

STATE AGENCY ACTION REPORT
ON APPLICATION FOR CERTIFICATE OF NEED

A. PROJECT IDENTIFICATION

1. Applicant/CON Action Number

Kendall Healthcare Group, Ltd.
d/b/a Kendall Medical Center/CON #9567
11750 Bird Road
Miami, Florida 33175

Authorized Representative: Gina C. Diaz
(305) 227-5500

2. Service District/Subdistrict

District 11 (Dade County)

B. PUBLIC HEARING

A public hearing was not held or requested. However, the applicant submitted three letters of support for the proposed project. Louis Fernandez, M.D., President of the Medical Staff, Bernardo R. Garcia-Granda, M.D., a practicing psychiatrist, and Jorge Pastoriza, M.D., chairman, Governing Board, wrote in support of the proposed project. All three letters indicate that physicians believe it better to have adult psychiatric services available in a "neighborhood" hospital rather than one several miles away. None indicated they had any trouble placing patients needing psychiatric services.

C. PROJECT SUMMARY

Kendall Healthcare Group, Ltd. d/b/a Kendall Medical Center/CON #9567: The applicant operates Kendall Medical Center, a 412-bed general acute care private for-profit hospital located in Dade County. The applicant proposes to establish a 20-bed adult inpatient psychiatric program through the conversion of 20 acute care beds at Kendall Medical Center. The proposed unit will be located in an existing business office to be renovated on the third floor of the hospital's Annex Building.

According to the applicant's *Certificate of Need Predicated on Conditions* page, Kendall Medical Center will provide a minimum of 8.29 percent of annual patient days to Medicaid patients and a minimum of one percent of annual patient days to charity care patients in the 20-bed adult psychiatric unit.

The proposed project cost is estimated to be \$1,733,557. Renovation costs are projected at \$1,368,000 and the project will involve 6,840 gross square feet (GSF) of renovation.

D. REVIEW PROCEDURE

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

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

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

As part of the fact-finding, the consultant, Richard Patterson, analyzed the application with consultation from the financial analyst, Roger Bell, who reviewed the financial data and architect, Joel Hill, who evaluated the architectural and the schematic drawings.

E. CONFORMITY OF PROJECT WITH REVIEW CRITERIA

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

1. Fixed Need Pool

a. Does the project proposed respond to need as published by a fixed need pool? Ch. 59C-1.008 and Ch. 59C-1.040, Florida Administrative Code.

In Volume 28, Number 4, dated January 25, 2002, on pages 375-376 of the Florida Administrative Weekly, a fixed need pool of zero beds was published for additional adult inpatient psychiatric beds licensed under Chapter 395 Florida Statutes in District 11 for the July 2007 planning horizon.

As of January 25, 2002, District 11, which is comprised of Dade and Monroe Counties, had a total of 17 licensed adult inpatient psychiatric care facilities consisting of 829 licensed adult psychiatric beds and 28 approved beds. The licensed adult inpatient psychiatric beds in District 11 experienced an occupancy rate of 71.84 percent during the period July 2000 through June 2001. The applicant is applying outside of the fixed need pool.

b. Regardless of whether bed need is shown under the need formula, no additional hospital inpatient general psychiatric beds for adults shall normally be approved in a district unless the average annual occupancy rate of the licensed hospital inpatient general psychiatric beds for adults in the district equals or exceeds 75 percent for the 12-month period ending six months prior to the beginning date of the quarter of the publication of the fixed need pool Ch. 59C-1.040(4)(e)4., Florida Administrative Code.

As stated above, the 829 licensed adult psychiatric beds in District 11 experienced an occupancy rate of 71.84 percent during the most recent reporting period.

Although the proposed project is not supported by the zero bed need in the district or the desired occupancy threshold in rule, the applicant contends that need exists based on not normal circumstances in the area. These circumstances are presented as follows:

c. Not Normal Circumstances:

The applicant recognizes that the Agency formula for the current batching cycle indicates no need for additional adult psychiatric beds in the district. The applicant contends that due to historical factors and the current situation in the service area, there is a need for 20 additional adult inpatient psychiatric beds in District 11.

By way of background, the applicant recounts the circumstances of its earlier CON application (#8783), wherein a request to establish a 15-bed adult inpatient psychiatric unit at Kendall Medical Center was approved. However, CON #8783 was never implemented. Although informative, the need for the proposal at issue must be evaluated at present.

The applicant analyzed the current status of adult inpatient psychiatric services in the district. According to the applicant, population growth in the service area and the closure of several licensed facilities in the county indicate need for the proposed project. The facilities referenced are Doral Palms Hospital (54 beds), Windmoor Healthcare of Miami (74 beds), and Mt. Sinai Medical Center/Miami Heart Institute North (20 beds). To demonstrate the impact the closures have on need in District 11, the applicant re-calculated the need for the current batching cycle in Tables PS-1, 1-1, 3-7, and 4a.-4, of the application. By subtracting the utilization and number of beds subject to the hospital closures, the occupancy for District 11 adult psychiatric beds is 75.38 percent, resulting in a net need for 69 additional psychiatric beds in District 11. However, the rule need methodology does not allow for deletions of licensed beds from the inventory or of utilization in determining the fixed need pool. The specific information required for the applicable reporting period must be included in the calculation. Changes in such data subsequent to the rule deadline will be considered in the fixed need pool for subsequent batching cycles.

CON Action Numbers: 9567

Furthermore, both Windmoor Healthcare of Miami and Mt. Sinai Medical Center/Miami Heart Institute North reported utilization during calendar year 2001. Windmoor Healthcare of Miami closed on or about January 3, 2002. Mt. Sinai Medical Center closed on December 7, 2001. Doral Palms Hospital's licensed beds have been in escrow since June 15, 2000.

In the review of special circumstances need, service area population growth and recent hospital closures are considered.

The applicant details the major reasons for the approval of 20 adult inpatient psychiatric beds at Kendall Medical Center, including:

- meeting patient's needs;
- availability of adult psychiatric beds in District 11;
- the applicant reduces the oversupply of acute care beds through conversion; and
- removal of barriers to care.

With respect to meeting patient's needs, the applicant states that the beds proposed in the application are intended to serve primarily the elderly Hispanic population in the service area. Without an adult psychiatric unit, the applicant indicates that psychiatrists are impeded in their efforts to provide timely, comprehensive care, resulting in fragmentation of care, delayed service provision, and disruption in the provision of care, which can produce delays in patient's outcomes. For the elderly, the ability to begin services timely is an important component to reduce recidivism. However, none of the three physicians providing letters of support for this project indicate problems timely placing patients. All three physicians indicate that they believe there is a need to provide programs designed specifically for the elderly Hispanic community. Each indicates that this would allow them to service clientele more effectively. Additionally, the physicians state that their patients "feel more comfortable" staying in their own neighborhood. Table 1-2 of the application shows that approximately 77 percent and 66 percent of the hospital's primary and secondary service areas, respectively, are composed of Hispanic people, in contrast with the Dade County total of approximately 57 percent.

