

STATE AGENCY ACTION REPORT
ON APPLICATION FOR CERTIFICATE OF NEED

A. PROJECT IDENTIFICATION

1. Applicant/CON Action Number

Mount Sinai Medical Center of Florida, Inc./CON #9568
d/b/a Mount Sinai Medical Center and Miami Heart Institute
4300 Alton Road
Miami Beach, Florida 33140

Authorized Representative: Steven D. Sonenreich, CEO
(305) 674-2222

2. Service District/Subdistrict

District 11, Dade County

B. PUBLIC HEARING

Although no public hearing was requested, the applicant submitted five letters of support from medical doctors on the staff of the hospital. The general consensus of the physicians is that the transfer of 60 CMR beds from Mount Sinai Medical Center to Miami Heart Institute will be an important part of an overall reorganization of services that will benefit patients and the hospital by combining rehabilitation medicine and orthopedics at Miami Heart Institute. The doctors state that the transition of patients from acute services to the rehabilitation will be facilitated and the quality of patient care will be improved.

C. PROJECT SUMMARY

Mount Sinai Medical Center of Florida, Inc. (CON #9568) is a Florida not-for-profit corporation operating both Mount Sinai Medical Center located at 4300 Alton Road on Miami Beach and Miami Heart Institute, located approximately one mile away at 4701 North Meridian Avenue also on Miami Beach. The applicant is seeking to transfer 60 comprehensive medical rehabilitation (CMR) inpatient beds from Mount Sinai Medical Center to Miami Heart Institute as part of an overall reorganization to consolidate services and improve efficiencies on both campuses.

According to the *Certificate of Need Predicated on Conditions* page, the applicant agrees to condition the project upon providing a minimum of 1.6 percent of its patient days to Medicaid patients and 0.66 percent of its total annual patient days to charity care patients.

The total project cost is estimated at \$2,625,511. Renovation/construction costs are projected at \$2,090,638 and the project will involve renovation of 26,915 gross square feet (GSF) of existing space.

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, 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, Ed Carter, 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? Chapter 59C-1.008 and Rule 59C-1.039.

In Volume 28, Number 4, dated January 25, 2002 on page 375 of the Florida Administrative Weekly, a fixed need pool of zero beds was published for comprehensive medical rehabilitation beds in District 11 for the July 2007 planning horizon.

District 11 has 406 licensed comprehensive medical rehabilitation beds and 15 approved beds. The comprehensive medical rehabilitation beds in District 11 experienced an occupancy rate of 70.40 percent during the period July 2000 through June 2001. The applicant is applying outside the fixed need pool to transfer 60 existing CMR beds from one of its facilities, Mount Sinai Medical Center to another of its facilities, Miami Heart Institute, approximately one mile away.

CON Action Numbers: 9568

Comprehensive Medical Rehabilitation Bed Utilization District 11 - Dade County - July 2000 - June 2001			
Facility	Number of CMR beds	S*	Occupancy % (7/00 - 6/01)
Baptist Hospital of Miami	36		77.07%
HealthSouth Rehabilitation Hospital	45	S	100.42%
HealthSouth West Gables Rehabilitation Hospital	60	S	87.97%
Jackson Memorial Hospital	80		46.75%
Mercy Hospital	20		89.58%
Mount Sinai Medical Center	60		82.77%
Parkway Regional Medical Center	12		58.36%
South Miami Hospital	33		77.19%
Villa Maria Rehabilitation Hospital	60	S	37.73%
Total Beds/Average Utilization	406		70.40%

Source: Florida Hospital Bed and Service Utilization by District January 2002

***S = Specialty Rehabilitation Hospital**

The proposed project is a simple transfer of existing beds from one campus to another campus, both under the same licensee. Therefore there will be no change in the number of CMR beds in the district as a result of this project. The need for the project focuses on the applicants' goal to reorganize services at both Mount Sinai Medical Center and Miami Heart Institute. Specifically the applicant seeks to consolidate orthopedic services with rehabilitation services at Miami Heart Institute, which is expected to result in improved services to patients and enhanced efficiencies within both facilities.

2. Local Health Plan Preferences

Is need for the project proposed supported by the applicable district plan? ss. 408.035(1)(a), Florida Statutes and Ch. 59C-1.039, Florida Administrative Code.

