projects. However, both applicants have letters of support for their projects.

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**South Broward Hospital District (CON #9564)** submitted several letters of support in Attachment F from local community leaders. These letters are similar in content and address the rapid growth in the proposed hospital's primary service area, current problems in accessing health care in the area and South Broward Hospital District's ability to provide care to indigent populations in the area. However, these letters did not provide the number of patients who were forced to seek acute care outside of the county/~~district~~.

The applicant includes in Attachment E, three resolutions of support from local government entities: the Broward County Legislative Delegation, the Board of County Commissioners of Broward County and the City Commission of the City of Pembroke Pines. These resolutions cite the area's population growth, high utilization at Memorial Hospital West and South Broward Hospital District's commitment to the residents of Broward County to provide quality health care.

Attachment F includes three additional letters of support from area officials and community leaders. One of these is from the director of the Broward County Department of Safety and Emergency Services, which indicates that Memorial Hospital West was on diversion 123 times or 952.6 hours during CY 2000 and 89 times in the first six months of CY 2001 for a total of 1,448 hours. Additional letters in Attachment F cite the Southwest Broward County area's high population growth and Memorial Healthcare System's service to a diverse Broward County population. Attachment F also includes 13 general letters of support from area physicians and nine from area residents.

**Northwest Medical Center, Inc. (CON #9565)** had 20 letters of support. State Representative Ron Greenstein, District 95, states that the hospital is located in his district, which is in a fast growing area of Broward County. Representative Green indicates that Northwest's ability to meet the medical needs of this community will be greatly hampered unless Northwest is allowed to expand the number of beds at the facility.

Letters in support for the project were also received from local physicians. Dr. Bruce Zafran of Royal Palm OB/GYN indicates that in spite of Northwest's recent expansion, the hospital remains at a capacity much of the time. Obstetrical volume has had tremendous growth such that private rooms for OB patients are all occupied and OB patients have to share semi private rooms, which were intended for GYN surgical patients, with others. GYN surgical patients are having to be placed elsewhere in the facility, far removed from those professionals dedicated to caring for OB and GYN conditions. Dr. Wayne Maxson, OB/GYN and subspecialty certified reproductive endocrinologist, and Northwest's

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Chairman of the Board of Trustees, indicates that the hospital's addition of pediatrics and pediatric subspecialties as well as ER expansion, have increased the volume of patients through the ER. It is now common for his patients to be kept in hallways, floors and in the ER prior to being admitted. Dr. Maxson also indicates that the facility is out of room on its GYN/L&D and pediatric floor.

Dr. Jack A. Kravitz indicates that it is not unusual to see over 10 patients already formally admitted to the hospital being held in the ER for lack of available hospital beds. The SNU is often running at capacity, with a waiting list of patients and Dr. Kravitz predicts a modest expansion for this unit will soon be needed. Dr. Richard Goldman, Vice-Chairman of Medicine and Chief of Critical Care Medicine and Cardiology also indicates there are delays in the ER and in radiology services where patients have to wait for hours, and even overnight for ICU or Telemetry beds. Dr. Goldman also indicates that there has been an increased growth and specific demand for more cardiovascular services in the local area and the facility's cardiac catheterization lab, which has been in operation approximately 18 months, is being utilized to such extent that we now foresee the need for a second cath lab in the near future. Dr. Richard M. Stillman, Northwest Medical Center's Chief of Staff, indicates that the hospital's volume is such that queues of patients often back up in the ER, in diagnostic areas, in registration and even in the post-anesthesia care unit awaiting an available acute care bed. This leads to treatment delays and creates patient, staff and physician dissatisfaction. He indicates that this is from his personal experience in that his clinical practice (in General & Vascular Surgery), which is almost solely at Northwest Medical Center, has expanded substantially and continues to grow. Dr. Stillman concludes that Northwest needs the additional beds to continue to provide quality care and to expand with its clientele.

Additionally, letters from the Leonard B. Golub, City Manager of City of Margate, Chief Frank Porcella of the Margate Fire Rescue, and Charles J. Wholitka, EMS Division with Margate Fire Rescue were received. These indicate that the Margate area with 53,000 residents has about 12,000 EMS calls per year, 78 percent of which require transportation to a hospital and 90 percent of the transports go to Northwest. These letters also indicate the northwest Broward area has about 260,000 population and is growing the area's pre-hospital providers experience diversions on a daily basis. All conclude that the new beds will be filled immediately.

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Several letters from RNs in the various departments of the hospital were included. These letters describe the impact of the shortage of beds on the operation of their departments and patient care. These all describe ER holds and admit delays, stressed staff, and patient and visitor complaints because of lack of availability of acute care beds.

### C. PROJECT SUMMARY

**South Broward Hospital District (CON #9564)** is proposing to establish a new 100-bed acute care hospital at the intersection of Southwest 172<sup>nd</sup> Avenue and Pembroke Road in the City of Miramar, Southwest Broward County, Florida. If approved, the applicant states that it expects to open the new hospital on July 1, 2006. The hospital's bed complement will consist of 88 adult medical/surgical beds and 12 obstetric beds. The proposed bed count differs from the two previous applications (CON #9459 approved and CON #9520 denied as being duplicative) as the applicant indicates that general pediatric patients will be treated in the medical/surgical beds as opposed to a separately designated eight-bed pediatric unit.

South Broward Hospital District is a special taxing district that was created by the Florida Legislature in 1947 with a mandate to provide care to all residents regardless of the patient's primary payer source. The applicant presently operates three acute care hospitals, a nursing home and numerous primary care centers and outpatient facilities in Broward County. Additionally, the applicant has received CON #9263 for its Memorial Hospital West facility located in the City of Pembroke Pines, Florida to add 36 acute care beds. South Broward Hospital District also received CON approval to establish this 100-bed facility in Miramar under CON #9459. CON #9459 is currently in administrative hearing and the applicant indicates that should it ultimately be approved, it will not pursue implementation of this CON (#9565).

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South Broward Hospital District is requesting that the project be conditioned for the provision of 4.4 percent of the facility's total annual patient days to Medicaid and 1.9 percent of the hospital's gross revenues for charity care. The applicant's proposed Medicaid condition is a 0.26 percent increase over the approved CON #9459; however, the proposed charity care condition is 1.31 percent less than CON #9459's. The proposed Medicaid condition would exceed the actual FY 2000 performance of five of the district's 16 hospitals, and the proposed charity care condition would exceed the actual FY 2000 performance of nine of district's<sup>1</sup> 16 hospitals. However, both proposed conditions are below the district facilities FY 2000 average Medicaid (9.3 percent) and charity care (4.3 percent).

The proposed project consists of 219,969 ground square feet of construction and construction costs of \$49,800,900. The project involves a total cost of \$90,206,500. This too represents a change from previous applications submitted for this project. CON #9520 proposed total costs of \$78,109,700.

**Northwest Medical Center, Inc. (CON #9565)** is proposing to add 40 acute care beds at Northwest Medical Center, located at 2801 North State Road 7 in Margate, Florida. The applicant's facility consists of a total of 175 beds; 156 acute care, six Level II NICU and 13 HBSNU beds. The 156 acute care beds averaged 71.21 percent utilization during the 12 months ending June 30, 2001, while the six Level II NICU beds averaged 49.54 percent utilization during the reporting period. The hospital's 13 SNU beds averaged 87.95 percent utilization during the 12 months ending June 30, 2001. The facility's current and proposed bed complement is provided in the chart below.

<b>Northwest Medical Center Current Bed Complement vs. Proposed</b>		
<b>Beds By Service</b>	<b>Current Beds</b>	<b>Proposed Beds</b>
Intensive Care Unit	16	16
Telemetry	55	65
Medical/Surgical	50	69
GYN Surgical	0	11
Hospital-Based Skilled Nursing Unit	13	13
Obstetrics	21	21
Level II NICU	6	6
Pediatrics/PICU	14	14
<b>TOTALS</b>	<b>175</b>	<b>215</b>

Source: Northwest Medical Center, CON #9564, page 5.

<sup>1</sup> Per AHCA Actual Budget Data for FY 2000. Note FY 2000 is the most current available data.

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<b>Northwest Medical Center Current Bed Complement vs. Proposed</b>		
Description of Area	Current Beds	Proposed Beds
2 <sup>nd</sup> Floor Intensive Care Unit	16	16
2 <sup>nd</sup> Floor HBSNU	13	13
2 <sup>nd</sup> Floor Medical/Surgical Overflow	7	9
3 <sup>rd</sup> Floor OB/Post Partum Surgical	21	21
3 <sup>rd</sup> Floor GYN Surgical	0	11
3 <sup>rd</sup> Floor Pediatrics/PICU	14	0
3 <sup>rd</sup> Floor Level II NICU	6	6
4 <sup>th</sup> Floor Telemetry	48	48
5 <sup>th</sup> Floor Pediatrics/PICU	0	14
5 <sup>th</sup> Floor Medical/Surgical	0	17
5 <sup>th</sup> Floor Telemetry	0	10
6 <sup>th</sup> Floor Medical/Surgical	50	50
<b>TOTALS</b>	<b>175</b>	<b>215</b>

Source: CON #9565, page 4.

In terms of proposed allocation by service, the addition of the project's 40 beds to Northwest Medical Center will increase the hospital's medical/surgical beds from 50 to 69, GYN surgical from zero to 11 and telemetry beds from 55 to 65.

The applicant proposes to condition CON approval to a minimum of 4.0 percent of the facility's total patient days to Medicaid patients and 0.2 percent of total patient days to charity care. The proposed Medicaid condition is 1.6 percent less than the applicant's existing 175 acute care bed's 5.6 percent condition. However, the proposed charity care condition is 0.15 percent higher than the existing CON #9025 condition, which was effective beginning in CY 2000. The applicant has complied with the conditions on this CON during CY 2000 and 2001. The proposed Medicaid condition would exceed the actual FY 2000 performance of five of the district's 16 hospitals. However, the proposed charity care condition is lower than the actual FY 2000 performance of all of district's<sup>2</sup> 16 hospitals. The applicant's actual FY 2000 charity care percentage of 0.3 percent was tied for last in the district. Both proposed conditions are below the district facilities FY 2000 average Medicaid (9.3 percent) and charity care (4.3 percent).

The proposed project consists of 20,450 GSF of renovation and construction costs of \$3,605,000. The project involves a total cost of \$6,977,418.

<sup>2</sup> Per AHCA Actual Budget Data for FY 2000.

**D. REVIEW PROCEDURE**

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

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

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

As part of the fact-finding, the consultant, James B. McLemore analyzed the application in its entirety with consultation from the Financial Analyst, Douglas Pierce who evaluated the financial data, and the Architect, Joel Hill who evaluated the architectural and the schematic drawings as part of the application.

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

The following indicate the level of conformity of the proposed 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; 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, 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 10 for the January 2002 batching cycle. The applicants are applying for acute care beds in the absence of published need.