As to bed availability, the applicant again notes the 148 adult psychiatric beds closed since 1997 as well as the fact that approval of CON #8783 was contingent upon the concomitant de-licensure of 15 adult psychiatric beds at Deering Hospital, which was done.

The applicant cites several advantages of converting 20 acute care beds for the project, including: the reduction of acute care beds will not affect the delivery or quality of medical and surgical services offered; the placement of additional adult psychiatric beds in an area of Dade County

CON Action Numbers: 9567

where they will be used; the primary and secondary service areas population is 71.44 percent Hispanic and 14.08 percent 65 years of age or older (see Table 1-2 of the application); assures access to Medicaid recipients; enhances geographic access in the county where fewer beds currently exist; and reduces the oversupply of acute care beds, thereby promoting efficiencies in the health system.

The application includes hospital discharges by payer, which indicates that over 45 percent are Medicare (vs. the 32 percent county average), and approximately 55 percent are managed care (vs. the approximately 40 percent county average). See Tables 1-3 and 1-4 of the application. The applicant states that its focus is on Medicare and managed care, the largest group of patients served and the most likely to utilize the adult psychiatric service. According to data presented by the applicant, for July 2000-June 2001, 42.26 percent of adult psychiatric patient days were for Medicare beneficiaries. See Table 1-5.

The applicant presented the elderly Hispanic psychiatric discharges for July 2000-June 2001 in its primary and secondary service areas in Table 1-6 of the application. This table shows that 1,349 patients from Kendall Medical Center's service area were admitted to Dade County hospitals with psychiatric programs during the period July 1, 2000 to June 30, 2001 and that 219 of those patients were admitted at Windmoor. The following chart provides the applicant's discharge information with the occupancy in the admitting facility during the period July 1, 2000 through June 30, 2001 and travel distances from Kendall to each admitting hospital:

CON Action Numbers: 9567

**Adult Psychiatric Programs in Dade County Admitting Kendall Area Residents
And Travel Distances and Times From Kendall to Each Hospital with
July 1, 2000 - June 30, 2001 Utilization in Adult Psychiatric Beds**

<i>Admitting Hospital</i>	<i>% Occupancy in Adult Psychiatric Unit</i>	<i>Driving distance from Kendall</i>	<i>Approx. Travel Time To Kendall</i>	<i># Patients from Kendall Area</i>
Aventura	74.34%	29.6 miles	44 mins.	3
Cedars	90.37%	14.5 miles	22 mins.	229
Jackson South	70.90%	10.2 miles	17 mins.	17
Jackson Memorial	52.88%	14.7 miles	23 mins.	45
Larkin	113.49%	7.8 miles	16 mins.	118
Mercy	83.56%	11.0 miles	25 mins.	181
Mt. Sinai	83.73%	21.1 miles	31 mins.	25
North Shore	68.51%	20.2 miles	29 mins.	3
Palmetto	75.04%	14.8 miles	22 mins.	171
Parkway Regional	70.50%	25.4 miles	37 mins.	3
South Shore	83.54%	19.7 miles	32 mins.	36
Southern Winds	101.77%	13.9 miles	21 mins.	264
Westchester	75.36%	5.3 miles	11 mins.	35
Windmoor	56.91%	14.0 miles	21 mins.	219
Total	N/A			1,349

Source: CON application, page 1-10 of Section 1, AHCA *Florida Hospital Bed & Service Utilization by District* Volume 1, January 25, 2002, and Yahoo map services

The table above shows that the majority of Kendall area residents receiving psychiatric treatment in Dade County hospitals were admitted to hospitals with an average adult psychiatric occupancy of over 75 percent during the reporting period. Approximately 95 percent of the patients from the Kendall area were admitted to hospitals within 15 miles of Kendall Medical Center. Further, the approximate travel time from Kendall Medical Center to Jackson South is 17 minutes, according to Yahoo map services. It is again noted that the average occupancy in the district is below 75 percent.

CON Action Numbers: 9567

The applicant notes that 36 percent of patients from Kendall Medical Center's service area were treated in freestanding specialty hospitals, and about one-half of those received care at Windmoor Hospital. The applicant also states that the high utilization of adult inpatient psychiatric beds located in general hospitals impedes accessibility of adult inpatient psychiatric care by Kendall residents who are dependent upon Medicaid to pay for care. Year 2 pro formas indicate that as many as 576 of the 6,205 anticipated patient days in the proposed 20-bed adult psychiatric unit will be provided to the medically indigent. This equates to 9.29 percent of the expected patient days. Elsewhere in the application, the applicant states it anticipates the average length of stay (ALOS) to be 11 days. Therefore, the applicant anticipates providing services to approximately 52 medically indigent patients annually. As noted above, the applicant has agreed to condition award of the CON upon providing a minimum of 8.29 percent of its total annual patient days in the 20-bed unit to Medicaid patients and one percent to charity care patients.

The applicant contends that access to psychiatric care is currently impeded due to cultural barriers and travel distances. According to the applicant, travel to distant providers and physicians is difficult for patients and their families who rely on public transportation. The Miami-Dade Transit Agency, Miami-Dade County Operating Data (Service Statistics) shows 113,314 total passengers in 2001 (up from 100,847 in 2000). Operating data indicates that 20 percent of total trips were for a medical purpose. By passenger type, "low income" revealed 6,461,649 trips and by funding source, 9,021,318 trips (32 percent of total) were attributed to AHCA (Medicaid). The Miami-Dade Transit Agency provides free or inexpensive transport to people with low income and no eligible individual has been refused transportation.

Although the applicant failed to demonstrate that access was being denied to Kendall area residents, it quantified the number of beds needed to ensure access in Table 1-7 of Exhibit 1-2 of the application. By determining the ratio of psychiatric hospital discharges for Hispanics to total hospital discharges for Hispanics in Dade County, then applying that ratio (4.8 percent) as the expected value to the population by zip code, a total of 1,078 elderly, Hispanic persons are estimated to be underserved in Dade County. Of that number, 909 reside in the hospital's primary and secondary service areas. Table 1-8 of the application displays the number of admissions, patient days and average daily census at various occupancy levels. The applicant concludes that a reasonable first year of operation occupancy rate of 80 percent would capture 57 percent of the 909 elderly, Hispanic persons indicated in Table 1-7 of Exhibit 1-2 of the application.

The applicant failed to demonstrate that patients in need of the proposed service were denied access to available beds in the district. It is, however, evident that access to adult psychiatric services is somewhat restricted in the Kendall area. The travel distances and times to unoccupied beds are not prohibitive, especially in consideration of the rule access standard of 45 minutes. It is however evident that access to adult psychiatric services is somewhat restricted in the Kendall area.