The District 11 October 2000 CON Allocation Factors Report provides the following preferences in the review of applications pertaining to comprehensive medical rehabilitation beds:

Level One – Higher Priorities

- 1. Applicants who have provided the highest proportion of charity care and Medicaid days during the past 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.**

CON Action Numbers: 9568

Mount Sinai Medical Center is a Medicaid Disproportionate Share Provider for State Fiscal Year 2001-2002 in the category of Graduate Medical Education. The applicant has an existing blended condition on the 60 CMR beds of 1.6 percent Medicaid and 0.66 percent charity, which it intends to continue. According to a summary report by the financial review unit based on hospital data reported to the Agency, the applicant provided 4.7 percent of its patient days to Medicaid recipients and 0.5 percent charity care patients for fiscal year 2000. The applicant reports that during calendar year 2001 it provided 5.5 percent of its CMR patient days and 7.0 percent of its total patient days to Medicaid patients. During the same year, the applicant provided 1.2 percent of its CMR patient days and another 0.7 percent of its total patient days to medically indigent patients. The applicant expects to continue to provide services to Medicaid and medically indigent patients at these levels following the transfer of CMR beds from Mount Sinai Medical Center to Miami Heart Institute.

- 2. Applicants who demonstrate the highest ongoing commitment to serving Medicaid and indigent patients. “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 has not demonstrated the highest ongoing commitment among District 11 providers. See response to number one above.

- 3. If there is a demonstrated need for inpatient comprehensive medical rehabilitation beds, applicants who propose to convert medical/surgical beds as a means to contain overall community health care costs.**

The applicant does not consider this preference applicable as its purpose is not to meet a demonstrated need for additional CMR beds but simply to transfer 60 existing CMR beds from one its campuses to another within approximately one mile of each other. The applicant states that the proposed project will not result in an increase in bed capacity on either an institution-specific or area-wide level. The applicant further clarifies its intent by stating that the 60 CMR beds that will be transferred to Miami Heart Institute will be accommodated in patient rooms that currently contain 60 general acute care beds.

- 4. Applicants who propose to convert acute care beds, excluding specialty beds, equal to the number of comprehensive medical**

rehabilitation inpatient beds, unless the applicant can project an annual occupancy rate of 75 percent for the applicable planning horizon.

See response to Preference #3 above.

- 5. Applicants who include plans for discharge planning, case management, outpatient and home health care agreements as necessary.**

The applicant states that all CMR patients are provided with case management services to cultivate participation in the CMR program and for assessment and intervention for psychosocial factors in the social context in which the physically disabled person resides. Copies of the applicant's policies and procedures related to case management in the CMR unit are included in the application (Attachment G). These same policies and procedures are expected to be continued at Miami Heart Institute, once the transfer of 60 CMR beds is completed.

Level Two – Lower Priorities

- 1. An applicant whose facility demonstrates a commitment to quality of care as evidenced by the existence of a mechanism to assess and publicly report on quality.**

The applicant utilizes a uniform data system for its CMR unit for a functional independence measure (FIM) as a means of functional outcome measurement for the inpatient rehabilitation unit. The performance of the program is compared to other rehabilitation programs to evaluate how effective and efficient the unit is in helping people to become more functionally independent. The applicant claims that these data show that its CMR unit provides greater rehabilitation effectiveness, exceeding national adjusted expected values in a shorter rehabilitation stay. These data are not expected to change following transfer of the 60 CMR beds to Miami Heart Institute.

- 2. A hospital with licensed comprehensive medical rehabilitation inpatient services that has an occupancy rate of the medical rehabilitation inpatient beds of at least 90 percent for at least two consecutive calendar quarters during the 12-month period ending six months before the beginning date of the quarter of the publication of the fixed bed need pool and also submits evidence that the hospital has a specialty inpatient rehabilitation service that is not available elsewhere in the district.**

The applicant is not proposing to add CMR beds but simply to transfer its 60 existing CMR beds from Mount Sinai Medical Center to Miami Heart Institute, both under the license of the applicant.

- 3. An applicant who demonstrates that a proposed transfer of beds will not adversely impact the Medicare and private pay markets of area hospitals providing a disproportionate share of charity care and Medicaid patient days.**

The applicant intends to serve the same base of patients that it has historically served for CMR therefore it expects to serve approximately the same percentage of market share and patient origin, the same payor mix, and the same diagnoses that it has historically served for CMR. As a result, the applicant does not expect to impact other area hospitals with the transfer of the 60 CMR beds from Mount Sinai Medical Center to Miami Heart Institute.