District 10, Broward County, had a total of 4,762 licensed acute care beds, which experienced an occupancy rate of 49.23 percent during the 12-month reporting period ending June 30, 2001. South Broward Hospital District d/b/a Memorial Hospital West recently licensed its approved 36 acute care bed addition (CON #9263). This recent bed addition raises the number of licensed acute care beds in District 10 to 4798. The applicant also has approval to construct a new 100-bed facility via CON #9459. This CON is a duplicate of the previously approved CON #9459, which is in administrative hearing and the applicant indicates it will not pursue this project should CON #9459 ultimately be approved. The applicant also submitted CON #9520 with an identical proposal and, because it was also duplicative, was denied. The applicant received an exemption approval number 00000236A on May 28, 2002, via a 2000 settlement agreement to add 16 acute care beds to its Memorial West facility. Broward General Medical Center has approval to delicense 43 acute care beds secondary to its addition of 15 adult psychiatric beds via CON #9107. Holy Cross Hospital has approval via exemption #0100030 to delicense 24 HBSNU beds and return these beds to acute care. Therefore, including the applicant's previous CON approval to establish a 100-bed facility, there are 97 acute care beds approved but not implemented in Broward County.

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.**

**South Broward Hospital District (CON #9564):** Not applicable as South Broward Hospital District proposes to construct a new 100-bed facility rather than add beds to an existing one.

**Northwest Medical Center, Inc. (CON #9565):** Northwest Medical Center's 156 acute care beds averaged 71.21 percent occupancy during the 12 months ending June 30, 2001. Therefore, the facility does not meet this criterion.

**c. Other Special Circumstances:**

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

**South Broward Hospital District (CON #9564):** The proposed project is submitted in response to what the applicant contends is a need for an additional 100 acute care beds in southwest Broward County based upon rapid population growth, a geographic maldistribution of beds between areas of Broward County, lack of accessibility and availability of other facilities due to unique circumstances and other not normal circumstances. The proposed hospital will not be a tertiary service center, but will provide all of the services typically provided in a community hospital. These include obstetrics, pediatrics, and emergency services in a 24-hour emergency department. The services proposed will not be unique in the district and are presently available in the community. However, the applicant presents an analysis of the issues that it considers important in support of the proposed project.

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Issue one is the rapid population growth of the eight zip codes comprising the new hospital's proposed primary service area (PSA). These zip codes are 33025, 33026, 33027, 33028, 33029, 33330, 33331 and 33328. The applicant indicates that zip codes 33024 and 3328 were reclassified from the PSA to the extended service area because Memorial Hospital Miramar's market share in these two zip codes will be less than or equal to three percent. However, the PSA is now defined at 70 percent instead of the 75 percent used in previous applications submitted by this applicant. The applicant indicates the population in the area contained in the eight zip code PSA will increase by 22.2 percent from 207,099 in CY 2002 to 250,935 in CY 2007. Using a five-year or less population projection is reasonable when determining need for additional acute care services in an area because of probable advances in medical treatment and procedures that cannot be anticipated that far into the future. The applicant indicates that Miramar is the second fastest growing municipality in Florida and Miramar's employment base has grown by almost 50 percent in three years. During this time, 6,500 jobs have been created in Miramar, which represents 25 percent of the jobs created in Broward County<sup>3</sup>. Building permits increased from 13,955 in FY 97-98 to 24,465 in FY 99-00, or 75 percent in two years. More than 11,500 residential units are planned or under construction in close proximity to Miramar.<sup>4</sup>

Issue two regards what the applicant contends is the geographic mal-distribution of acute care beds. The applicant points out that the Legislature has long recognized that Broward County has two distinct medical markets with the division of the county into two separate hospital taxing districts, North and South. Further, this division has been recognized in administrative hearings regarding Level II NICU and comprehensive medical rehabilitation beds. There are currently about one third fewer licensed acute care beds per 1,000 population in south Broward County (2.15) than in north Broward County (3.27) as of CY 2002. This 'mal-distribution' is more striking when comparing the number of beds per thousand in southwest Broward, (1.77)<sup>5</sup>. This

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<sup>3</sup> These statements are from a newspaper article contained in Attachment B. However, during CY 1997-2000, Florida Agency for Work Innovation, Labor Market Statistics, indicate that Miramar employment rose from 25,445 in CY 1997 to 26,847 in 2000, or by approximately 6.3 percent. This is consistent with Broward County's employment growth rate from 714,447 in CY 1997 to 753,790 in CY 2000, which is also approximately 6.3 percent.

<sup>4</sup> These statements are from a newspaper article contained in Attachment B. However, during CY 1990-2000, U.S. Dept. of Commerce, Bureau of the Census, data indicates Miramar is the 41<sup>st</sup> fastest growing area in Florida. In terms of Census areas with at least 50,000 population, Miramar is the 3d fastest growing area, behind Spring Hill and Pembroke Pines.

<sup>5</sup> The applicant includes the 150 beds at Cleveland Clinic, Memorial Hospital West's 164 and approved 52 additional beds, 36 which were licensed effective February 1, 2002 and 16 more that are part of a settlement agreement the applicant entered into with the Agency which indicates that once Memorial West has licensed the 36-bed addition and that licensed addition has reached at least an 80 percent occupancy rate over a period of three consecutive months, and the hospital wide occupancy rate met or exceeded 80 percent, the Agency will issue an exemption for 16 acute care beds. The 16 beds are scheduled to be in operation in the Summer or Fall of 2002, according to the applicant. The Exemption for these beds was approved effective May 28, 2002.

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includes the addition of Cleveland Clinic in July 2001 to the two existing hospitals, Memorial Hospital West and Memorial Hospital Pembroke that also serve this area.

Issue three regards South Broward Hospital District's high occupancy at Memorial Hospital West and Memorial Regional Hospital, which the applicant states is hindering access to acute care in the area. The applicant also points out that Memorial Hospital West was on diversion 135 times for a total of 2,127 hours in CY 2001 up from 123 times for a total of 952.6 hours during CY 2000. The average hours on diversion per occurrence increased from 7 hours 42 minutes in CY 2000 to 15 hours 45 minutes in CY 2001. As noted earlier, that hospital recently implemented approved CON #9263 to add 36 acute beds. The applicant indicates these beds were opened in January and February 2002, used as telemetry beds and were filled upon opening. In addition the recent addition of 36 beds, Memorial Hospital West has just been approved (via exemption # 000000236A) to add 16 acute care beds, increasing the facility's capacity to 216 acute care beds. The applicant indicates that the remaining 16 beds should be on-line by the summer or fall of 2002. However, the applicant indicates that its projections show this facility will be at 111.0 percent capacity without the Miramar project in CY 2007 and this facility will not have the capacity to accommodate the population-based demand for care originating within southwest Broward County. Memorial Regional Hospital's acute care occupancy rates are projected to climb from 87 percent in 2006 to 89 percent in 2007. These projections are based on there being no new 100-bed facility in Miramar. It is noted that Memorial Regional Hospital's 489 acute care beds averaged 79.46 percent occupancy during the July 2000 - June 2001 reporting period. However, the applicant also contends projected occupancy and seasonal demand supports the need to maintain Memorial Regional Hospital's bed complement. During the 1<sup>st</sup> quarter of 2001, occupancy was 85.32 percent and according to data collected by the Local Health Council 84.81 percent during 1<sup>st</sup> quarter of 2002. The applicant also provided an analysis of its specialty beds, which it contends demonstrates that none of these are available to transfer to a new facility.

However, there are 71 adult psychiatric beds at Memorial Regional Hospital. These beds only averaged 52.78 percent occupancy during CY 2000 and 52.4 percent during the 1<sup>st</sup> half of 2001. The applicant indicates these beds will need to be converted to child/adolescent psychiatric use in order to relieve this unit's peak season bed constraints. The child/adolescent psychiatric unit operated at 80.7 percent during CY 2000, and 85.2 percent in CY 2001. On average, this unit had slightly over one bed available on any given day during CY

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2001. This is only a 10-bed unit and the highest occupancy during any quarter was 101.65 percent during the second quarter of 2001.

Memorial Hospital-Pembroke, a 301 acute care bed facility currently operated by the applicant, had an occupancy rate during the July 2000 - June 2001 reporting period of 29.74 percent. To explain why an additional 100 acute care beds are needed in an area where an existing hospital is so poorly utilized, the applicant points out that Memorial Hospital Pembroke cannot reasonably operate more than 149 of its 301 licensed acute care beds. Attachment H contained a "Memorial Health System Facility Expandability and Master Plan Review Report" by Gresham, Smith and Partners, a national health care design firm, which confirms this contention and indicates that at least \$35 million is needed for code upgrades and desired improvements. However, even with this expenditure, there remains a lack of proper dietary facilities, lab services, emergency services, surgery capacity and radiology services, which need to be addressed in order to increase functional capacity beyond 149 beds. However, using patient day data published by the Agency in the *Florida Hospital Bed and Service Utilization by District, Volume II*, occupancy at Memorial Hospital Pembroke in 149 beds would have only been 60.07 percent<sup>6</sup> for the July 2000 - June 2001 reporting period. This is not evidence that additional beds are needed. It is noted that there has been an increase in utilization at the Pembroke facility. During calendar year 2000, occupancy in the 149 usable beds was 52.19 percent.

Issue four concerns the applicant's contention that there are no viable alternatives to its project. This rolls up several issues, which are discussed in this section. In addition to the applicant's position that there are no available beds to be transferred from Memorial Hospital West and Memorial Hospital, this also includes the applicant's contention that Cleveland Clinic Hospital has a 'unique' mission, which prevents full access to its new facility by the local population. Cleveland Clinic Hospital in its application for CON #9105, notes that it is a regional provider of specialized care to a service area that encompasses numerous counties in Florida and attracts patients from outside Florida and even the U.S. The applicant contends that Cleveland Clinic Hospital's approval for open heart surgery and kidney transplantation programs will only increase the facility's regional appeal. It is noted that AHCA Discharge Data indicates that historically about 30 percent of Cleveland Clinic Hospital (Broward) patients are from areas outside of District 10. However, the applicant indicates that Cleveland Clinic

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<sup>6</sup> Memorial Hospital - Pembroke reported 32,669 patient days for the CY 2000 reporting period.

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Hospital was the inpatient choice of 14.3 percent<sup>7</sup> of the total patients from Memorial Hospital – Miramar proposed PSA zip codes.