Other Factors to be Considered in the Review of Certificate of Need Applications for Hospital Inpatient General Psychiatric Services for Adults. Ch. 59C-1.040(4)(e), Florida Administrative Code.

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

The applicant states that the 2001 District 11 Annual Report, State Mental Health and Substance Abuse Plan were reviewed. The applicant describes the purpose of the State Mental Health and Substance Abuse Plan and the responsibilities of the Florida Department of Children and Families as provided in Chapter 394, Florida Statutes. The applicant also included excerpts from the substance abuse and mental health program goals and a copy of the District 11 Annual Report, State Mental Health and Substance Abuse Plan behind Tab 15 of the application. The State Health Plan reference is no longer applicable.

2. **Applications from general hospitals for new or expanded hospital inpatient general psychiatric beds for adults shall normally be approved only if the applicant converts a number of acute care beds, as defined in rule 59C-1.038, Florida Administrative Code, excluding specialty beds, which is equal to the number of hospital inpatient general psychiatric beds for adults proposed, unless the applicant can reasonably project an annual occupancy rate of 75 percent for the applicable planning horizon, based on historical utilization patterns, for all acute care beds, excluding specialty beds. If conversion of the number of acute care beds which equals the number of proposed hospital inpatient general psychiatric beds for adults would result in an annual acute care occupancy exceeding 75 percent for the applicable planning horizon, the applicant shall only be required to convert the number of beds necessary to achieve a projected annual 75 percent acute care occupancy for the applicable planning horizon, excluding specialty beds.**

The applicant proposes to convert 20 acute care beds to 20 adult psychiatric beds with the implementation of the proposed program.

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

The applicant states that over 90 percent of the existing beds are located in general hospitals. This criterion is met in District 11.

4. **Regardless of whether bed need is shown under the need formula in paragraph (4)(c), no additional hospital inpatient general psychiatric beds for adults shall normally be approved in a district unless the average annual occupancy rate of the licensed hospital inpatient general psychiatric beds for adults in the district equals or exceeds 75 percent for the 12-month period ending six months prior to the beginning date of the quarter of the publication of the fixed bed need pool.**

The 829 licensed adult psychiatric beds in District 11 experienced an occupancy rate of 71.84 percent during the most recent reporting period.

2. Local Health Plan Preferences

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

The Health Council of South Florida, Inc. adopted the following District 11 CON Allocation Factors Report Preferences in October 2000 relative to inpatient psychiatric services:

Level One - Higher Priority

- (1) Applicants proposing the conversion of acute care beds to adult or children's psychiatric beds who have provided the highest proportion of charity care and Medicaid days during the last fiscal year for which reimbursement was received through Florida's "Disproportionate Share Program" of the Public Medical Assistance Trust Fund. "Charity care" is that care provided to persons below 150 percent of the federal poverty level and for which there was no compensation exclusive of adjustment allowances.**

The applicant proposes to convert 20 acute care beds to 20 adult psychiatric beds with the implementation of the proposed program. The applicant states that Kendall Medical Center is not currently receiving reimbursement through Florida's Disproportionate Share Program. The applicant's Medicaid and charity care provisions are addressed in Sections E.3.a.1. and E.4.i. below.

- (2) Applicants proposing the conversion of acute care beds to adult or children's psychiatric beds who demonstrate the highest ongoing commitment to serving Medicaid and indigent patients as well as patients from diverse minority backgrounds. "Medically indigent" refers to persons below 150 percent of the poverty level, uninsured and/or underinsured, as defined by the Health Council of South Florida.**

The applicant proposes to convert 20 acute care beds to the 20 adult psychiatric beds with the implementation of the proposed program. The applicant notes that the project is designed to serve elderly Hispanics in Kendall Medical Center's service area. The applicant's Medicaid and charity care provisions are addressed above in E. 1. c. and in Sections E.3.a.1. and E.4.i. below.

(3) Applicants who provide onsite interpreters for Creole.

The applicant states that it has employees and volunteers on-site who speak and read Creole.

(4) Applicants who include discharge planning and follow-up case management in their proposals.

The applicant provided a detailed description of discharge criteria and procedure, as well as follow up case management, including identifying resources available in the community to assist the patients and their families with any socioeconomic problems they may encounter. Exhibit 2-3 of the application contains a copy of the applicant's community resources list.

(5) Applicants who propose to serve the most seriously mentally ill who can benefit from a hospital-based organized inpatient treatment program.

The applicant intends to serve the most seriously ill patients and provide a comprehensive level of care designed for those not clinically appropriate for outpatient care. The applicant listed the ICD-9 Codes which reflect the major categories that the hospital expects patients to fall into and the inclusion criteria.

(6) Applicants who provide a continuum of psychiatric services for children and adolescents, including services following discharge.

This criterion is not applicable to the application under review.

(7) Applicants who place an emphasis on family integration and participation in all phases of treatment.

The applicant states that its program will emphasize family involvement in the treatment, discharge, and follow-up planning and care.

Level Two - Lower Priority

- (1) **Applicants who propose the relocation of adult or children's psychiatric beds to an underserved area.**

The applicant contends that the previous approval of CON #8783, as well as the situation described in the present application relating to the de-licensing of beds at Deering Hospital and the 148 out of service beds (see Section E.1.c. above), lends support to the conformance with this preference of the proposal to establish an adult psychiatric unit at Kendall Medical Center.

- (2) **Applicants who assume a tertiary care responsibility within an integrated plan necessitated by the closure of state hospital facilities.**

There have been no state hospital closures in District 11.

- (3) **Applicants who propose to implement a culturally sensitive program, if a need is demonstrated for inpatient psychiatric services for an identified ethnic group.**

The applicant distinguishes its proposal as responding to a need for inpatient psychiatric services to an identified ethnic group, i.e. elderly Hispanic persons in the hospital's service area. The applicant states that many elderly Hispanic persons forego hospital treatment if, in order to receive it, they have to leave the community that responds to them culturally and medically. However, as previously discussed, access problems were not demonstrated. The applicant gave examples, such as multi-lingual staff and volunteers, ethnic food selections and preparation, and inclusion of the patient's family in delivery of service.

- (4) **Applicants who demonstrate that a proposed transfer of beds is necessary to ensure that services meet licensure standards.**

This criterion is not applicable to the application under review.

- (5) **Applicants who demonstrate that the overall occupancy rate at both facilities will increase as a result of a proposed bed transfer.**

This criterion is not applicable to the application under review.

- (6) **Applicants who demonstrate a commitment to quality of care as evidenced by the existence of a mechanism to assess and publicly report on quality.**

The applicant states that Kendall Medical Center has a system that includes the documentation of quality, a report on outcomes, and the systematic progression of continuous quality assessment to ensure the highest level of patient satisfaction and clinical competencies. Additional discussion is contained in Section E.4.b. below.