- 4. Commit to timely completion of CON projects that are approved.**

The applicant commits to implement the project in a timely manner and expects it to be completed in just over one year. The project will require the renovation of the fifth floor of the Miami Heart Institute campus only.

3. **Agency Rule Criteria**

Please indicate how each applicable preference for the type of service proposed is met. Refer to Chapter 59C-1.039, Florida Administrative Code, for applicable preferences.

(3) **General Provisions:**

- (a) **Service Location. The CMR inpatient services regulated under this rule may be provided in a hospital licensed as a general hospital or licensed as a specialty hospital.**

The applicant proposes to transfer 60 CMR beds from Mount Sinai Medical Center, an acute care hospital, to Miami Heart Institute, also an acute care hospital.

- (b) **Separately Organized Units. CMR inpatient services shall be provided in one or more separately organized units within a general hospital or specialty hospital.**

The 60 CMR beds are currently located in a separately organized unit of Mount Sinai Medical Center and will be located in a separate unit within Miami Heart Institute, upon completion of the proposed transfer project.

- (c) **Minimum Number of Beds. A general hospital providing comprehensive medical rehabilitation inpatient services should normally have a minimum of 20 comprehensive medical rehabilitation inpatient beds. A specialty hospital providing CMR inpatient services shall have a minimum of 60 CMR inpatient beds.**

The applicant is currently licensed for 60 CMR beds, which are proposed to be transferred from one of its facilities to another within approximately one mile of each other.

- (d) **Conformance with Criteria for Approval.** A CON for the establishment of new CMR inpatient services, the construction or addition of new CMR inpatient beds, or the conversion of licensed hospital acute care beds to CMR inpatient beds shall not normally be approved unless the applicant meets the applicable review criteria in Section 408.035, Florida Statutes, and the standards of need determination criteria set forth in this rule.

The applicant is not proposing to establish a new CMR service but simply transfer an existing 60-bed CMR unit from one of its campuses to another, within approximately one mile of each other. Also see response to E.1.a., above and E.4.a., below.

- (e) **Medicare and Medicaid Participation.** An applicant proposing to increase the number of licensed CMR inpatient beds at its facility shall participate in the Medicare and Medicaid programs.

The applicant is a participating provider in the Medicare and Medicaid programs and intends to maintain this status once the 60 beds are transferred to the Miami Heart Institute campus.

(4) Required Staffing and Services.

- (a) **Director of Rehabilitation.** CMR inpatient services must be provided under the medical director of rehabilitation who is a board-certified or board-eligible psychiatrist and has had at least two years of experience in the medical management of inpatients requiring rehabilitation services.

The applicant's medical director is David Lawrence Lipkin, M.D., who is board-certified in physical medicine and rehabilitation. Dr. Lipkin will continue to serve as medical director once the 60-bed CMR program is transferred to the Miami Heart Institute campus. Attachment H of the application contains Dr. Lipkin's curriculum vitae.

(b) Other Required Services. In addition to the physician services, CMR inpatient services shall include at least the following services provided by qualified personnel:

- 1. Rehabilitation nursing**
- 2. Physical therapy**
- 3. Occupational therapy**
- 4. Speech therapy**
- 5. Social services**
- 6. Psychological services**
- 7. Orthotic and prosthetic services**

The applicant is an existing provider of CMR services and provides a range of services that equals or exceeds the minimum requirements. Schedule 6A indicates the applicant maintains qualified personnel to staff the various disciplines required to maintain a CMR program.

(5) Criteria for Determination of Need:

(a) Bed Need. A favorable need determination for proposed new or expanded comprehensive medical rehabilitation inpatient services shall not normally be made unless a bed need exists according to the numeric need methodology in paragraph (5)(c) of this rule.

The applicant does not seek new or expanded CMR beds or services it simply seeks to transfer its existing 60-bed CMR program from its Mount Sinai Medical Center campus to its Miami Heart Institute campus. Also please see response to E.1. fixed need pool, above.

(6) Access Standard. Comprehensive medical rehabilitation inpatient services should be available within a maximum ground travel time of two hours under average travel conditions for at least 90 percent of the district's total population.

Inpatient CMR services in the district are available within a two hours drive time for at least 90 percent of the district's total population. The applicant states that there will be no change in CMR access as a result of the proposed project.