The applicant further notes that Memorial Hospital Pembroke is presently licensed to the applicant via a lease agreement with HCA - The Health Care Company and this lease prohibits it from transferring any of the facility's beds to another Memorial facility. The lease is to expire June 30, 2005 and the applicant indicates that it assumes that HCA will not make the significant capital investment required for this facility to exceed 149 useable beds. This does not explain why the Pembroke facility's occupancy in the 149 beds the applicant indicates are usable is ~~only~~ 60.07 percent when, according to the applicant, access to acute care in the southwestern portion of Broward County is a problem. Further, the applicant states that the establishment of this 100-bed facility is expected to impact the Pembroke facility with a loss of 8.3 percent (530/6,389) of the admissions from the extended service area in CY 2007. CY 1999 AHCA data indicates Pembroke accounted for 1,500 of the 20,380 hospital admissions from the eight zip code area PSA, or 7.36 percent. The 1,500 discharges from these zip codes accounted for 27.23 percent of the Pembroke facility's total discharges during CY 1999 (1,500/5,509). Four of these zip codes are in Memorial Hospital Pembroke's primary service area.

The applicant indicates that none of the other hospitals serving the residents of southwest Broward County are readily accessible to persons living in Miramar and surrounding communities. None of these hospitals (Hollywood Medical Center, Palmetto General Hospital, a district 11 facility, and Westside Regional Medical Center), are located within 10 miles of the Miramar site. The applicant also cites Westside Regional's high utilization (78.2 percent in 2001) as precluding any it from being a viable alternative for the growing southwest Broward County area. Local health council utilization data, which has now been received at AHCA, shows that Westside's 204 acute care beds averaged 78.43 percent during CY 2001. The applicant notes that Hollywood Medical Center closed its obstetric services, which reduces access to this service in the service area. Memorial Hospital West is the only provider of OB services to the southwest Broward County in the applicant's analysis. These factors are taken into account in the applicant's need projections below.

Issue five is the need to assure the financial viability of the applicant as the district's safety net provider. The applicant notes that it presently serves approximately 108,000 residents of south Broward County who do

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<sup>7</sup> Page 41 of CON #9564 notes source is from Cleveland Clinic Hospital discovery documents July-September 2001 patient origin data. 150 of the 1,049 total patient discharges from the eight zip codes were seen at Cleveland Clinic Hospital. AHCA does not show Cleveland Clinic Discharge Data for this period as "clean" as of May 20, 2002.

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not have health insurance. The applicant contends that this project with its projected excess of revenues over expenses will improve the applicant's overall financial position, which will better enable it to serve the medically needy. Further, the applicant contends that the project is needed in order to ensure the long-term financial viability of South Broward Hospital District.

The applicant's bed need calculations anticipate population growth and aging in the primary service area of Memorial Hospital Miramar between 2002 and 2007. The applicant contends that need for an additional 100 beds in southwest Broward County is based on the high occupancy rate at Memorial Hospital West, the realization that many of the licensed beds at Cleveland Clinic Hospital and Memorial Hospital Pembroke are not available to southwest Broward residents and the significant population growth projected for the area proposed to be served by Memorial Hospital Miramar.

The applicant states that it used Claritas, Inc. demographic data which has been adjusted for the Census 2000 figures for population projections and data from the "FL AHCA inpatient database" for the period January through December 2000 as the basis for the 2002 through 2007 projections provided in the charts below.

Projections of bed need assume no change in discharge rates except for a slight increase in adult medical/surgical discharge rate due to the population aging and no change in average length-of-stay.

According to the applicant, a significant facet of its projection of need involves an analysis of the service area population. The applicant projects growth for the proposed service area over the next five years, with an additional 43,836 residents estimated to populate the proposed service area by 2007. The applicant does not indicate the number of elderly persons in the total southwest Broward County population; however, the applicant's need projection indicates discharge rates in southwest Broward County are assumed to remain at current levels, except for the effect of population aging on the adult medical/surgical discharge rate. The applicant includes the following chart, which provides the percentage of 2002 discharges per 1,000 population in Southwest Broward County.

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**2002 Discharges per 1,000 Population  
Southwest Broward County**

<b>Age Cohort</b>	<b>Medical/Surgical Discharges</b>
15-44	30.5
45-64	60.4
65-74	117.5
75+	258.2
All 15+	72.1
0-14 (Pediatrics)	29.9
15-44 (Females) (OB/GYN)	81.6

Source: CON #9564 from AHCA Inpatient Database CY 2000 & Claritas, Inc. 2001.

It is noted that pursuant to a Final Order and Settlement Agreement with the Agency, Cleveland Clinic agreed not to provide inpatient pediatric services in its 150-bed relocated facility for 96 months (eight years) after opening and to not provide obstetric services until January 1, 2005. In addition, the applicant projects the proposed service area to grow by 22.7 percent from 2002 to 2007, which is higher than the growth expected per AHCA Population Estimates for Broward County (10.9 percent) and the state (8.12 percent)<sup>8</sup> over the same period.

<b>Adult Medical/Surgical Bed Need Calculations, 2002 &amp; 2007 Southwest Broward County (excludes cardiac surgery)</b>			
	2002	2007	% Change 2002-2007
Resident population, Age 15+	167,216	205,231	22.7
Discharges per 1,000 Population	72.1	73.4	1.9
Discharges, All Hospitals	12,050	15,070	25.1
Average Length-of-stay	4.90	4.90	0.0
Patient Days	59,093	73,903	25.1
Average Daily Census	161.9	202.5	
Occupancy Rate	75%	75%	
<b>Bed Need</b>	<b>216</b>	<b>270</b>	<b>54</b>

Source: CON #9564 from AHCA Inpatient Database CY 2000 & Claritas, Inc. 2001.

<sup>8</sup> Per AHCA Population Estimates, December 2001 for the periods July 1, 2002 to July 1, 2007.

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<b>Pediatric (Age 0-14) Bed Need Calculations, 2002 &amp; 2007 Southwest Broward County (excludes cardiac surgery)</b>			
	2002	2007	% Change 2002-2007
Resident population, Age 0-14	39,883	45,704	14.6
Discharges per 1,000 Population	29.9	29.9	0.0
Discharges, All Hospitals	1,191	1,365	14.6
Average Length-of-stay	3.80	3.80	0.0
Patient Days	4,523	5,183	14.6
Average Daily Census	12.4	14.2	
Occupancy Rate	75%	75%	
<b>Bed Need</b>	<b>17</b>	<b>19</b>	<b>2</b>

Source: CON #9564 from AHCA Inpatient Database CY 2000 & Claritas, Inc. 2001.

<b>Obstetric Bed Need Calculations, 2002 &amp; 2007 Southwest Broward County</b>			
	2002	2007	% Change 2002-2007
Resident Female population, Age 15-44	40,850	46,371	13.5
Discharges per 1,000 Population	81.6	81.6	0.0
Discharges, All Hospitals	3,334	3,785	13.5
Average Length-of-stay	2.72	2.72	0.0
Patient Days	9,058	10,283	13.5
Average Daily Census	24.8	28.2	
Occupancy Rate	75%	75%	
<b>Bed Need</b>	<b>33</b>	<b>38</b>	<b>5</b>

Source: CON #9564 from AHCA Inpatient Database CY 2000 & Claritas, Inc. 2001.

The applicant indicates that there are two existing hospitals located in the area of Broward County being proposed as a service area in this application: Memorial Hospital West and Cleveland Clinic. Memorial Hospital West has 200 acute beds and is approved to add 16<sup>9</sup>, and Cleveland Clinic has 150 acute beds for a total of 366 acute care beds.

<sup>9</sup> As previously stated, 36 beds were licensed February 1, 2002, giving the facility 200 acute care beds at this time. The 16 approved are a result of a settlement agreement and are approved via Exemption #0000236A.

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Memorial Hospital Pembroke, which according to the applicant, has 149 usable beds, is not included in the applicant's need projections. However, during CY 1999 Memorial Hospital - Pembroke accounted for 1,500 of the 20,380 hospital admissions from the eight zip code area PSA, or 7.36 percent. The 1,500 discharges from these zip codes accounted for 27.23 percent of the Pembroke facility's total discharges during CY 1999 (1,500/5,509). Four of the Miramar facility's eight zip codes are in Memorial Hospital Pembroke's primary service area.

As the charts above indicate, the applicant's bed need calculations show a need for 270 adult general medical surgical beds, 19 pediatric beds and 38 obstetric beds in southwest Broward County in 2007, for a total of 327 acute care beds. The applicant indicates that there are presently 24 obstetric beds available to serve residents of the area and these beds are highly utilized. However, its projections indicate there is a need for 14 additional beds by 2007. The applicant's projections concerning the need for the pediatric utilization and obstetric beds appear reasonable based on utilization and projected population increases.

In reference to the available adult general medical surgical beds, the applicant indicates that 236 acute care beds at Memorial Hospital West will have utilization of 110.8 percent in CY 2007 without the project and 97.6 percent with Memorial Hospital Miramar in operation. AHCA Discharge Data for CY 1999, indicates that approximately 50 percent of Memorial Hospital West's discharges were residents of the Miramar facility's proposed PSA. The applicant indicates that Memorial Hospital West operates 24 of its acute care beds as obstetric beds and indicates these beds were utilized at approximately 140 percent occupancy during CY 2001. Memorial Hospital West experienced an occupancy rate of 92.67 percent during the July 2000 - June 2001 reporting period. Memorial Hospital West will achieve almost maximum occupancy by CY 2004, thereby capping additional admissions to this hospital according to the applicant. The applicant indicates it is prohibitively expensive to further expand inpatient capacity at Memorial Hospital West because of site concurrency (variances from both neighborhoods, city and county are necessary and approval questionable) and infrastructure limitations and even if these limitations could be overcome, the applicant indicates that \$42 million in additional construction would be necessary to for future Memorial West expansion.

As previously stated, the applicant believes that Cleveland Clinic will not have 150 beds available to southwest Broward County residents. This belief is based on statements made in Cleveland Clinic's CON #9105. In that application, Cleveland Clinic states that 30 percent of its inpatient discharges are from out of the district and nine percent are out-of-state.

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AHCA discharge data for CY 1999 indicates that residents of District 10 accounted for only 68.97 percent of the existing Cleveland Clinic Hospital's total discharges, while nine percent were from out-of-state. The applicant provides data which indicates that 14.3 percent of Cleveland Clinic's total admissions during its July - September 2001 start up quarter were residents of southwest Broward County.

The applicant's need analysis focused on its proposed primary service area and did not consider the entire subdistrict. The acute care subdistrict is Broward County and, as stated earlier, occupancy during the July 2000 to June 2001 period was 49.23 percent.

In view of the above addressed "not normal" circumstances, the applicant concludes that there is a demonstrated need for the project. In addition, the applicant attempts to demonstrate how Memorial Hospital Miramar will reach its projected utilization without affecting other providers in the district, both approved and operational. In order to do this, the applicant looked at the proposed service area (the eight zip codes previously addressed) and use rates for the total zip code area and projected the potential number of admissions based on specific Memorial Healthcare System market shares. The applicant in this application downplays the impact on Memorial Hospital Pembroke. However, with four of its PSA zip codes in the Miramar PSA, the applicant projects that Pembroke will lose 8.30 percent of projected CY 2007 as a result of this project (page 75 - 530/6,389 admits as the applicant projects 5,859 admits to Pembroke if this project is approved). The Pembroke facility is located approximately 10.6 miles or 27 minutes driving time from the Miramar location per the applicant's information located in Attachment L. Memorial Hospital Pembroke will revert back to HCA - The Health Care Company at the expiration of Memorial's lease on June 30, 2005. While there would be an expense in bringing more, or all of, that facility's beds on line, what HCA might or might not do with that hospital is unknown.