- (7) **Applicants whose facilities are publicly funded.**

The applicant is not a publicly funded facility.

- (8) **Commit to timely completion of CON projects that are approved.**

As noted earlier, Kendall Medical Center failed to implement CON #8783.

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.

- a. **Priority Considerations for hospital inpatient general psychiatric services. Ch. 59C-1.040(4)(i)(j), Florida Administrative Code.**

In weighing and balancing statutory and rule review criteria, preference will be given to non-competing applicants who:

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

The applicant presented the following payer information in Table 3-1 of the application:

CON Action Numbers: 9567

**Historical Provision of Medicaid and Charity Care for 1999-2001
Kendall Medical Center**

Factor	1999	2000	2001
Medicare % Total Patient Days	40.89%	38.00%	39.10%
Medicaid % Total Patient Days	10.02%	12.01%	12.05%
Self Pay % Total Patient Days	3.82%	1.80%	2.81%
Charity % Total Patient Days	2.76%	2.70%	2.16%

Source: CON Application #9567

The applicant also supplied DRG 425 through 430 discharges and patient days for Dade County adult psychiatric beds for the 12 months ended June 30, 2001, in Table 3-2 of the application. The average distribution of payers represented in psychiatric units in general hospitals is 54.47 percent Medicare and 20.12 percent Medicaid.

Table 3-3 of the application displays the projected number of patient days by payer for the first two years of the proposed unit:

**Projected Number of Patient Days by Payer
for the Kendall Adult Psychiatric Unit
Years 1 and 2**

Factor	Total	Medicaid	Medicare	Insurance	Charity/ Other
<i>Year 1</i>					
Admissions	521	45	273	195	8
Patient Days	5,856	485	3,846	1,466	59
% of Total Patient Days	100	8.7	52.4	37.4	1.5
<i>Year 2</i>					
Admissions	552	48	290	207	8
Patient Days	6,205	514	4,075	1,533	62
% of Total Patient Days	100	8.7	52.4	37.4	1.5

Source: CON Application #9567

The applicant notes that due to the composition of the service area and the underserved population, the projected number of Medicare patient days is higher than average and the projected number of Medicaid patient days is lower than average. Schedule 7A of the application shows 65.68 percent of patient days for Medicare and 8.29 percent of patient days for Medicaid during the first two years of the proposed unit.

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

**Medicaid and Charity Care of the Applicant
Compared to the District for Fiscal Year 2000**

Applicant	FY00 Conventional Medicaid Days	FY00 Charity % of Patient Days
Kendall Medical Center	12.0 %	1.9 %
District 11 Average	14.1 %	6.1 %

Source: FY 2000 Actual Data/AHCA

As reflected in the table, Kendall Medical Center provided 12.0 percent of its total patient days to Medicaid patients and 1.9 percent to charity care patients. The Medicaid percentage is less than the District 11 average of 14.1 percent. The hospital's charity care provision is lower than the District 11 average of 6.1 percent.

The applicant requests that the project be conditioned for the provision of a minimum of 8.29 percent of annual patient days to Medicaid patients and a minimum of 1.0 percent of annual patient days to charity care patients in the 20-bed adult psychiatric unit.

- 2. Propose to serve the most seriously mentally ill patients to the extent that these patients can benefit from a hospital-based organized inpatient treatment program.**

The applicant intends to serve the most seriously ill patients and provide a comprehensive level of care designed for those not clinically appropriate for outpatient care. The applicant listed the ICD-9 Codes (Nos. 290, 293-298) which reflect the major categories that the hospital expects patients to fall into and the inclusion criteria.

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

Please refer to Section E.3.a.1 above. The applicant anticipates providing 8.7 percent of its total adult psychiatric patient days to Medicaid patients in each of the first two years of operation. The applicant adds that due to the high utilization of adult psychiatric services in general hospitals closest to Kendall Medical Center's service area (Table 3-4 of the application), accessibility for Medicaid and dually-eligible Medicare and Medicaid patients is limited, as evidenced by the large percentage (36 percent) of elderly persons from Kendall Medical Center's service area who received that care in freestanding specialty hospitals.

4. Propose to serve individuals without regard to their ability to pay.

The applicant requests that the project be conditioned for the provision of a minimum of 1.0 percent of annual patient days to charity care patients in the 20-bed adult psychiatric unit.

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

Kendall Medical Center agrees to be designated a Baker Act receiving facility and states that it is continuously used by EMS services as the first point to handle these patients to medically stabilize them and then provide “sitter” services since it is difficult to find placement once the patient has been medically cleared. Table 3-5 of the application lists the Florida Department of Children and Families, Adult Mental Health and Substance Abuse Program, designated District 11 Baker Act Receiving Facilities.

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

The application does not involve child and adolescent psychiatric services.

b. Unit Size. A separately organized unit for hospital inpatient general psychiatric services for adults shall have a minimum of 15 beds. Ch. 59C-1.040(5), Florida Administrative Code.

The proposed adult psychiatric unit will have 20 inpatient beds.

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

The travel time standard is met as it applies to District 11.

d. **Quality of Care**

1. **Compliance with Agency Standards.** Hospital inpatient general psychiatric services for adults shall comply with the agency standards for program licensure described in Chapter 59A-3, Florida Administrative Code. Applicants who include a statement in their certificate of need application that they will meet applicable agency licensure standards are deemed to be in compliance with this provision. Ch. 59C-1.040(7)(a), Florida Administrative Code.

The applicant states its intention to meet, if not exceed, the requirements for licensure.

2. **Accreditation.** Applicants proposing a new hospital inpatient general psychiatric service shall state how they will meet the accreditation standards of the Joint Commission on Accreditation of Healthcare Organizations applicable to psychiatric services provided in inpatient settings for adults or for children and adolescents. Ch. 59C-1.040(7)(c), Florida Administrative Code.

This rule criterion is no longer applicable.

3. **Continuity.** Providers of hospital inpatient general psychiatric services shall also provide outpatient services, either directly or through written agreements with community outpatient mental health programs, such as local psychiatrists, local psychologists, community mental health programs, or other local mental health outpatient programs. Ch. 59C-1.040(7)(d), Florida Administrative Code.

The applicant assures that continuity of care will be available when patients are discharged from the unit, or to avoid hospitalization into the unit. The applicant reiterated that there are 15 psychiatrists that have privileges at Kendall Medical Center, as well as psychologists who provide consultations with and services to patients in their offices and in the hospital. The applicant states that referral arrangements and follow-up care exist presently, especially for those medical admissions that manifest severe psychiatric problems as inpatients. The applicant intends to include family members in transitioning patients from the hospital home.