(7) **Quality of Care:**

- (a) **Compliance with Agency Standards. CMR inpatient services shall comply with the agency standards for program licensure described in Section 59A-3, Florida Administrative Code. Applicants who submit an application that is consistent with the agency licensure standards are deemed to be in compliance with this provision.**

The applicant states that it is compliance with agency standards for program licensure and is JCAHO and CARF accredited. The applicant intends to remain compliant with these standards following the proposed transfer of the 60-bed CMR program from one of its campuses to another.

- (b) **Accreditation. Applicants proposing new CMR inpatient services shall state how they will meet accreditation standards.**

The applicant is accredited by both JCAHO and CARF.

(8) **Service Description. An applicant for CMR inpatient services shall provide a detailed program description in its certificate of need application including:**

- (a) **Age groups to be served.**

The applicant states that it provides and will continue to provide care to patients 18 years of age and older.

- (b) **Specialty inpatient rehabilitation services to be provided.**

The applicant is accredited by CARF for medical rehabilitation programs: comprehensive integrated rehabilitation programs - hospitals and outpatient medical rehabilitation programs. The applicant identified a wide range of specialized rehabilitation services available to assist patients, however it does not offer specialized programs beyond the basic program previously mentioned.

- (c) **Proposed staffing, including qualifications of the medical director, a description of staffing appropriate for any specialty program, and a discussion of the training and experience requirements for all staff who will provide CMR inpatient services.**

The hospital's medical director is David Lawrence Lipkin, M.D., board-certified in physical medicine and rehabilitation. Dr. Lipkin will continue to serve as the medical director of the applicant's CMR program following completion of the proposed transfer of the 60 CMR beds from Mount Sinai Medical Center to Miami Heart Institute. Dr. Lipkin's resume is provided at Attachment H in the application. The applicant provided the names and job descriptions, including minimum training and experience requirements for the staff positions dedicated to the CMR program. (See Attachment I). The CMR program is currently staffed with 116.6 FTEs and the projection after completion of the transfer project is to reduce staff by 2.0 FTEs rehabilitation transport aids.

- (d) **A plan for recruiting staff, showing sources of staff.**

As indicated above, the applicant anticipates reducing staff by two FTEs as a result of the proposed transfer project. However the applicant has an existing recruitment and retention plan in place when it becomes necessary to add staff.

- (e) **Expected sources of patient referrals.**

The applicant has an establish referral base and it does not anticipate any changes in referral patterns as a result of the proposed transfer project.

- (f) **Projected number of CMR inpatient services patient days by payer type, including Medicare, Medicaid, private insurance, self-pay and charity care patient days for the first two years of operation after completion of the proposed project.**

Based on projected patient days the applicant anticipates a patient mix with 82.7 percent Medicare/Medicare HMO, 5.5 percent Medicaid/Medicaid HMO, and 7.9 percent managed care, 2.4 percent insurance and 1.6 percent self-pay/other.

(g) Admission policies of the facility with regard to charity care patients.

The applicant intends to condition the project on the provision of providing a minimum of 1.6 percent of its patient days to Medicaid patients and 0.66 percent of its total annual patient days to charity care patients. The applicant provided its admission policy-related to charity care patients in Attachment J of the application.

(9) Applications from Licensed Providers of Comprehensive Medical Rehabilitation Inpatients Services. A facility providing licensed CMR inpatient services seeking CON approval for additional CMR beds shall provide the following information in its CON application in addition to the information required by subsection (8):

(a) Number of CMR inpatient service admissions and patient days 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 applicant did not provide this information, stating it did not believe it was applicable. Admissions are not reported to the Agency, but as noted above, the applicant experienced a 12-month average occupancy of 82.77 percent for the period ending six months prior to the beginning date of the quarter of the publication for the fixed bed need pool. The applicant is not proposing to add CMR beds but simply requesting approval to transfer its 60 existing CMR beds from one of its campuses to another.

(b) Number of comprehensive medical rehabilitation inpatient services patients days by payer type, including Medicare, Medicaid, private insurance, self-pay and charity care patient days, 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 applicant again indicates that it considers this criterion not applicable because it is not proposing to add CMR beds but simply requesting approval to transfer its 60 existing CMR beds from one of its campuses to another.

(c) Gross revenue by payor source 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.

See response to (b) above.

(d) Current Staffing.

Schedule 6A provides the number of FTEs necessary to staff the existing 60-bed CMR unit only and not the entire Mount Sinai Medical Center facility. The applicant currently reports 116.6 FTEs. When the program is transferred to the Miami Heart Institute facility, the applicant expects to reduce CMR staffing by 2.0 FTE rehabilitation transport aides, which brings the total staff for the 60-bed unit to 114.6.