The applicant also indicates that its project would have minimal impact on Hollywood Medical Center and Westside Regional Medical Center, both with less than a one percent market share loss. Palmetto General, a District 11 facility is also projected to have a small market share loss as a result of the applicant's project. As indicated above, Memorial Pembroke appears to be the most impacted by this proposal.

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**Northwest Medical Center, Inc. (CON #9565)** indicates that need for its project is supported by the following: the impact of patient mix issues i.e. adult and pediatric patients, adult and OB patients, and sex; and the medical needs of patients i.e. isolation, reverse air flow, privacy, gender etc. The applicant also indicates need is supported by occupancy rates which vary significantly depending on the day and/or the season. In reference to the seasonal occupancy, the facility's January - March quarter generally experiences high occupancy as discussed below. However, utilization is based on an annual basis and Rule 59C-1.005 (6) (f) 1. Florida Administrative Code criteria allow for an exemption to Northwest for up to 16 beds as a result of a three period of peak season utilization. In addition, after 12-month utilization at 80 percent ending one month prior to an exemption request, the applicant could qualify for an addition of up to 16 beds per Rule 59C-1.005 (6) (e) Florida Administrative Code.

In reference to the lack of alternative placement of patients, the applicant indicates that it evaluated the potential of directing patients to other facilities in cases where the patient's physician also had medical staff membership and privileges; in elective admissions; when the bed shortage was believed to be temporary in nature, and the proposed receiving facility was willing and had the capacity and resources to accept the patient. Northwest indicates that it attempted directing patients to other facilities on several occasions, but this was not viable because Northwest's emergency room is the main source of admissions and many of these patients were not in a stabilized condition. The applicant indicates that during CY 2001, the ER was the source of 74 percent of total admissions. AHCA DRG data for the 12 months ending June 2001, indicates the source for 65.8 percent of Northwest's admissions was the ER. The applicant indicates that these factors also prohibit the transfer of patients. The majority of ER admissions were not directed to the ER by their attending physician, Northwest is the primary hospital to most of its active admitters and in many cases, Northwest is the only hospital routinely utilized by the physician. The applicant contends that the shortage of beds is not temporary as Northwest's PSA is growing and a new medical office building adjacent to Northwest is scheduled to open in 2003 and is expected to generate a substantial number of new admissions.

The applicant indicates that while it is licensed for 175 beds defined as acute care, 54 of these beds are not available, resulting in 121 beds available for acute care. However, the facility is licensed for 156 acute care beds, as the applicant includes its six NICU and 13 HBSNU beds in its count. As discussed below, the applicant contends that it cannot make these remaining 36 acute beds available as medical/surgical beds

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and is applying to add 40 beds so that it can keep its 21-bed obstetric and 14-bed pediatric/PICU units as they are. The facility's bed complement as discussed in the project summary follows.

<b>Northwest Medical Center Current Bed Complement vs. Proposed</b>		
Beds By Service	Current Beds	Proposed Beds
Intensive Care Unit	16	16
Telemetry	55	65
Medical/Surgical	50	69
GYN Surgical	0	11
Hospital-Based Skilled Nursing Unit	13	13
Obstetrics	21	21
Level II NICU	6	6
Pediatrics/PICU	14	14
<b>TOTALS</b>	<b>175</b>	<b>215</b>

Source: Northwest Medical Center, CON #9564, page 5.

The chart above shows that the addition of the project's 40 beds to Northwest Medical Center will increase the hospital's medical/surgical beds from 50 to 69, GYN surgical from zero to 11 and telemetry beds from 55 to 65. The applicant also provided an analysis of its 21 OB, 10 pediatric and four PICU beds, which it contends demonstrates that none of these are available to be redesignated to general medical/surgical beds. To support this contention, the applicant provides a chart (page 13) containing the number of beds for each unit and percentage occupancy in terms of the days when the occupancy rate exceeded 70, 75, 80, 90 and 100 percent during CY 2001. However, the only unit to exceed 80 percent utilization during more than 80 percent of the days was the 13-bed HBSNU. It is assumed that the applicant has included occupancy for the HBSNU in this need discussion on acute care beds, because of a recent CON exemption which allows hospital to convert HBSNU bed to acute without CON review. It is clear that this HBSNU is well utilized. The applicant adds these beds total with its medical/surgical and telemetry designated beds to indicate that medical/surgical beds exceeded 80 percent occupancy during 81.6 percent of the 365 days. HBSNU and acute care beds are separate bed categories. Unlike in rural hospitals, these beds cannot be designated as "swing beds" The applicant's 21 beds dedicated to OB exceeded 80 percent occupancy during 15.6 percent of the 365-day year. However, the applicant indicates this unit exceeded 100 percent occupancy during 2.2 percent of the total days.

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There is fluctuation in inpatient hospital use. The applicant also demonstrates this by admits during the days of the week. Northwest demonstrates (page 14) that the 121 of its 156 acute care beds averaged 82.0 percent during CY 2001. The 35 beds not included in the 121-bed analysis averaged 50.11 percent occupancy during CY 2001. Peak occupancy days were Mondays at 86 percent and the low was Saturdays at 78.5 percent in the 121 beds, or a variance of 7.5 percent, approximately 10 percent according to the applicant.

The applicant contends that Northwest's less than 80 percent occupancy for CY 2001 is based on its having 21 OB, 10 pediatric and four PICU beds that are necessary to serve the PSA residents. As previously stated, Northwest Medical Center's 156 acute care beds averaged 71.21 percent occupancy during the 12 months ending June 30, 2001. However, AHCA data shows that Northwest's utilization increased from 71.21 percent in CY 2000<sup>10</sup> to 73.93 percent during CY 2001<sup>11</sup>. The 4<sup>th</sup> quarter 2001 utilization was 79.04 percent compared to 70.79 percent for the 4<sup>th</sup> quarter 2000, an 8.25 percent increase. The AHCA preliminary data for 1<sup>st</sup> quarter 2002 shows the facility's 156 beds averaged 85.36 percent occupancy up 8.37 percent from 1<sup>st</sup> quarter 2001's 76.99 percent.

The applicant indicates in Appendix B of the application that Northwest's PSA consists of a 14 zip code area in Pompano, Fort Lauderdale and Deerfield Beach. These zip codes are 33063, 33066, 33068, 33065, 33073, 33064, 33067, 33069, 33321, 33319, 33060, 33071, 33442 and 33076. This area is projected to grow from 503,900 in CY 2001 to 566,500 in CY 2006, or a 12.4 percent increase. However, Appendix A shows that the first nine zip codes above account for 79.5 percent of Northwest's total CY 2000 discharges. The remaining six zip codes account for an additional 8.5 percent of the facility's CY 2000 discharges, which the applicant added to its PSA in Appendix B. The applicant's nine PSA area is projected to increase from a population of 336,915 in CY 2001 to 379,156 in CY 2006 or by 12.5 percent. The PSA population growth projections are higher than the growth expected per AHCA Population Estimates for Broward County (10.89 percent) and the state (8.33 percent)<sup>12</sup> over the same period.

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<sup>10</sup> Northwest added 35 acute care beds 11/21/2000. CY 2000s 71.21 percent utilization included 34,870 patient days with 48,971 total bed days per AHCA Hospital Bed Need Projections, January 2001 Batching Cycle.

<sup>11</sup> Per AHCA preliminary utilization data for 3d & 4<sup>th</sup> quarter 2001.

<sup>12</sup> Per AHCA Population Estimates, December 2001 for the periods July 1, 2001 to July 1, 2006.

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However, as previously stated, the applicant has the ability to utilize administrative rule criteria to answer immediate bed needs. And from more recent utilization data, it appears the hospital is approaching utilization required in CON exemption law to permanently add up to 16 acute care beds.

The CON reviewer calculated acute care bed occupancy for future years based on an analysis of the five year period of CY 1997 – CY 2001. During CY 1997, Northwest had 31,438 acute care patient days. Utilization increased to 42,094 patient days in CY 2001, resulting in an average annual increase of 6.78 percent. Utilizing the 6.78 percent growth rate yields 58,433 patient days in CY 2006 or 81.68 percent occupancy and CY 62,395 patient days in CY 2007 or 87.22 occupancy with 196 acute care beds.

### 2. **Local Health Plan Preferences**

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

The Broward Regional Health Planning Council, Inc. adopted the following Certificate of Need Allocation Factor in October 2000 with regard to acute care beds:

**Priority should be given to those applicants that have a history of and clear expression of intent to provide services to the indigent.**

**South Broward Hospital District (CON #9564)** indicates that during FY 2000 it provided 5.38 percent of gross revenues to charity care and 6.0 percent to Medicaid patients. The applicant proposes to condition the project to Memorial Hospital Miramar providing 3.8 percent of its gross revenue to charity care patients and 5.4 percent of its patient days to Medicaid patients. Memorial Hospital Pembroke and Memorial Hospital West are not classified as Medicaid Disproportionate Share Providers for Fiscal Year 2001-2002. However, Memorial Regional Hospital is classified as a Disproportionate Share Provider. Refer to 4.n. below for further discussion of the applicant's history of providing care to the indigent.

**Northwest Medical Center, Inc. (CON #9565)** proposes to condition CON approval to a minimum of 4.0 percent of the facility's total patient days to Medicaid patients and 0.2 percent of total patient days to charity care. The proposed Medicaid condition is 1.6 percent less than the applicant's existing 175 acute care bed's 5.6 percent condition. However,

the proposed charity care condition is 0.15 percent higher than the existing CON #9025 condition, which was effective beginning in CY 2000. The applicant has complied with the conditions on CON #9025 during CY 2000 and 2001 and has a history of providing care to the medically indigent. Refer to 4.n. below for further discussion of the applicant's history of providing care to the indigent.

**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**

**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.**

**South Broward Hospital District (CON #9564):** See local preference above. One of the applicant's three facilities, Memorial Regional Hospital, is classified as a Medicaid Disproportionate Share Provider for FY 2001-2002. The applicant emphasizes its role as the safety net provider for charity care patients in Broward County.

**Northwest Medical Center, Inc. (CON #9565):** See local preference 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.**

Neither applicant proposes to convert 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.**

**Availability**

**South Broward Hospital District (CON #9564)** contends that the project will increase the availability of acute care beds in southwest Broward County since there is a maldistribution of these beds in this area of the county. As discussed in E. 1 above, the applicant has only looked at a portion of the subdistrict to base its need analysis. The applicant does point out that Memorial Hospital West was on diversion 123 times for a total of 952.6 hours during CY 2000 and 135 times for a total of 2,127 hours in CY 2001. As noted earlier, that hospital has been approved to add 52 beds.