The applicant also delineated the discharge criteria and the procedures for discharge, which follow current hospital procedures. At time of discharge, a follow-up will be indicated, with patient and physician consent. Program staff will contact aftercare providers and document the follow-through of the patient and consistency with the discharge plan. The hospital's program will be linked to the offices of psychiatrists and psychologists and to various community mental health centers.

- 4. Screening Program. All facilities providing hospital inpatient general psychiatric services shall have a screening program to assess the most appropriate treatment for the patient. Patients with a dual diagnosis of a psychiatric disorder shall be evaluated to determine the types of treatment needed, the appropriate treatment setting, and, if necessary, the appropriate sequence of treatment for the psychiatric and substance abuse disorders. Ch. 59C-1.040(7)(e), Florida Administrative Code.**

The applicant states its intention to employ an Interdisciplinary Treatment Team to provide assessment/treatment/planning and implementation and reassessment of patient outcomes and response to the program. A detailed screening and admission assessment and evaluation procedure is outlined in the application.

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

- 1. age groups to be served;**

The applicant proposes to serve adult patients over 18. The applicant expects that the majority of the patients will be elderly Hispanic persons.

- 2. specialty programs to be provided;**

The applicant will maintain services in Spanish and provide for the treatment of patients afflicted with adjustment disorders, grief and/or complicated bereavement, post-surgical or stroke depression, phobias, obsessive-compulsive disorders, affective disorders, major depression, anxiety disorders, and depression secondary to early organicity. When the admission process is

complete. The patient experiences therapeutic milieu, somatic therapy, and chemotherapy modalities, with group therapy, group educational counseling, occupational therapy, and expressive therapy treatment interventions. Special focus groups, special therapeutic techniques, and recreational techniques are also listed.

3. proposed staffing, including the qualifications of the clinical director and a description of staffing appropriate for any specialty program;

The applicant states that details of staffing are included in response to Section 4e, *Resources*, behind Tab 8. However, neither the qualifications of the clinical director nor a description of staffing appropriate for any specialty program could be found in the application. Schedule 6 of the application provides a staffing plan for the proposed unit and indicates that the applicant intends to employ a total of 16.2 FTE staff for the 20-bed unit by year two ending December 31, 2005. Six and one half of these FTE staff will be nursing staff and 2.9 will be therapist. The applicant also intends to employ 2.5 FTE social worker staff and a part time case manager. Recruitment and retention policies are discussed in E. 4. e. below.

4. patient groups by primary diagnosis ICD 9 code that will be excluded from treatment;

The applicant identified the following excluded diagnoses: 299-infantile autism, 315-hyperkinetic syndrome of childhood, and organic and dementia diagnoses which indicate that such clinical interventions would not produce results.

5. therapeutic approaches to be used;

The applicant states it will offer a full range of services in an intensive treatment milieu. The applicant provided descriptions of the treatment program, therapeutic community meetings, group therapy, individual psychotherapy, psychopharmacological management, family support, activity and occupational therapies, music and art therapies, didactic group therapy, patient governance, family and marital therapy, social services, patient education, nursing services, and special precautions.

6. expected sources of patient referrals;

The applicant expects that the sources of patient referrals will be private practitioners, state services, community elder care services, clergy, private industry employee assistance programs, direct client referral or referral by family members, admissions from the hospital's emergency department, and community general hospitals and mental health centers. To assure timely and adequate follow-up, the applicant will maintain linkages with community agencies, provide community education, operate a clinical inquiry system, employ advertising and public relations including brochures, expand managed care contracting, and direct educational efforts to physicians.

7. expected average length of stay for the hospital inpatient general psychiatric services discharges by age group;

The applicant states that while average lengths of stay will vary by diagnosis, the overall length of stay is projected to be approximately 11 days.

8. projected number of hospital inpatient general psychiatric services patient days by payer type, including Medicare, Medicaid, Baker Act, private insurance, self-pay and charity care patient days for the first two years of operation after completion of the proposed project;

The applicant's Financial Schedule 7A shows that in the second year of operation, the applicant expects that Medicare will comprise 65.68 percent of patient days, 8.29 percent provided to Medicaid patients, and 1.0 percent provided to self-pay patients.

9. admission policies of the facility with regard to charity care patients.

The applicant states that it does not discriminate with regard to payer source and will use its current charity care policy. Charity care is provided to patients who meet the financial guidelines established by the Health Care Board. Exhibit 2-1 of the application contains Kendall Medical Center's charity care policy.

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

The applicant states its intention to comply with this provision.

4. Statutory Review Criteria

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

The applicant states that there is a major gap in the service area due to high occupancy in licensed, operational adult inpatient psychiatric beds and the recent closures of Doral Palms Hospital (54 beds), Windmoor Healthcare of Miami (74 beds), and Mt. Sinai Medical Center/Miami Heart Institute North (20 beds). In Table 4a.-1 of the application, the applicant displayed the utilization of District 11 adult inpatient psychiatric beds for July 2000 through June 2001.

The applicant observed that the District 11 occupancy, at 71.84 percent, is the highest in the state by a substantial margin. In Table 4a.-2, the applicant extracted the utilization from Table 4a.-1 of the hospitals from which 88 percent of Kendall Medical Center's service area discharges received inpatient psychiatric care; however, the "Total" row in Table 4a.-2 of the application does not coincide with the data:

**Utilization of Adult Inpatient Psychiatric Beds
Hospitals From Which 88 Percent of Kendall Service Area Discharges
July 2000 through June 2001**

Hospital	# of Beds	Bed Days	Pt. Days	7/00-6/01
Palmetto General Hospital	32	11,680	8,765	75.04%
Cedars Medical Center	104	29,200	26,388	90.37%
Larkin Community Hospital	32	8,030	9,113	113.49%
Mercy Hospital	30	10,950	9,150	83.56%
Windmoor Healthcare of Miami	74	27,010	15,371	56.91%
Southern Winds Hospital	60	21,900	22,287	101.77%
Total*	332	108,770	91,074	83.73%

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

*AHCA calculations.

CON Action Numbers: 9567

Thus, the utilization rate for the selected facilities for the 12 months ended June 2001 is 83.73 percent as opposed to the 92.68 percent identified in the application. Even with the apparent disparity, the adult inpatient psychiatric beds at the selected facilities are highly utilized, as averred by the applicant. The applicant concludes that due to the high occupancy, beds are not always available when needed, especially for a patient from outside of the hospital's service area. Please refer to Section E.1.c. above for further discussion.

As to quality of care, the applicant states that Kendall Medical Center is fully accredited by Joint Commission on Accreditation of Healthcare Organizations for the maximum three-year period. A copy of the JCAHO correspondence is contained in Exhibit 5-1 of the application. The applicant does not indicate any quality of care concerns with existing providers of adult inpatient psychiatric services in the district.