(e) Current specialty inpatient CMR services.

See response to (8)(b) above.

(10) Utilization Reports. Facilities providing licensed CMR inpatient services shall provide utilization reports to the agency or its designee.

The applicant currently participates in the data collection activities of AHCA and the local health council and also participates in the data collection activities in accordance with Chapter 408 of the Florida Statutes. The applicant commits to continue participation in data collection activities after the transfer application is completed.

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.

The proposed transfer of CMR beds from Mount Sinai Medical Center to Miami Heart Institute is an important component of the applicant's overall reorganization of services between the two campuses that it believes will enhance quality of care and achieve a greater operating efficiency at both campuses. Ultimately the applicant plans to provide general acute care services at Mount Sinai Medical Center and rehabilitation and orthopedics at Miami Heart Institute. The applicant expects these changes to streamline the delivery of services and ensure patient-focused care to benefit patients. Mount Sinai Medical Center of Florida Inc. believes it must reconfigure its services to remain competitive within its service area. The applicant contends this project will be an important element in its efforts to consolidate and realign services in the

future to achieve greater operating efficiency. The project will ensure continued access for its existing base of patients.

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

The applicant has a history of providing quality care as demonstrated by the award of accreditation from both the JCAHO and CARF. In addition, the applicant seeks to "ensure the highest quality of care" to patients, by utilizing the Uniform Data System for its CMR unit for a Functional Independence Measure (FIM) as a means of functional outcome measurement. This system enables the performance of the CMR program to be compared to other rehabilitation programs to evaluate how effective and efficient the unit is in helping people to become more functionally independent.

The Agency has received 47 complaints on Mount Sinai Medical Center for the period May 11, 1998 through April 3, 2002. Three of these complaints are still outstanding and 14 of them have been confirmed. The complaints alleged everything from billing errors to patient care issues. The complaints do not distinguish the service area involved other than the emergency room.

- 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 projects do not involve special health care services that are not reasonably or economically accessible in adjacent districts.

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

Mount Sinai Medical Center is one of only six statutory teaching hospitals in the state and is the largest private, not-for-profit independent teaching hospital in South Florida. The facility trains more than 150 residents and fellows in 21 different specialty programs and offers accredited programs in internal medicine, cardiology, pathology, radiology, surgery, dentistry, and sleep disorders. In addition, the applicant, in affiliation with the University of Miami/Jackson Memorial Medical Center, has programs in anesthesiology, dermatology, gastroenterology, general medicine, geriatrics, infectious diseases, neurosurgery, pediatrics, psychiatry, pulmonary medicine, radiology, and

thoracic and cardiovascular surgery. The facility is also approved to train 16 third-year and fourth-year NSU-COM students.

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

The audited financial statements of Mount Sinai Medical Center of Florida, Inc., 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:

	12/31/2000	12/31/1999
Current Assets	\$ 108,476,000	\$ 78,341,000
Cash and Current Investment	\$ 10,393,000	\$ 20,277,000
Assets Restricted for Capital Projects	\$ 0	\$ 0
Total Assets	\$ 517,779,000	\$ 429,789,000
Current Liabilities	\$ 148,495,000	\$ 53,770,000
Total Liabilities	\$ 334,538,000	\$ 237,710,000
Total Equity	\$ 183,241,000	\$ 192,079,000
Net Operating Revenues	\$ 361,563,000	\$ 307,827,000
Interest Expense	\$ 13,807,000	\$ 9,480,000
Net Profit - Operations	\$ -13,858,000	\$ -32,076,000
Net Income	\$ -14,690,000	\$ -23,972,000
Cash Flow from Operations	\$ -19,961,000	\$ 15,815,000
Working Capital	\$ (40,019,000)	\$ 24,571,000
Current Ratio (CA/CL)	0.7	1.5
Cash Flow to Current Liabilities (CFO/CL)	-0.1	0.3
Long-Term Debt to Equity (TL-CL/TE)	1.0	1.0
Times Interest Earned (NPO+Int/Int)	0.0	-2.4
Equity to Total Assets (TE/TA)	35.4%	44.7%
Operating Margin (NPO/NOR)	-3.8%	-10.4%
Total Margin (NI/NOR)	-4.1%	-7.8%
Return on Assets (NI/TA)	-2.7%	-5.6%
Operating Cash Flow to Assets (CFO/TA)	-3.9%	3.7%

Short-term position:

The applicant's current ratio of 0.7 indicates current assets are less than short-term liabilities, a weak position. The working capital (current assets less current liabilities) is a negative \$40 million. The low current ratio and negative working capital is a result of \$85 million current portion of long-term debt. Today, over a year later, it is assumed the \$85 million has been refinanced or otherwise extended and is more appropriately a long-term financial issue. The previous year, 1999, without this significant current portion of long-term debt, the current ratio was a satisfactory 1.5 percent and the working capital was a positive \$25 million. The ratio of cash flow to current liabilities of -0.1 is also weak. The applicant has a poor short-term position.