**Northwest Medical Center, Inc. (CON #9565)** contends that its project will increase availability of acute care beds in northwest Broward County in particular its PSA, which is projected to have a population growth from 503,900 in CY 2001 to 566,500 in CY 2006, or a 12.4 percent increase. The applicant has presented a hospital-specific bed need analysis. An independent calculation made by the reviewer based on historical occupancy indicates need for additional beds.

**Quality of Care**

The quality of care of providers in the district is not an issue. Both applicants demonstrate the ability to provide quality of care (see item 4.b.).

It is not clear that quality of care will improve in the district should these project be approved as need for additional beds in the subdistrict has not been clearly demonstrated. However, **South Broward Hospital District (CON #9564)** contends that patients will continue to choose its facilities and when it is no longer providing care at the Pembroke facility, occupancy levels are expected to be high at Memorial West. Again, this is speculative, but should it be the case, quality of care within Memorial Healthcare's system should improve with this project. **Northwest Medical Center, Inc. (CON #9565)** indicates that its project will improve the hospital's quality of care because it will help to relieve capacity constraints the hospital currently faces.

Efficiency

The efficiency of providers in the district is not an issue for either applicant. However, both indicate their facilities efficiency will improve as a result of these projects.

**South Broward Hospital District (CON #9564)** emphasizes its perception that the project will have a positive impact on Memorial Healthcare Systems' overall efficiency in its ability to provide quality care to the uninsured. Further, the applicant again discusses the fact that Memorial Hospital West's emergency department has had to go on diversion status 123 times totaling 952.6 hours during CY 2000 and 135 times for a total of 2,127 hours in CY 2001, forcing transfers to facilities further away and basically creating inefficiencies within the health care system in Broward County. Again, it is noted that the applicant recently added 36 approved beds that were licensed February 1, 2002 and has an approved exemption for 16 more that can be implemented almost immediately because there is no construction. Although the addition of these beds will improve this situation, it is also likely that with projected population increases, diversions will continue to occur unless additional beds are approved for this area of the county.

**Northwest Medical Center, Inc. (CON #9565)** emphasizes its perception that the project will have a positive impact on the hospital's overall efficiency in its ability to provide quality care to the PSA population.

Access

**South Broward Hospital District (CON #9564)** indicates that approval of Memorial Hospital Miramar is critical to its ability to provide the safety net care for the uninsured, Medicaid and other vulnerable patients. This project allows the applicant to serve a population which it states is "considerably younger and in a higher income bracket" than the population served by Memorial Regional Hospital, the applicant's Medicaid disproportionate share provider. The applicant also indicates that Memorial Hospital West's marginal earnings also provide additional funding for expanding services to the uninsured.

**Northwest Medical Center, Inc. (CON #9565)** indicates that its project will improve access for its PSA patients. However, there is no evidence presented, such as diversion times, documenting access problems.

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**Utilization of existing providers**

The following table reflects the utilization of acute care facilities in the service area for the past three years:

<b>Broward County Occupancy Percentage 1999 through 2001</b>				
<b>Facility</b>	<b>Acute Care Beds</b>	<b>Occupancy % 1999</b>	<b>Occupancy % 2000</b>	<b>Occupancy % 2001</b>
Broward General Medical Center	593	43.6%	44.3%	47.2%
Cleveland Clinic Hospital	150	44.9%	40.1%	31.5%
Coral Springs Medical Center	190	56.5%	59.3%	57.2%
Florida Medical Center	385	48.5%	46.5%	49.2%
Hollywood Medical Center	291	19.8%	20.0%	21.1%
Holy Cross Hospital	496	47.0%	41.4%	45.1%
Imperial Point Medical Center	157	45.1%	41.1%	44.3%
Memorial Regional Hospital	489	70.1%	76.5%	79.6%
Memorial Hospital Pembroke	301	24.3%	26.2%	31.5%
Memorial Hospital West	164	87.8%	88.9%	95.8%
North Broward Medical Center	361	44.7%	45.9%	50.5%
North Ridge Medical Center	379	32.9%	35.3%	34.4%
Northwest Medical Center	156	73.9%	71.6%	73.9%
Plantation General Hospital	217	41.5%	43.7%	43.3%
University Hospital & Medical Center	257	45.2%	42.8%	42.8%
Westside Regional Medical Center	204	65.6%	69.3%	78.4%
<b>District 10 Total</b>	<b>4,790</b>	<b>47.4%</b>	<b>48.4%</b>	<b>50.4%</b>

Source: Florida Hospital Bed and Service Utilization for July 2001 and 2000. CY 2001 based on data received from Local Health Council in May 2002 for July, 2002 batching cycle.

Note: Bed count is as of December 31, 2001. Northwest Medical Center's bed count increased from 131 to 156 on November 21, 2000.

District 10, Broward County had a total of 4,762 licensed acute care beds, which experienced an occupancy rate of 49.23 percent during the July 2000 - June 2001 reporting period. University Hospital & Medical Center added 28 beds after the reporting via conversion of its HBSNU. South Broward Hospital District d/b/a Memorial Hospital West added 36 acute care beds to its facility under CON #9263. These beds were licensed February 1, 2002, and 16 more have been approved on May 28, 2002 via Exemption #0000236A. The applicant also has approval to construct a new 100-bed facility via CON #9459. This CON is a second duplicate of the previously approved CON #9459, which is in administrative hearing and the applicant indicates it will not pursue this project should CON #9459 ultimately be approved. Broward General Medical Center has approval to delicense 43 acute care beds secondary to its addition of 15 adult psychiatric beds via CON #9107. Holy Cross Medical Center has approval to add 24 acute care beds by conversion of 24 HBSNU beds via Exemption #0100030.

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Although there are no geographic boundaries to prevent patient access to these beds, it is reasonable that patients are more likely to utilize acute care services that are geographically close to their residence and/or workplace. While South Broward Hospital District indicates that there are no hospitals in the Miramar service area, there are hospitals, which are located within reasonable proximity to these residents and currently serve this population.

Need for the projects is not evidenced by the availability and extent of utilization of existing health care facilities and health services in the service area. However, as noted above, there is some evidence that approval of **South Broward Hospital District's (CON #9564)** project will improve quality of care, efficiency, and accessibility of care to the medically indigent. **Northwest Medical Center, Inc.'s (CON #9565)** project would be beneficial during the peak season and the applicant's five year utilization pattern yields 58,433 projected patient days in CY 2006 or 81.68 percent occupancy and CY 62,395 patient days in CY 2007 or 87.22 occupancy with 196 acute care beds.

- 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.**

**South Broward Hospital District (CON #9564)** indicates that it has a long history of providing quality care and all three of its hospitals are JCAHO accredited. Attachment M contained a copy of Memorial Healthcare System's (the district's) performance improvement plan, which includes all three hospitals. Additionally, the applicant's hospitals participate in the Medicaid and Medicare programs and are in compliance with the conditions of participation for these programs. The applicant demonstrates the ability to provide quality care.

During the period of November 4, 1999 through April 19, 2002, there have been two confirmed EMTALA/emergency access complaints against South Broward Hospital District. Both occurred at Memorial Regional Hospital, one closed on December 16, 1999 and the other on October 15, 2000. This facility also had a confirmed patient care complaint that was closed on July 19, 2000. Memorial Hospital West had two confirmed patient care complaints that were closed on April 12, 2000 and February 8, 2002.

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**Northwest Medical Center, Inc. (CON #9565)** is accredited by the Joint Commission on Accreditation of Healthcare Organizations. The applicant includes a description of the portions of this project, which it believes will improve the quality of care at the facility. Also provided is a listing of the applicant's programs designed to assure proper patient care; utilization review, pre-admission screening, appropriateness review, patient care plans, and discharge planning.

During the period of November 4, 1999 through April 19, 2002, there have been no confirmed EMTALA/emergency access complaints against the facility. There were also no patient care complaints; however, the facility was cited for one inappropriate discharge of a patient with stage 4 pressure sores that was confirmed on October 29, 2001. The applicant demonstrates the ability to provide quality care.

- 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.**

**South Broward Hospital District (CON #9564):** The establishment of a hospital is based upon the needs of the population that comprise the southwest Broward County area of District 10 and will also serve residents in the far northwest portion of Miami-Dade County, according to the applicant. However, it is not expected that the proposed hospital will provide a substantial portion of its services to individuals not residing in District 10.

**Northwest Medical Center, Inc. (CON #9565)** indicates that its project does not involve special equipment and it does not consider resources in adjacent districts as an alternative to its hospital-specific project.

- 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.**

**South Broward Hospital District (CON #9564):** South Broward Hospital District hospitals are not statutory teaching hospitals. In addition, the applicant does not have an established residency program. This project is not expected to affect the clinical needs of health professional training programs in its service area. The applicant does state however, that Memorial Healthcare System does permit Mount Sinai Medical Center and Nova Southeastern residents to rotate through its hospital campus and provides educational programs for students, staff and physicians. The applicant provided a listing of the various

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educational, professional and technical training programs that have affiliations with Memorial Healthcare System.

**Northwest Medical Center, Inc. (CON #9565)** indicates that its relationship with HCA makes it unnecessary to duplicate research efforts and it is not a research or teaching hospital.

- 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.**

**South Broward Hospital District (CON #9564):** In reference to health manpower, the applicant provides a detailed description of its recruitment and retention policies. The applicant indicates in its response to quality of care that it has longevity recognition programs, competitive salary and benefits, child and elder care programs, and choice of higher pay in lieu of benefits. The applicant indicates that these efforts among others have allowed Memorial Healthcare System to recruit and retain employees even for those categories of positions considered to be in short supply. The applicant also provided an overview of its management staff including bibliographies of key personnel. The applicant indicates many of its existing staff, especially management and supervisory staff at Memorial Hospital Pembroke, will be available for transitional positions and subsequently available to staff the new hospital. The applicant indicates that in spite of the widely published nursing shortage and the limited availability of staff from Memorial Hospital Pembroke, it does not anticipate significant difficulty in recruiting the staff necessary to operate Memorial Hospital Miramar, based on its status as the employer of choice, its scholarship programs and its aggressive recruiting practices.

The audited financial statements for the periods 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.