The applicant cites three major access problems which demonstrate that the proposed project is needed: need for a Hispanic-based program in the area; need to eliminate travel by patients and psychiatrists for service which is intensified by the recent Windmoor closure; and other hospital's adult psychiatric beds do not offer a complete Hispanic-based treatment milieu and are too distant to serve the types of patients Kendall Medical Center proposes to serve. According to the applicant, access will be improved by the location of the proposed beds in an area of high growth and within a general hospital, and also for those in emergencies where the psychiatric episodes are acute. Exhibit 4-1 of the application is a location map of the applicant's facility and the Dade County psychiatric hospitals. See Sections E.1.c. and E.2. above for additional discussion.

The applicant assures that it will provide care without regard to payer. Section E.3.a.1. above contains analysis of the payer mix and conditions proposed in the application.

The applicant also evaluated the MDC-19-Mental Diseases and Disorders-DRGs for Dade County in Table 4a.-5 of the application. According to the applicant, DRG 430-Psychoses-is the one most commonly encountered for hospitalization, overall as well as for Medicare beneficiaries. The applicant states that Medicare reimbursed 55 percent of the total patient days for this DRG and thus, the majority of patients are elderly and seriously mentally ill when admitted to hospitals for care.

Need for the project is not evidenced by the availability, quality of care, accessibility and extent of utilization of existing health care facilities and services in the applicant's service area.

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

The facility is accredited by the Joint Commission on Accreditation of Healthcare Organizations. A copy of the JCAHO correspondence is contained in Exhibit 5-1 of the application. The application also includes detailed descriptions of the applicant's Organizational Performance Improvement Plan for 2002 and Case Management Plan. A copy of the guidelines and forms used in the Continuous Quality Improvement Program is in Exhibit 5-2 of the application. Exhibit 5-3 of the application includes copies of the Interdisciplinary Discharge Process policy and procedures and sample forms that will be adapted for use in the proposed psychiatric unit.

According to AHCA data, the applicant had 13 confirmed complaints (five without deficiency), during the last three years. Six of the confirmed complaints were related to billing and administrative. The others concerned patient care, pressure sores, sanitation, patient rights, inappropriate discharge, and nursing service. As of April 19, 2002, 2 complaints were referred to JCAHO and four complaints were pending.

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

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

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

The proposed project is not to be located in a research or teaching hospital nor will the primary purpose of the project involve research or physician education. The applicant provides in-service training for its employees, and sponsors community education and student programs. The application also has a description of the applicant's recruitment and retention plans. Application Exhibit 7-1 contains the 2001 Education Department Nursing Contact Hours and Continuing Medical Education calendar; Exhibit 7-2 has copies of the community calendars for 2001 and 2002 and other information disseminated by the hospital for outreach and community educational purposes; and Exhibit 7-3 is a copy of the hospital's Investigational Review Board Summary of Active Protocols.

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

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

	<u>12/31/2000</u>	<u>12/31/1999</u>
Current Assets	\$ 16,461,568	\$ 15,155,658
Cash and Current Investment	\$ 216,628	\$ 0
Assets Restricted for Capital Projects	\$ 0	\$ 0
Total Assets	\$ 62,330,006	\$ 68,704,257
Current Liabilities	\$ 16,435,231	\$ 16,879,799
Total Liabilities	\$ 19,067,692	\$ 18,016,952
Total Equity	\$ 43,262,314	\$ 50,687,305
Net Operating Revenues	\$ 134,952,583	\$ 126,280,191
Interest Expense	\$ 27,121	\$ 34,569
Net Profit - Operations	\$ 14,493,801	\$ 11,733,899
Net Income	\$ 14,980,317	\$ 9,765,792
Cash Flow from Operations	\$ 21,508,006	\$ 21,379,916
Working Capital	\$ 26,337	\$ (1,724,141)
Current Ratio (CA/CL)	1.0	0.9
Cash Flow to Current Liabilities (CFO/CL)	1.3	1.3
Long-Term Debt to Equity (TL-CL/TE)	0.1	0.0
Times Interest Earned (NPO+Int/Int)	535.4	340.4
Equity to Total Assets (TE/TA)	69.4%	73.8%
Operating Margin (NPO/NOR)	10.7%	9.3%
Total Margin (NI/NOR)	11.1%	7.7%
Return on Assets (NI/TA)	23.3%	14.2%
Operating Cash Flow to Assets (CFO/TA)	34.5%	31.1%

Short-term position:

The applicant's current ratio of 1.0 indicates current assets are equal to short-term liabilities, a weak position. The working capital (current assets less current liabilities) is basically nonexistent. The ratio of cash flow to current liabilities of 1.3 is very strong. The applicant has a mixed short-term position. The low current ratio is the result of the centralized cash management of all HCA facilities. Surplus cash and short-term investments are held by the parent.

Long-term position:

The long-term debt to equity of 0.1 is low, indicating minimal debt, a good position. The cash flow to assets of 34.5 percent reflects a very high level of cash flows. The most recent year had an operating profit of \$14.5 million, which resulted in a margin of 10.7 percent, a high level. The total equity of \$43.3 million with the equity to assets of 69.4 percent is good. The applicant has a strong long-term position.

Capital requirements:

Schedule 2 indicates the applicant had \$96.6 million in capital projects planned or underway. Long-term liabilities are relatively small and repayment was not discussed in the audit notes, indicating there are no significant scheduled repayments of this debt. The Schedule 2 amount of \$96.6 million is the presumed total capital needed for this analysis.

Available capital:

Schedule 2 indicates funding for these projects will come from operations and the parent HCA. A letter from HCA indicates it will provide funding for 100 percent of the cost of this project as well as all other capital projects as needed. A copy of HCA's financial statements provided in the 10K report support its ability to provide this funding.

Conclusion:

When we consider the applicant's cash flows along with the strength and commitment from the parent, the applicant should be able to fund all capital requirements as needed.

f. What is the immediate and long-term financial feasibility of the proposal? ss. 408.035(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.

CON Action Numbers: 9567

These relationships hold true for a constant intensity of service through the relevant range of outcomes. As these relationships go beyond the relevant range of outcomes, revenues and expenses may, either go beyond what the market will tolerate, or may decrease to levels where activities are no longer sustainable.

Comparative data were derived from hospitals in peer groups that reported data in 2000; the applicant will be compared to the hospitals in group 5. Per diem rates are projected to increase by an average of 3.3 percent per year. Inflation adjustments were based on the most current Florida Hospital Input Price Index.

The application did not provide a Schedule 7 for the total facility. A statement of revenues and expenses for the total facility was provided; however, it did not include outpatient revenue as suggested by Schedule 7. We were therefore unable to determine an adjustment factor for removing the effect of outpatient revenues from the patient day computations. The hospital has not filed its 2001 hospital financial report with the agency; therefore this review resorted to the adjustment factor calculated from the 2000 financial data submitted to the agency.