Long-term position:

The ratio of long-term debt to equity of 1.0 is good. The ratio of cash flow to assets of -3.9 percent reflects the weak negative cash flows. The most recent year had an operating loss of \$-13.9 million, which resulted in a margin of -3.8 percent, a poor level. The total equity of \$183 million with the equity to assets of 35.4 percent is good. At the end of 1998 the equity was \$203 million and by the end of 2000 it had declined to \$183 million. The significant equity balance can help support the level of losses for a few more years; however, due to the unprofitable operations, the long-term position is not considered good.

Note 23 of the audited financial statements in a paragraph titled "Going Concern" discussed measures the applicant is taking in hopes of turning its weak financial operations around. The indication is that the hospital is aware of its financial problems and is taking several steps to improve profitability.

Capital requirements:

Schedule 2 indicates the applicant had \$20.9 million in capital projects and long-term debt maturities. The audit disclosed \$84.9 million in long-term debt maturing in 2001. Since the applicant was unable to pay this debt, it is assumed that an extension, renegotiation or refinance arrangement was made.

Available capital:

Schedule 2 indicates funding for these projects will come from operations. Cash flows for the most recent year were negative and the level of future cash flows cannot be determined. The applicant has restricted assets in the amount of \$75,822,000; however, note 6 of the audited financial statements indicated these funds are already obligated. A letter from Mount Sinai Medical Center Foundation attached to Schedule 3 states it will commit \$2.65 million to fund this project.

Conclusion:

The amount of total capital projects would be relatively small for an entity with \$518 million in assets; however the weak financial position of the applicant makes this \$20.9 million a significant amount. Funding for this project should be available from the foundation grant; however, funding for all other capital needs is in question due to the weak cash flows and poor financial position.

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. 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 8. 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.

CON Action Numbers: 9568

Net revenue per adjusted patient day (NRAPD) of \$1,522 in year one and \$1,578 in year two are between the control group lowest and median values of \$1,372 and \$1,615 for year one and \$1,414 and \$1,663 for year two. The lowest value is generally viewed as the practical lower limit on economies of operation. With net revenues per adjusted patient day falling between the lowest and median the facility is expected to consume health care resources in proportion to the services provided. (See Comparative Table). The 2000 actual NRAPD for this hospital was \$1,387, which was between the lowest and median in that year.

Projected cost per adjusted patient day of \$1,559 in year one and \$1,590 in year two is between the group lowest and median values of \$1,394 and \$1,699 in year one and \$1,436 and \$1,750 in year two. The lowest value is considered the lower limit of cost efficiency. With costs between the lowest and median, this application is considered cost efficient when compared to the control group. (See Comparative Table). The 2000 actual CAPD for this hospital was \$1,371, which was the lowest in that year.

The applicant's year two operating loss of \$-3.4 million computes to an operating margin per adjusted patient day of \$-12 which is between the peer group median and highest of \$-77 and \$66. The audited financial statements for the applicant, the hospital and other health care services division, had a loss for 2000 of \$-13.9 million. This project does not project any incremental revenues; therefore all its costs of \$69,420 are included in the projected loss of \$3.4 million.

The projections show a significant trend of improvement from the year 2000 audited loss of \$-13.9 million to year one of a loss of \$-9.9 million and the year two loss of \$-3.4 million. This project is proposed as part of a planned reorganization of the medical center's services with those of Miami Heart Institute. The project itself is irrelevant based on the overall financial condition of the applicant. The contributed loss is minimal and the foundation is providing the necessary funding.