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### South Broward Hospital District: CON #9564

#### FINANCIAL INDICATORS AND RATIOS

	04/30/2001	04/30/2000
Current Assets	\$ 227,998,000	\$ 178,601,000
Cash and Current Investment	\$ 167,406,000	\$ 102,593,000
Assets Restricted for Capital Funding	\$ 74,564,000	\$ 68,283,000
Total Assets	\$ 682,360,000	\$ 608,970,000
Current Liabilities	\$ 97,064,000	\$ 81,731,000
Total Liabilities	\$ 369,414,000	\$ 348,291,000
Total Equity	\$ 312,946,000	\$ 260,679,000
Net Operating Revenues	\$ 626,225,000	\$ 534,637,000
Interest Expense	\$ 11,271,000	\$ 11,099,000
Net Profit - Operations	\$ (4,319,000)	\$ (17,726,000)
Net Income	\$ 49,063,000	\$ 21,871,000
Cash Flow Provided by Operating Activities	\$ 66,253,000	\$ 28,408,000
Working Capital	\$ 130,934,000	\$ 96,870,000
Current Ratio (CA/CL)	2.3	2.2
Long-Term Debt to Equity (TL-CL/TE)	0.9	1.0
Operating Cash Flow (CFO/CL)	0.683	0.3
Equity to Total Assets (TE/TA)	45.9%	42.8%
Operating Margin (NPO/NOR)	-0.7%	-3.3%
Total Margin (NI/NOR)	7.8%	4.1%
Return on Assets (NI/TA)	7.2%	3.6%
Operating Cash Flow to Assets (CFO/TA)	9.7%	4.7%

The applicant, South Broward Hospital District (the district), is a special taxing district created by the Florida Legislature that operates three hospitals, a nursing home, two outpatient clinics, and a home health agency in Broward County, Florida. The applicant is requesting to construct a 100-bed acute care hospital in Miramar, Florida. The initial cost of this project is expected to be \$90,206,500, with initial operating costs projected to be \$56,176,267 in the first year and \$64,503,791 in the second year.

#### **Short-term position:**

The district's current ratio of 2.3 indicates current assets are slightly more than two times that of short-term liabilities, a strong position. The working capital (current assets less current liabilities) of \$130.9 million indicates a materially positive short-term liquidity. The applicant has a strong short-term position.

#### **Long-term position:**

The long-term debt to equity ratio of 0.9 is less than the 80<sup>th</sup> percentile statewide. Long-term debt of \$197.5 million is significant but not excessive. Net income totaled \$49.1 million in 2001 or 7.8 percent, which is somewhat higher than the 50<sup>th</sup> percentile statewide of 4.5 percent. Net assets total \$312.9 million. The long-term position is good.

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### **Capital requirements:**

Schedule 2 indicates capital projects total \$292.8 million. Maturities on long-term debt through 2006 total \$45.0 million. The total capital requirement is estimated at \$337.8 million.

### **Available capital:**

The district has set aside \$74.6 million in board-designated assets for capital improvements. The district presented an un-audited balance sheet reporting cash and short-term investments of \$243.4 million, which could be used to fund the capital budget. Cash flows from operations totaled \$66.3 million in FY 2001.

### **Conclusion:**

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

**Northwest Medical Center, Inc. (CON #9565)** indicates that since the need for this project entails the addition of clinical and technical staff without the need for additional management personnel, and the facility is already staffed to serve 175-200 patients, it does expect to have any significant problem in attracting needed staff. Schedule 6 indicates the project will add a total of 53 FTEs to the existing staff by the end of year two. These include 23 RN FTEs, 7.0 LPN, 10 nurses aides, and three "other" nursing FTEs, 4.0 "other" therapy ancillary, 3.0 housekeepers, 2.0 dietary aides and 1.0 medical records clerk FTEs. The applicant states that while most Florida Hospitals depend on "Agency" and "Traveler" personnel as well as full time employees, Northwest has 90 percent of its entire nursing staff are full time employees. The applicant states that none of its current medical surgical nurses are "travelers" and there are currently no full time openings on the medical surgical floor. The applicant also states that only two of its telemetry nurses are "travelers". NICU, labor and delivery and ICU are the most difficult to staff, according to the applicant and since this project does not involve these areas, Northwest anticipates no problem in recruitment.

The audited financial statements for the periods 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.

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### Northwest Medical Center, Inc.: CON 9565

#### FINANCIAL INDICATORS AND RATIOS

	12/31/2000	12/31/1999
Current Assets	\$ 15,103,321	\$ 15,784,200
Cash and Current Investment	\$ 0	\$ 0
Assets Restricted for Capital Funding	\$ 0	\$ 0
Total Assets	\$ 54,634,532	\$ 65,118,333
Current Liabilities	\$ 7,269,475	\$ 7,481,078
Total Liabilities	\$ 46,565,219	\$ 49,764,301
Total Equity	\$ 8,069,313	\$ 15,354,032
Net Operating Revenues	\$ 68,809,426	\$ 69,386,618
Interest Expense	\$ 3,743,017	\$ 3,578,032
Net Profit - Operations	\$ (2,763,867)	\$ (362,986)
Net Income	\$ (1,675,535)	\$ (547,820)
Cash Flow Provided by Operating Activities	\$ 2,515,327	\$ 5,032,413
Working Capital	\$ 7,833,846	\$ 8,303,122
Current Ratio (CA/CL)	2.1	2.1
Long-Term Debt to Equity (TL-CL/TE)	4.9	2.8
Operating Cash Flow (CFO/CL)	0.3	0.7
Equity to Total Assets (TE/TA)	14.8%	23.6%
Operating Margin (NPO/NOR)	-4.0%	-0.5%
Total Margin (NI/NOR)	-2.4%	-0.8%
Return on Assets (NI/TA)	-3.1%	-0.8%
Operating Cash Flow to Assets (CFO/TA)	4.6%	7.7%

The applicant, Northwest Medical Center, Inc. (d/b/a Northwest Medical Center), is a for-profit health care provider that operates the hospital in Broward County. The applicant is requesting to add 40 additional acute care beds to the existing 175 acute care beds at the medical center in Margate, Florida (Broward County). The initial cost of this project is expected to be \$6,977,418, with initial operating costs projected to be \$5,883,184 in the first year and \$5,805,648 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 \$7.8 million indicates moderate short-term liquidity. The applicant has an adequate short-term position.

**Long-term position:**

The long-term debt to equity ratio of 4.9 is misleading, as the applicant has no long-term debt as such. However, the balance sheet shows a net inter-company account balance of \$39.2 million. Net income (Total Margin) was a negative \$1.7 million in 2000 or -4.0 percent, which is well below than the 20<sup>th</sup> percentile for Florida acute care hospitals of -2.8 percent. The accumulated deficit of \$29.7 million has reduced total equity to \$8.1 million. The long-term position is at best marginal.

**Capital requirements:**

Schedule 2 indicates capital projects total \$44.5 million. There are no maturities on long-term debt through 2005. The total capital requirement is estimated at \$44.5 million.

**Available capital:**

Operating cash flows, which amounted to \$5.0 million in 1999 and \$2.5 million in 2000, were marginal. The applicant states that funding for the project will come from parent company (HCA) financing of \$44.0 million with \$561,293 coming from cash from operations. A letter from the parent company (HCA) states that they will fund the expansion project and all other projects in the capital budget, as well as providing working capital for the operation of the additional beds.

**Conclusion:**

With financial backing of the parent, funding should be available for this project as well as the entire capital budget.

**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 skill and management of the applicant). In general, projections that approximate the median are the most desirable, and balance the opposing forces of feasibility and efficiency. In other words, as estimates approach the highest in the group, it is more likely that the project is feasible, because fewer economies must be realized to achieve the desired outcome. Conversely, as estimates approach the lowest in the group, it is less likely that the project is feasible, because a much higher level of economies must be realized to achieve the desired outcome.

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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.

**South Broward Hospital District (CON #9564):** Comparative data were derived from hospitals in peer groups that reported data in 2000. Based on the number of beds, the range of services offered, and the projected number of admissions and patient days; the applicant will be compared to the hospitals in group 3. Per diem rates are projected to increase by an average of 3.3 percent per year. Inflation adjustments were based on the most current Florida Hospital Input Price Index.

Gross revenues, net revenues, and costs were obtained from Schedules 7 and 8 in the financial portion of the application. These were compared to the control group as a calculated amount per adjusted patient day. The adjustment is made to factor out the outpatient revenues in the per patient day computation.

Net revenue per adjusted patient day (NRAPD) of \$1,444 in year one and \$1,500 in year two is between the control group median and highest values of \$1,242 and \$2,199 in year one and \$1,279 and \$ 2,264 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 Comparison Table).

Projected cost per adjusted patient day of \$1,363 in year one and \$1,409 in year two is between the group median and highest values of \$1,316 and \$1,932 in year one and \$1,355 and \$1,989 in year two. This applicant is considered cost-efficient when compared to the control group. (See Comparison Table).

The year two operating profit for the hospital is estimated at \$4,176,613 which computes to an operating margin per adjusted patient day of \$91. This falls between the peer group median and highest values of \$15 and \$399. The operating margin computes to 6.1 percent, which is well above the 50<sup>th</sup> percentile for Florida acute care hospitals of 2.0 percent. The project is feasible.

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**Financial Comparison Table  
South Broward Hospital District  
PEER GROUP 3**

	2008 YEAR 2 ACTIVITY	YEAR 2 ACTIVITY PER DAY	INFLATION ADJ. VALUES		
			Highest	Median	Lowest
<b>REVENUES</b>					
ROUTINE SERVICES	30,406,891	664	821	583	285
INPATIENT AMBULATORY	1,512,910	33	147	56	6
INPATIENT SURGERY	5,817,031	*	*	*	*
INPATIENT ANCILLARY SERVICES	84,778,570	2,198	3,249	1,978	907
OUTPATIENT SERVICES	98,210,719	2,146	2,524	1,562	255
TOTAL PATIENT SERVICES REV.	220,726,121	4,822	5,576	4,349	1,708
OTHER OPERATING REVENUE	540,043	12	172	7	3
<b>TOTAL REVENUE</b>	<b>221,266,164</b>	<b>4,834</b>	<b>5,748</b>	<b>4,356</b>	<b>1,711</b>
<b>DEDUCTIONS FROM REVENUE</b>	<b>152,585,760</b>	<b>3,333</b>	<b>*</b>	<b>*</b>	<b>*</b>
<b>NET REVENUES</b>	<b>68,680,404</b>	<b>1,500</b>	<b>2,264</b>	<b>1,279</b>	<b>828</b>
<b>EXPENSES</b>					
ROUTINE	10,542,560	230	306	214	124
ANCILLIARY	22,471,860	491	598	387	166
AMBULATORY	5,333,369	117	0	0	0
TOTAL PATIENT CARE COST	38,347,789	838	904	601	290
ADMINISTRATIVE & OVERHEAD	14,358,462	416	1,109	610	379
PROPERTY	4,702,402	*	*	*	*
TOTAL HOSPITAL EXPENSE	57,408,653	1,254	1,989	1,355	825
OTHER OPERATING EXPENSE	7,095,138	0	0	0	0
<b>TOTAL EXPENSE</b>	<b>64,503,791</b>	<b>1,409</b>	<b>1,989</b>	<b>1,355</b>	<b>825</b>
OPERATING INCOME (MARGIN)	4,176,613	91	399	15	-198
PERCENT OPERATING MARGIN	6.1%				
PERCENTAGES NOT INFLATION ADJUSTED					
PATIENT DAYS	25,345				
ADJUSTED PATIENT DAYS	45,774				
TOTAL BED DAYS AVAILABLE	36,500				
ADJ. FACTOR	0.5537				
TOTAL NUMBER OF BEDS	100				
PERCENT OCCUPANCY	69.4%		90.1%	53.0%	26.4%
<b>PAYER CLASS</b>					
	<b>PATIENT</b>	<b>PERCENT</b>			
	<b>DAYS</b>	<b>OF</b>			
		<b>TOTAL</b>			
SELF-PAY	1,309	5.2%	6.0%	1.4%	0.0%
MEDICAID	1,111	4.4%	28.2%	12.6%	3.3%
MEDICAID HMO	0				
MEDICARE	7,230	28.5%	69.9%	38.7%	13.0%
MEDICARE HMO	0				
INSURANCE	380	1.5%			
HMO/PPO	15,076	59.5%	64.5%	36.2%	0.0%
OTHER	239	0.9%			
<b>TOTAL</b>	<b>25,345</b>	<b>100.0%</b>			

**Northwest Medical Center, Inc. (CON #9565):** Comparative data were derived from hospitals in peer groups that reported data in 2000. The

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applicant will 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.