Net revenue per adjusted patient day (NRAPD) of \$1,575 in year one and \$1,626 in year two are both slightly below the control group highest values of \$1,579 and \$1,627 respectively. The highest level is generally viewed as the practical upper limit on economies of operation. With net revenues falling close to the highest level, the facility is expected to consume significantly more health care resources compared to the services provided. (See Comparative Table). The 2000 actual NRAPD for this hospital was \$1,276, which was between the median and highest in that year.

Projected cost per adjusted patient day of \$1,295 in year one and \$1,344 in year two is between the group median and highest values of \$1,249 and \$1,395 in year one and \$1,287 and \$1,437 in year two. The highest value is considered the upper limit of cost-efficiency. With costs between the median and highest, this application is considered cost-efficient when compared to the control group. (See Comparative Table). The 2000 actual CAPD for this hospital was \$1,121, which was the median in that year.

The year two operating profit for the hospital of \$32 million computes to an operating margin per adjusted patient day of \$281 which is above the peer group highest of \$246. The 2000 financial data submitted to the agency shows the hospital with an operating margin per adjusted patient day of \$154. The projected margin is 17.3 percent. In an industry where

CON Action Numbers: 9567

a 10 percent profit margin is considered high (approaching the 80th percentile) a 17 percent margin could indicate that either charges are too high or not enough is being spent on patient care. While there is no doubt in the applicant's ability to implement the project, its overall pricing structure appears to divert patient funds into prodigious profits.

COMPARATIVE TABLE

CON # 9567					
Kendall Med Ctr 2000 DATA Peer Group 5	2005	YEAR 2	<u>INFLATION ADJ. VALUES</u>		
	YEAR 2	ACTIVITY	Highest	Median	Lowest
	ACTIVITY	PER DAY			
ROUTINE SERVICES	0	0	976	553	274
INPATIENT AMBULATORY		0	129	44	16
INPATIENT ANCILLARY SERVICES	0	0	3,703	2,055	1,327
OUTPATIENT SERVICES	0	0	1,977	1,366	670
OTHER OPERATING REVENUE	0	0	65	11	1
TOTAL REVENUE	0	0	5,747	3,989	2,803
DEDUCTIONS FROM REVENUE	0	0	*	*	*
NET REVENUES	185,314,151	1,626	1,627	1,265	845
EXPENSES					
ROUTINE	26,090,164	229	293	214	161
ANCILLARY	40,181,322	352	598	438	314
AMBULATORY	5,741,489				
OVERHEAD	65,357,746	573	650	573	400
OTHER	15,865,110	139			
TOTAL EXPENSES	153,235,831	1,344	1,437	1,287	955
OPERATING INCOME	32,078,320	281	246	9	-374
		17.3%			
PATIENT DAYS	80,426		NOT INFLATION ADJUSTED		
ADJUSTED PATIENT DAYS	113,999				
TOTAL BED DAYS AVAILABLE	150,380				
ADJ. FACTOR	0.7055				
TOTAL NUMBER OF BEDS	412				
PERCENT OCCUPANCY	53.5%		90.6%	53.6%	23.0%
<u>PAYER TYPE</u>	PATIENT DAYS	% TOTAL			
MEDICARE	32,851	40.8%	68.2%	41.6%	19.4%
COMMERCIAL	0	0.0%			
MEDICAID	9,398	11.7%	22.8%	6.0%	0.7%
PRIVATE	7,398	9.2%			
HMO/PPO	30,779	38.3%	64.6%	36.0%	13.7%
OTHER	0	0.0%			
TOTAL	80,426	100.0%			

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

The applicant projects managed care to represent 38.3 percent of its patient days. This is just over the control group median level of 36.0 percent and is below the hospital's own 2000 managed care level of 46.9 percent. The applicant's level of managed care will have no discernable impact on competition to promote quality assurance and cost-effectiveness. The high level of pricing as indicated by the hospital's ranking of net revenue per day within the control group and the anticipated profit margin indicates that little or no competition is taking place in the market to drive down prices for these services.

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

The application is to add 20 adult psychiatric beds at Kendall Medical Center by the conversion of 20 acute care beds. This will be a new unit with emphasis on the geriatric population. The required space will be gained by renovating existing business office space on the third floor, but there is no mention of what is planned for the space occupied by the existing acute care beds. This issue will need to be addressed for the AHCA Office of Plans and Construction if and when the project proceeds. All new psychiatric patient rooms will be semi-private and one will be fully accessible.

The application states that this is in essence a resubmission of a previously approved project for a 15-bed unit, but the previous proposal located the beds in another wing of the hospital.

The floor plan submitted was quite schematic, and many requirements for plumbing fixtures, casework and other items were not shown at this stage of design development. For example, hand washing facilities near the nurse station are not shown. The applicant should pay particular attention to applicable portions of the latest adopted versions of NFPA 101, The Florida Building Code and Chapter 59A-3 of the Florida Administrative Code for the requirements for psychiatric units and particularly geriatric units.

CON Action Numbers: 9567

The floor plan also did not have many dimensions or any square footages of the spaces shown. There are area and minimum dimension requirements in the codes above. For example, the group therapy, which is proposed to be combined with the space for quiet activities, must have at least 400 square feet. The occupational therapy is to be combined with the noisy activity room and 375 square feet is a minimum for these functions.

There are several mandatory spaces that are not included on the floor plan. The codes require a staff lounge, an exam/treatment room (120 square feet), a soiled workroom in addition to the soiled linen room, emergency equipment storage etc. The soiled/clean spaces need to be reevaluated and renamed in order to insure that the required functions are being provided. Again, attention is drawn to the applicable codes for spatial and other requirements. A consultation room is referred to in the narrative, but one is not clearly designated on the plan.

The area proposed for the new unit is quite long and narrow with a single-loaded corridor along one exterior wall and patient rooms on the opposite exterior wall. There are stairs at each end of the wing and one set of stairs and the elevator core in the center of the wing. The other half of the space on the floor is used as an auditorium. The plan shows that the occupants of the auditorium would have to enter the psychiatric area to access the central stairs and elevators. This arrangement is not acceptable due to the type of patients housed in the new unit and the necessary security measures.

Clearly the shape of the available space has presented the designers with some challenges. Hospital units are usually more compact and rectangular with a centrally located nurse station. The proposed plan will need some revision to add the missing spaces and to correct some of the adjacency issues.

Only part of the nurse station is located where there is a good view down the patient corridor and should be revised so that the main area where the nurses will be standing or sitting has a clear view. The seclusion room needs to be relocated for closer observation by the staff and more required privacy from the other patients and visitors to the unit. Seclusion rooms are usually adjacent to the nurse station with a view window between and some way of controlling who can see into the seclusion room.

It is not stated that either of the elevators has the required 4,000 capacity. It is probable that at least one meets the requirements, but this needs to be verified. No corridor width is shown, but six-foot corridors are acceptable for a psychiatric unit.