CON Action Numbers: 9568

COMPARATIVE TABLE

CON # 9568					
Mt. Sinai 2000 DATA Peer Group 8	2005	YEAR 2	<u>INFLATION ADJ. VALUES</u>		
	YEAR 2	ACTIVITY	Highest	Median	Lowest
	ACTIVITY	PER DAY			
ROUTINE SERVICES	782,030,494	2,888	1,019	644	403
INPATIENT AMBULATORY	0	0	102	71	38
INPATIENT ANCILLARY SERVICES	0	0	3,352	2,252	1,873
OUTPATIENT SERVICES	271,749,246	1,003	1,494	960	800
OTHER OPERATING REVENUE	9,231,994	34	83	33	12
TOTAL REVENUE	1,063,011,734	3,925	5,080	4,266	3,379
DEDUCTIONS FROM REVENUE	635,716,566	2,347	*	*	*
NET REVENUES	427,295,168	1,578	1,757	1,663	1,414
EXPENSES					
ROUTINE	118,576,437	438	518	264	228
ANCILLARY	79,923,986	295	715	621	464
AMBULATORY	10,175,645				
OVERHEAD	222,001,724	820	978	709	595
OTHER	0	0			
TOTAL EXPENSES	430,677,792	1,590	2,040	1,750	1,436
OPERATING INCOME	-3,382,624	-12	66	-77	-457
		-0.8%			
PATIENT DAYS	199,227		NOT INFLATION ADJUSTED		
ADJUSTED PATIENT DAYS	270,809				
TOTAL BED DAYS AVAILABLE	290,175				
ADJ. FACTOR	0.7357				
TOTAL NUMBER OF BEDS	795				
PERCENT OCCUPANCY	68.7%		64.8%	52.9%	43.1%
<u>PAYER TYPE</u>		PATIENT DAYS			
MEDICARE	110,895	55.7%	55.5%	28.3%	13.4%
COMMERCIAL	6,177	0.0%			
MEDICAID	12,793	6.4%	33.8%	19.8%	4.7%
PRIVATE	5,606	2.8%			
HMO/PPO	63,105	31.7%	43.5%	30.5%	15.6%
OTHER	651	0.3%			
TOTAL	199,227	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 31.7 percent of its patient days. This is just over the control group median level of 30.50 percent and is just above the hospital's own 2000 managed care level of 31.2 percent. The applicant's level of managed care will have no discernable impact on competition to promote quality assurance and cost-effectiveness.

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

The narrative describes the application as "essentially a transfer of existing licensed beds from one campus", (Mount Sinai Medical Center) to the Miami Heart Institute. The applicant mentions several scenarios to accomplish this.

This architectural review is concerned only with the adequacy of the patient rooms and required ancillary spaces in the Miami Heart institute to become a CMR unit at Miami Heart Institute.

The location of the new 60 CMR beds at Miami Heart Institute is on the fifth floors of the Nichol and Tower Buildings. Although the Adams Building is between the other two buildings, all three buildings are connected by a common corridor and essentially function as one building. The entire fifth floor of the Nichol Building and most of the same floor of the Tower Building will be devoted to the CMR unit. There is a small wing of the tower building, which is designated wound care and is outside the scope of this review as is the Adams Building. This wing does not have a nurse station, so the question as to how this will function should be addressed by the applicant. There is no indication that the CMR nurse station will also serve wound care, but how this unit will function is related to this application.

The 22 rehabilitation bedrooms in the Nichol Building are private and the 38 rooms in the Tower Building are semi-private. The private bedrooms have accessible toilet rooms with wheelchair-accessible showers. The semi-private Tower Building rooms have accessible toilet rooms, but they utilize four wheelchair-accessible showers off the main corridor. This is acceptable except for possible privacy issues since there is no vestibule for the showers.

CON Action Numbers: 9568

The application indicates that the rehabilitation spaces are a single “unit” even though the patient rooms are in two separate areas, each with its own nurse station. There are several “therapy” spaces to be shared by all the patients, which is acceptable.

There are specific requirements for a rehabilitation facility’s ancillary spaces in The Florida Building Code and in Chapter 59A-3 of the Florida Administrative Code. Several of these spaces are either not shown on the floor plans or are not labeled clearly enough to describe their exact functions. Items missing or in question include:

- Hand washing facilities in various spaces (especially the nurse stations)
- An office for the physical therapist (unless this is the unit manager’s office)
- Reception and waiting areas
- Accessible public toilets
- Group exercise area

The applicant should be advised to have the required ancillary spaces labeled to match the wording in the codes to avoid the impression that a required space is not provided.

The Florida Building Code requires that there be a staff toilet adjacent to the nurse station. The one in the Tower Building is across the corridor from the nurse station and not adjacent. The similar space in the Nichol Building is acceptably located, but is not accessible. What appear to be public toilets in the Nichol Building are also not accessible and this is required by Chapter 11 of The Florida Building Code.