Schedule 8 was incorrectly prepared and determining actual costs was extremely difficult. The analysis results were based on the best estimate of the true costs of the project that were contained in the column labeled "without this project". This result was somewhat problematical, as net revenues did not agree with those on Schedule 7. Using net revenues from Schedule 7 the operating profit was calculated to be 44 percent higher than that shown on Schedule 8.

Gross revenues, net revenues, and costs were obtained from Schedules 7 and 8 in the financial portion of the application. These were compared to the control group as a calculated amount per adjusted patient day. The adjustment is made to factor out the outpatient revenues in the per patient day computation.

Net revenue per adjusted patient day (NRAPD) of \$1,555 in year one and \$1,608 in year two is between the control group median and lowest values of \$1,854 and \$1,200 in year one and \$1,909 and \$1,236 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 lowest level, the hospital is expected to consume health care resources in a somewhat lesser proportion to the services provided. (See Comparison Table). Northwest Medical Center reported an NRAPD of \$1,184 in 2000.

Projected cost per adjusted patient day of \$1,428 in year one and \$1,455 in year two is also between the group median and lowest values of \$1,965 and \$1,195 in year one and \$2,024 and \$1,231 in year two. This applicant is considered cost-efficient when compared to the control group. (See Comparison Table). Northwest Medical Center reported an NRAPD of \$1,239 in 2000

The year two operating profit for the hospital is estimated at \$12.5 million which computes to an operating margin per adjusted patient day of \$153. This falls between the peer group median and highest values of \$15 and \$399. The operating margin computes to 9.5 percent, which is just below the 80<sup>th</sup> percentile for Florida acute care hospitals of 10.8 percent. Considering the previous four years of substantial losses, the profit projections appear to be overly optimistic and unlikely to occur. Contingent on the full participation of the parent, the project is economically feasible.

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**Financial Comparison Table -  
Northwest Medical Center  
PEER GROUP 3**

	2005	YEAR 2	INFLATION ADJ. VALUES		
	YEAR 2	ACTIVITY	Highest	Median	Lowest
	ACTIVITY	PER DAY			
ROUTINE SERVICES	52,739,911	645	1,375	871	426
INPATIENT AMBULATORY	0	0	220	83	8
INPATIENT SURGERY	0	*	*	*	*
INPATIENT ANCILLARY SERVICES	255,310,919	3,122	4,852	2,853	1,354
OUTPATIENT SERVICES	111,742,181	1,367	3,768	2,333	380
TOTAL PATIENT SERVICES REV.	419,793,011	5,134	8,326	6,495	2,551
OTHER OPERATING REVENUE	972,600	12	257	10	4
TOTAL REVENUE	420,765,611	5,146	8,583	6,505	2,555
DEDUCTIONS FROM REVENUE	289,316,665	3,538	*	*	*
NET REVENUES	131,448,946	1,608	3,381	1,909	1,236
<b>EXPENSES</b>					
ROUTINE	34,289,416	419	457	319	185
ANCILLARY	26,318,376	322	893	577	248
AMBULATORY	0	0	0	0	0
TOTAL PATIENT CARE COST	60,607,792	741	1,350	896	433
ADMINISTRATIVE & OVERHEAD	27,896,894	534	1,656	910	566
PROPERTY	14,422,645	*	*	*	*
TOTAL HOSPITAL EXPENSE	102,927,331	1,259	2,970	2,024	1,231
OTHER OPERATING EXPENSE	16,001,878	0	0	0	0
TOTAL EXPENSE	118,929,209	1,455	2,970	2,024	1,231
OPERATING INCOME (MARGIN)	12,519,737	153	399	15	(198)
PERCENT OPERATING MARGIN	9.52%				
PERCENTAGES NOT INFLATION ADJUSTED					
PATIENT DAYS	59,862				
ADJUSTED PATIENT DAYS	81,765				
TOTAL BED DAYS AVAILABLE	78,475				
ADJ. FACTOR	0.7321				
TOTAL NUMBER OF BEDS	215				
PERCENT OCCUPANCY	76.3%		90.1%	53.0%	26.4%
<b>PAYER CLASS</b>					
	PATIENT	PERCENT			
	DAYS	OF			
		TOTAL			
SELF-PAY	2,463	4.1%	6.0%	1.4%	0.0%
MEDICAID	3,100	5.2%	28.2%	12.6%	3.3%
MEDICAID HMO	843				
MEDICARE	26,985	45.1%	69.9%	38.7%	13.0%
MEDICARE HMO	12,649				
INSURANCE	1,700	2.8%			
HMO/PPO	11,712	42.1%	64.5%	36.2%	0.0%
OTHER	410	0.7%			
TOTAL	59,862	100.0%			

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

**South Broward Hospital District (CON #9564):** Managed care patient days are estimated at 59.5 percent of total patient days. The control group highest value is only 64.5 percent. The projection of 60 percent managed care days may be optimistic; given that the sister hospital that these projections are based on is the highest in the group. However, should this degree of participation be achieved, the level of managed care is likely to have a significant positive impact on competition, to promote quality assurance and cost-effectiveness.

**Northwest Medical Center, Inc. (CON #9565):** Managed care patient days, including Medicare and Medicaid managed care days, are estimated at 42.1 percent of total patient days. Since this falls above the control group's median of 38.7 percent, this level of managed care is likely to have a significant positive impact on competition, and to promote quality assurance and cost-effectiveness. This projection is consistent with the 2000 actual experience of 45.9 percent.

- 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.**

**South Broward Hospital District's (CON #9564)** narrative in the application for this CON is similar to CON #9459 reviewed by Charles Alby in April, 2001 and CON #9520 reviewed by Joel Hill in November, 2001. However, the plans of the proposed building have changed completely from the previous submittals. The site appears to be the same and shows provisions for expansion in most directions for both hospital additions and other medical buildings. The parking seems adequate and can be expanded as required. There is a 5,000 plus square foot power house on the site.

The eight pediatric beds are no longer part of the proposal and the number of medical/surgical beds has increased from 64 to 72. The total proposed beds is still 100. The applicant is still proposing 28 observation beds.

The hospital is a four-story building with the first floor typically being larger than the upper floors. The fourth and fifth floors are basically identical in plan and consist of two patient room wings with nurse stations in each wing. The third floor is similar to those above except for an additional wing that has an LDR unit. Some of the nurse stations on all floors do not have the required adjacent staff toilet. The Florida

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Building Code has extensive requirements for ancillary spaces for each nurse station as well as for patient areas. These spaces have not all been provided in a configuration that meets the applicable codes.

It appears that more “Nurse Stations” are shown than might otherwise be required. The service area requirements do not preclude the hospital from having more nurse stations that could be described as “sub-nurse stations”, nor more service areas than are required. However, if all the nurse stations are in effect “primary” stations, then they all need to have the required ancillary spaces listed in the Florida Building Code.

There is not sufficient information in the application 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.

The arrangement of the first floor provides a good circulation flow that limits the amount of cross-traffic between staff, patients and the general public. The emergency department has a separate ambulance and walk-in entrance that are easily recognizable.

Overall, the proposed project, as submitted, is well designed and is functional and efficient. The facility does not appear to have been designed to have expansion on site, although there are areas designated for future parking and other health care buildings.

The construction cost of \$226 per square foot is in the R. S. Means high-end median average for hospital construction. However, due to the location of the project the proposed cost is reasonable. The construction schedule may be a little over-optimistic for a project of this scope.

All of the proposed rooms appear to still be planned as private rooms and all the required handicapped accessibility features and ratios are incorporated into the facility.

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The applicant provided a list of most common applicable codes and although reference is made to the new Florida Building Code the list of codes is not accurate and will have to be revised if this project should proceed.

**Northwest Medical Center, Inc. (CON #9565)** proposes to add 40 beds to its licensed complement of 175 beds by building-out the remainder of the existing shell space on the fifth floor. On the third floor, the labor and delivery capacity will increase from six to eight and the NICU will be expanded as will the newborn nursery. Three third floor semi-private patient rooms will be converted to private rooms. The 14-bed pediatric/PICU will be relocated to the new area of the fifth floor.

There will be additional modifications of existing patient units where beds will be removed and be relocated to the fifth floor. Two licensed beds will be added to the second floor by converting semi-private rooms to private, but no plan of this floor was provided in the application. The application includes a site plan, floor plans of the fifth and third floors and large-scale plans of typical patient rooms. The new fifth floor patient rooms will be a mixture of private and semi-private rooms. The semi-private rooms have a toilet/shower room and place the lavatory in the patient room. The private rooms include all three fixtures in the toilet/shower room.

There will be an increase of ADA-compliant rooms in the project: three telemetry and two pediatrics/PICU beds on the fifth floor.

There are public and staff toilets where the accessible turning space circle is not indicated. Some of these toilet rooms may be accessible, but there is no turning circle shown. One of the fifth floor nurse stations does not have the adjacent staff toilet as required by The Florida Building Code.

There is a partial list of applicable codes on the drawings, but it will need to be expanded when the project progresses. Since there were no existing plans furnished in the application, it is not possible to determine exactly how much renovation and demolition will be required. The cost information seems reasonable as does the projected construction schedule based on the information provided.

The project consists of 20,450 GSF of renovation at a total renovation cost of \$3,605,000.

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

South Broward Hospital District Hospital and Northwest Medical Center's history of providing Medicaid and charity care compared to the District 10 average is shown in the table below.