The narrative indicates that there will be a laundry and a kitchen in the noisy activity room/occupational therapy room, but these are not noted on the plan. This room is planned to have several functions, and might need to be enlarged if the kitchen is added. A small kitchen is required but laundry facilities are optional.

The list of applicable building codes is mostly correct. The gross square footage listed below needs to be verified also. It appears to be less than the actual area to be renovated.

It is not possible to tell if the projected costs are accurate without knowing the extent of demolition required. Since the space is currently used as offices, there will most likely be extensive plumbing required for new toilet rooms and other added water-source fixtures. It can be assumed that the construction schedule is workable.

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

The applicant presented the following payer information in Tables 3-1 and 4i.-1 of the application:

**Historical Provision of Medicaid and Charity Care for 1999-2001
Kendall Medical Center**

Factor	1999	2000	2001
Medicare % Total Patient Days	40.89%	38.00%	39.10%
Medicaid % Total Patient Days	10.02%	12.01%	12.05%
Self Pay % Total Patient Days	3.82%	1.80%	2.81%
Charity % Total Patient Days	2.76%	2.70%	2.16%

Source: CON Application 9567

The applicant also supplied DRG 425 through 430 discharges and patient days for Dade County adult psychiatric beds for the 12 months ended June 30, 2001, in Table 3-2 of the application. The average distribution of payers represented in psychiatric units in general hospitals is 54.47 percent Medicare and 20.12 percent Medicaid.

Tables 3-3 and 4i.-2 of the application display the projected number of patient days by payer for the first two years of the proposed unit:

CON Action Numbers: 9567

**Projected Number of Patient Days by Payer
for the Kendall Adult Psychiatric Unit
Years 1 and 2**

Factor	Total	Medicaid	Medicare	Insurance	Charity/ Other
<i>Year 1</i>					
Admissions	521	45	273	195	8
Patient Days	5,856	485	3,846	1,466	59
% of Total Patient Days	100	8.7	52.4	37.4	1.5
<i>Year 2</i>					
Admissions	552	48	290	207	8
Patient Days	6,205	514	4,075	1,533	62
% of Total Patient Days	100	8.7	52.4	37.4	1.5

Source: CON Application #9567

The applicant notes that due to the composition of the service area and the underserved population, the projected number of Medicare patient days is higher than average and the projected number of Medicaid patient days is lower than average. Schedule 7A of the application shows 65.68 percent of patient days for Medicare and 8.29 percent of patient days for Medicaid during the first two years of the proposed unit. However, the narrative behind Tab 12 of the application states the projections for charity, Medicaid, and Medicare to be two percent, 18 percent, and 73.4 percent of patient days, respectively.

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

**Medicaid and Charity Care of the Applicant
Compared to the District for Fiscal Year 2000**

Applicant	FY00 Conventional Medicaid Days	FY00 Charity % of Patient Days
Kendall Medical Center	12.0 %	1.9 %
District 11 Average	14.1 %	6.1 %

Source: FY 2000 Actual Data/AHCA

As reflected in the table, Kendall Medical Center provided 12.0 percent of its total patient days to Medicaid patients and 1.9 percent to charity care patients. The Medicaid percentage is less than the District 11 average of 14.1 percent. The hospital's charity care provision is lower than the District 11 average of 6.1 percent.

The applicant proposes that the project be conditioned for the provision of a minimum of 8.29 percent of annual patient days to Medicaid patients and a minimum of 1.0 percent of annual patient days to charity care patients in the 20-bed adult psychiatric unit.

F. SUMMARY

The applicant proposes to establish a 20-bed adult inpatient psychiatric program through the conversion of 20 acute care beds at Kendall Medical Center. The proposed unit will be located in an existing business office to be renovated on the third floor of the hospital's Annex Building.

The applicant is requesting that the project be conditioned to provide a minimum of 8.29 percent of annual patient days to Medicaid patients and a minimum of one percent of annual patient days to charity care patients.

The proposed project involves a total cost of \$1,733,557, with renovation costs of \$1,368,000 and involving 6,840 GSF of renovation.

Need:

A fixed need pool of zero was published for adult inpatient psychiatric beds in District 11 for the July 2007 planning horizon. The applicant is applying outside of the fixed need pool.

District 11 has a total of seventeen licensed adult inpatient psychiatric care facilities consisting of 829 licensed adult psychiatric beds that experienced an occupancy rate of 71.84 percent for July 2000-June 2001, less than the desired average annual occupancy rate of 75 percent. Windmoor Healthcare of Miami (74 beds) closed on or about January 3, 2002. Mt. Sinai Medical Center/Miami Heart Institute North (20 beds) closed on December 7, 2001. Doral Palms Hospital's 54 licensed beds have been in escrow since June 15, 2000.

Although the applicant did not demonstrate that there was a problem accessing care in the area, for any population including the elderly Hispanic, it did show that facilities in the Kendall area experienced high occupancy.

Quality of Care:

The applicant is JCAHO accredited and a quality care provider.

Financial/Cost:

The short-term position of the applicant is mixed and the applicant has a strong long-term position. In consideration of the applicant's cash flows along with the strength and commitment from the parent, the applicant should be able to fund all capital requirements as needed.

The project should have little positive impact on competition to promote quality assurance and cost-effectiveness.

Medicaid/Indigent Care:

According to the applicant's *Certificate of Need Predicated on Conditions* page, it will set aside a minimum of 8.29 percent of annual patient days to Medicaid patients and one percent of annual patient days in the 20-bed unit.

Architectural:

The proposed project as submitted will be located in renovated existing business office space. Various required items such as hand washing facilities near the nurse station are not shown on the floor plan, and the floor plan lacked many dimensions or square footages of the spaces shown. Further, several mandatory spaces are not included on the floor plan. Moreover, the floor plan shows that occupants of the co-located auditorium would have to enter the psychiatric area to access the central stairs and elevators, which is not acceptable due to the type of patients housed in the new unit and the necessary security measures. Revisions will be needed to add the missing spaces and to correct some of the adjacency issues. The accuracy of the projected costs could not be verified.

G. RECOMMENDATION

Approve CON #9567 to establish a 20-bed adult psychiatric unit at Kendall Medical Center. The project involves 6,840 GSF of renovation and \$1,368,000 in construction cost. Total project costs are \$1,733,557.

CONDITIONS:

- (1) A minimum of 8.29 percent of the 20-bed unit's total annual patient days shall be provided to Medicaid patients.
- (2) A minimum of one percent of the 20-bed unit's total annual patient days shall be provided to charity care patients.

AUTHORIZATION FOR AGENCY ACTION

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

DATE: _____

Karen Rivera
Health Services and Facilities Consultant Supervisor
Certificate of Need

Jeffery N. Gregg
Chief, Bureau of Health Facility Regulation