Items such as refrigerators, ice machines and flushing-rim sinks will have to be shown in later design development drawings if the application is approved.

The typical patient rooms shown on the large-scale plans have the required square footage and are well designed. The schedule appears to be reasonable unless there are demolition or CON issues that would delay the project. Since there is not a plan showing existing conditions on the fifth floor, it is not possible to tell the extent of the renovations and what will have to be demolished to accommodate the 60-bed unit, therefore there is insufficient information to demonstrate the reasonableness of the project cost.

- 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.**

Mount Sinai Medical Center is a Medicaid Disproportionate Share Provider for State Fiscal Year 2001-2002 in the Graduate Medical Education category. The applicant has an existing blended condition on the 60 CMR beds of 1.6 percent Medicaid and 0.66 percent charity, which it intends to continue by conditioning this project for this same commitment. The applicant has consistently complied with these conditions as stated in the application. According to a summary report by the financial review unit based on hospital data reported to the Agency, the applicant provided 4.7 percent Medicaid and 0.5 percent charity care for fiscal year 2000. The applicant reports that during calendar year 2001, it provided 5.5 percent of its CMR patient days and 7.0 percent of its total patient days to Medicaid patients. During the same year, the applicant provided 1.2 percent of its CMR patient days and another 0.7 percent of its total patient days to medically indigent patients. The applicant expects to continue to provide services to Medicaid and medically indigent patients at these levels following the transfer of CMR beds from Mount Sinai Medical Center to Miami Heart Institute.

F. SUMMARY

In Volume 28, Number 4, dated January 25, 2002 on page 375 of the Florida Administrative Weekly, a fixed need pool of zero beds was published for comprehensive medical rehabilitation beds in District 11 for the July 2007 planning horizon.

Need/Other Special Circumstances:

The proposed project is a simple transfer of existing beds from one campus to another campus, both under the same licensee. There will be no change in the number of CMR beds in the district as a result of this project. The need for the project focuses on the applicants' goal to reorganize services at both Mount Sinai Medical Center and Miami Heart Institute. Specifically the applicant seeks to consolidate orthopedic services with rehabilitation services at Miami Heart Institute, which is expected to result in improved services to patients and enhanced efficiencies within both facilities.

Quality of Care:

The applicant received accreditation from both the JCAHO and CARF. The Agency has received 47 complaints on Mount Sinai Medical Center for the period May 11, 1998 through April 3, 2002.

Medicaid/Indigent Care:

The applicant has an existing blended condition on the 60 CMR beds of 1.6 percent Medicaid and 0.66 percent charity, which it intends to continue.

Financial Feasibility:

Funding for this project should be available from the foundation grant; however, funding for all other capital needs is in question due to the weak cash flows and poor financial position. This project is proposed as part of a planned reorganization of the medical center's services with those of Miami Heart Institute. The project itself is irrelevant based on the overall financial condition of the applicant. The contributed loss is minimal and the foundation is providing the necessary funding.

Architectural:

The location of the new 60 CMR beds at Miami Heart Institute is on the fifth floors of the Nichol and Tower Buildings. The application indicates that the rehabilitation spaces are a single "unit" even though the patient rooms are in two separate areas, each with its own nurse station. There are specific requirements for a rehabilitation facility's ancillary spaces in The Florida Building Code and in Chapter 59A-3 of the Florida Administrative Code. Several of these spaces are either not shown on the floor plans or are not labeled clearly enough to describe their exact functions. What appear to be public toilets in the Nichol Building are also not accessible and is required by Chapter 11 of The Florida Building Code.

The typical patient rooms shown on the large-scale plans have the required square footage and are well designed. The schedule appears to be reasonable unless there are demolition or CON issues that would delay the project.

G. RECOMMENDATION

Approve CON #9568 to establish a 60-bed comprehensive medical rehabilitation (CMR) unit at Miami Heart Institute, 4701 North Meridian Avenue through the delicensure of 60 CMR beds at Mount Sinai Medical Center. The project involves 26,915 GSF of existing space and construction costs of \$2,090,638. Total project costs are \$2,625,511.

CONDITIONS:

- (1) A minimum of 1.6 percent of the 60-bed CMR units total annual patient days shall be provided to Medicaid patients.
- (2) A minimum of 0.66 percent of the 60-bed CMR units 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

Jeffrey N. Gregg
Chief, Bureau of Health Facility Regulation