**South Broward Hospital District & Northwest Medical Center  
Charity Care & Medicaid Patient Days FY 2000**

<b>Facility</b>	<b>Charity Care as a % of gross charges</b>	<b>Medicaid Days as % of Total Patient Days</b>
Memorial Hospital West	1.9%	4.9%
Memorial Hospital Pembroke	4.1%	6.4%
Memorial Regional Hospital	6.6%	13.0%
Northwest Medical Center	0.3%	6.8%
District 10 Avg.	4.3%	9.3%

Source: AHCA FY 2000 Financial Data.

**South Broward Hospital District (CON #9564)** is the major provider of care to Medicaid and medically indigent patients in south Broward County. Memorial Hospital Pembroke and Memorial Hospital West are not classified as Medicaid Disproportionate Share Providers for Fiscal Year 2001-2002. However, Memorial Regional Hospital is classified as a Medicaid Disproportionate Share Provider.

The applicant projects Medicaid to be 4.4 percent of the facility's total patient days and charity care 1.9 percent of Memorial Hospital Miramar's gross revenues. Memorial Hospital Miramar's proposed Medicaid condition would exceed the FY 2000's performance of five of the reporting 16 hospitals in District 10. The applicant's proposed charity care condition would exceed the FY 2000's performance of 11 of the 16 acute care hospitals in District 10. Both proposed conditions are below the district facilities FY 2000 average Medicaid (9.3 percent) and charity care (4.3 percent).

As part of the South Broward Hospital District (d/b/a Memorial Healthcare System), Memorial Hospital Miramar would be mandated to provide care to all patients regardless of the patient's payer source.

**Northwest Medical Center, Inc. (CON #9565):** As the chart above shows, Northwest Medical Center provides a moderate level of Medicaid and indigent care. Northwest's Schedule 7A shows the applicant projects the 215 acute care bed facility will provide 5.2 percent of its total patient days in year two (ending 2005) to Medicaid patients. The amount of charity care is not shown in Schedule 7A; however, the applicant proposes to condition the facility to 0.2 of total patient days to charity

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care. This would be consistent with the facility's historical performance and would be an increase in its current condition of 0.05 percent under CON #9025. The proposed Medicaid condition would exceed the actual FY 2000 performance of five of the district's 16 hospitals. However, the proposed charity care condition is lower than the actual FY 2000 performance of all of district's<sup>13</sup> 16 hospitals. The applicant's actual FY 2000 charity care percentage of 0.3 percent was tied for last in the district. Both proposed conditions are below the district facilities FY 2000 average Medicaid (9.3 percent) and charity care (4.3 percent).

**F. SUMMARY**

**South Broward Hospital District (CON #9564)** is proposing to establish a new 100-bed acute care hospital located in District 10, Broward County, City of Miramar, Florida. However, this project is to be located on the same site as CON #9459, previously approved to establish this proposed 100-bed facility in Miramar and therefore, this application is duplicative and will be denied, as there is no need for two 100-bed hospitals in Miramar.

The proposed project consists of 219,969 ground square feet of construction and construction costs of \$49,800,900. The project involves a total cost of \$90,206,500.

**Northwest Medical Center, Inc. (CON #9565)** is proposing to add 40 acute care beds to the facility's existing 156 acute care beds. The facility averaged 71.21 percent utilization during the 12 months ending June 30, 2001. With the approval of this project, the applicant's facility will total 215 beds; 196 of which will be acute care beds.

The project involves a total cost of \$6,977,418. The proposed project consists of 20,450 GSF of renovation and construction costs of \$3,605,000.

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<sup>13</sup> Per AHCA Actual Budget Data for FY 2000.

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*After weighing and balancing all applicable review criteria, the following relevant factors are listed with regard to the hospital projects in District 10 by South Broward Hospital District and Northwest Medical Center, Inc..*

### **Need/Other Special Circumstances**

There is a zero fixed need pool for additional acute care beds in District 10. Both applicants are applying for acute care beds based on special circumstances.

**South Broward Hospital District (CON #9564):** Memorial Hospital Miramar would be located within nine miles of the Cleveland Clinic Hospital, which opened in July 2001. The applicant projects the 100-bed facility's utilization for the 12 months ending June 30, 2007, will be 63.1 percent.

- It is likely that the applicant's project will impact one or more of the existing facilities in the western portion of the district.
- The applicant is applying for additional acute care beds in the absence of published need and based on perceived special circumstances that involve (1) explosive population growth in Southwest Broward County especially in the Miramar area; (2) geographic maldistribution of acute care beds between south and north Broward County especially in the southwest area; (3) improved access for Southwest Broward County residents as Miramar and surrounding area patients are forced to seek care or be transferred to out of area providers; (4) there being no viable alternatives to building Memorial Hospital Miramar; and (5) the need to assure Memorial Healthcare System will remain a strong competitor in the health care marketplace by allowing a continued stream of paying patients to access the new hospital which will provide additional finances to Memorial Healthcare System.
- The applicant did not demonstrate that current acute care services are inaccessible or being denied to area residents, and it was not demonstrated that existing and approved acute care providers in District 10 are outside of any acceptable travel time to access services by area residents. However, Memorial Hospital West has been subject to emergency room diversion 123 times totaling 952.6 hours during CY 2000 and 135 times totaling 2,127 hours during CY 2001.

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- The applicant has shown that inefficiencies within the district should improve with additional acute care beds in the southwest portion of the district. Further, the applicant has shown that quality of care is likely to improve within its health care system with the approval of this project.

**Northwest Medical Center, Inc. (CON #9565):** The facility's acute care beds utilization increased from 71.21 percent in CY 2000 to 73.93 percent during CY 2001. This increase includes the additional 25 acute care beds that were licensed November 21, 2000. The 4<sup>th</sup> quarter 2001 utilization was 79.04 percent compared to 70.79 percent for the 4<sup>th</sup> quarter 2000, an 8.25 percent increase. The AHCA preliminary data for 1<sup>st</sup> quarter 2002 shows the facility's 156 beds averaged 85.36 percent occupancy up 8.37 percent from 1<sup>st</sup> quarter 2001's 76.99 percent. An analysis of the facility's utilization from CY 1997-2001, shows an annual growth rate in patient days of 6.78 percent. This percentage applied to Northwest's CY 2001 patient days yields 58,433 patient days in CY 2006 or 81.68 percent occupancy and CY 62,395 patient days in CY 2007 or 87.22 occupancy with 196 acute care beds.

- The applicant documents the nine PSA area's population is projected to increase from a population of 336,915 in CY 2001 to 379,156 in CY 2006 or by 12.5 percent. The applicant's PSA is growing at a higher rate than the district and state.
- The applicant did not demonstrate that current acute care services are inaccessible or being denied to area residents, and it was not demonstrated that existing and approved acute care providers in District 10 are outside of any acceptable travel time to access services by area residents.

### **Quality of Care**

Both applicant's hospitals are JCAHO accredited and in compliance with the quality of care criteria contained in rule.

### **Cost/Financial Analysis**

Both applicants are considered cost-efficient when compared to the control group.

## CON Action Numbers: 9564 & 9565

**South Broward Hospital District (CON #9564)** appears to have the resources and funds for capital and operating expenditures.

- The project is considered to be financially feasible.
- The financial reviewer indicates that the applicant's projected level of managed care participation may be optimistic but if achieved, is likely to have a significant positive impact on competition, to promote quality assurance and cost-effectiveness.

**Northwest Medical Center, Inc. (CON #9565)** has adequate resources are available through the parent to finance the proposed project.

- Contingent on the full participation of the parent, the project is economically feasible.
- Northwest's projected level of managed care, which is consistent with its historical performance, is likely to have a significant positive impact on competition, to promote quality assurance and cost-effectiveness.

### **Medicaid/Indigent Care**

**South Broward Hospital District (CON #9564)** proposes to condition CON approval to charity care at 1.9 percent of gross revenues and Medicaid at 4.4 percent of the facility's total annual patient days. The applicant's proposed Medicaid condition is a 0.26 percent increase over the approved CON #9459; however, the proposed charity care condition is 1.31 percent less than CON #9459's.

- The applicant indicates that Memorial Hospital Miramar will serve all patients regardless of payer source by virtue of its being in the South Broward Hospital District system.
- Memorial Hospital Miramar's proposed Medicaid condition would exceed the FY 2000 performance of five of the subdistrict's 16 hospitals. The applicant's proposed charity care condition would exceed nine of the 16 acute care hospitals in the subdistrict.
- Memorial Regional Hospital is a disproportionate share provider of the Medicaid program for fiscal year 2001-2002.

## **CON Action Numbers: 9564 & 9565**

**Northwest Medical Center, Inc. (CON #9565)** proposes to condition the CON to 4.0 percent Medicaid as a percentage of total annual acute care days, which is a decrease in the facility's current condition of 5.6 percent for 175 beds. The applicant's proposed charity care condition of 0.2 percent of the facility's total patient days exceeds the entire 175-bed facility's condition of patient days of 0.05 percent charity care.

- The applicant's proposed Medicaid condition would exceed the FY 2000 performance of five of the subdistrict's 16 hospitals. The applicant's proposed charity care condition would be 0.1 percent below its CY 2000 performance and is below the actual performance of all of the 16 acute care hospitals in the subdistrict.
- Northwest Medical Center, Inc.'s 2000 Medicaid patient days, as a percentage of the hospital's total patient days is 6.8 percent. Charity care amounted to 0.3 percent of the facility's total patient days in 2000.
- Northwest Medical Center is not a disproportionate share provider of the Medicaid program for fiscal year 2001-2002. The facility historically provides a moderate amount of Medicaid and a low amount of charity care compared to the district's facilities.

Both applicants propose conditions that are below the district facilities FY 2000 average Medicaid (9.3 percent) and charity care (4.3 percent).

### **Architectural Analysis**

#### **South Broward Hospital District (CON #9564):**

- The proposed hospital room complement appears to be all private rooms and all the required handicapped accessibility features and ratios are incorporated into the facility.
- Construction costs are reasonable due to the location of the project.
- Overall, the proposed project, as submitted, is well designed and is functional and efficient. The facility does not appear to have been designed to have expansion on site, although there are areas designated for future parking and other health care buildings.
- The proposed construction schedule may be a little over optimistic for a project of this scope because only seven months are proposed from the Architectural and Engineering contracts being signed until final AHCA Office of Plans and Construction.

**Northwest Medical Center, Inc. (CON #9565):**

- The cost information seems reasonable as does the projected construction schedule based on the information provided.

**G. RECOMMENDATION**

Approve CON #9565 to add 40 acute care beds to Northwest Medical Center. The project involves 20,450 GSF of renovation and construction costs of \$3,605,000. Project costs total \$6,977,418.

**CONDITIONS:**

- (1) A minimum of four percent of the total annual patient days in the 196 acute care beds shall be provided to Medicaid patients.
- (2) A minimum of 0.2 percent of the total annual patient days in the 196 acute care beds shall be provided to charity care patients.

Deny CON #9564.

**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**