

STATE AGENCY ACTION REPORT
ON APPLICATION FOR CERTIFICATE OF NEED

A. PROJECT IDENTIFICATION

1. Applicant/CON Action Number

Tenet HealthSystem Hospitals, Inc./CON #9599
d/b/a Seven Rivers Community Hospitals
3300 Port Royale Drive North, Suite 228-II
Fort Lauderdale, Florida 33308

Authorized Representative: Robert J. Greene
(954) 684-3416

2. Service District/Subdistrict

District 3; Alachua, Bradford, **Citrus**, Columbia, Dixie, Gilchrist, Hamilton, Hernando, Lafayette Lake, Levy, Marion, Putnam, Sumter, Suwannee and Union Counties

B. PUBLIC HEARING

Although no public hearing was requested, the application contains 13 letters of support; one from Representative Nancy Argenziano, one from the Vice President/Provost of Central Florida Community College, two from Governing Board Members of Seven Rivers Community Hospital, and nine letters from area physicians. All of the letters are typical support letters however the letter from Dr. R. Prasad Potu covers many of the concerns expressed by area physicians, such as; the high density of the elderly population, the lack of CMR services in Citrus County which impacts family visits and referring physician involvement in the day-to-day care of the CMR patient, especially patients with multiple medical problems, and the inadequacy of alternative rehab care such as nursing homes and home health care. Patients requiring comprehensive medical rehabilitation care must now be referred to Leesburg, 50 miles away or Gainesville, 70 miles away according to Dr. Potu. Each of the physicians support the establishment of the 16-bed CMR unit at Seven Rivers

Community Hospital and many of them indicate they will refer patients to the facility.

C. PROJECT SUMMARY

Tenet HealthSystem Hospitals, Inc., d/b/a Seven Rivers Community Hospital (CON #9599) is a wholly-owned subsidiary of Tenet Healthcare Corporation, a publicly-owned company. Seven Rivers Community Hospital, located at 6201 N. Suncoast Blvd. in Crystal River, is a 128-bed general acute care hospital consisting of 112 acute care beds and 16 adult psychiatric beds. The applicant is seeking to establish a 16-bed comprehensive medical rehabilitation unit (CMR) through the conversion/delicensure of eight acute care beds and eight adult psychiatric beds. The total licensed capacity of the facility will remain unchanged as a result of the proposed project.

As a condition of the approval, the applicant proposes to provide a minimum of two percent of total annual patient days of care in the CMR unit to Medicaid and charity care patients.

The total project cost is estimated at \$1,538,638. The project encompasses 6,661 GSF of renovated space at a renovation/construction cost of \$740,850.

D. REVIEW PROCEDURE

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

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

In Volume 28, Number 30, dated July 26, 2002 on page 3318 of Section XII of the Florida Administrative Weekly, a fixed need pool of zero beds was published for comprehensive medical rehabilitation beds in District 3 for the January 2008 planning horizon. District 3 has 55 licensed and 60 CON-approved (CON #9226) comprehensive medical rehabilitation beds. The comprehensive medical rehabilitation beds in District 3 experienced an average occupancy rate of 75.17 percent during the reporting period January 2001 through December 2001. The applicant is applying outside of the fixed need pool.

- b. According to 59C-1.039 (5)(d) of the Florida Administrative Code, need for 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. Regardless of whether bed need is shown under the need formula in paragraph (5)(c), no additional comprehensive medical rehabilitation inpatient beds shall normally be approved for a district unless the average annual occupancy rate of the licensed comprehensive medical rehabilitation inpatient beds in the district was at least 80 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.

District 3 has 55 licensed comprehensive medical rehabilitation beds that experienced an average occupancy rate of 75.17 percent during the period January 2001 through December 2001:

**Comprehensive Medical Rehabilitation Bed Utilization
District 3 - January 2001 - December 2001**

Facility	County	Number of CMR beds	Occupancy % (07/00 - 6/01)
Shands Rehabilitation Hospital	Alachua	40	76.54%
Leesburg Regional Medical Ctr-North	Lake	15	71.51%
Total/Average		55	75.17%

Source: Florida Hospital Bed and Service Utilization by District - July 26, 2002

This criterion's 80 percent standard was not reached.

The applicant claims other not normal circumstances exist in the district.

c. Other Special Circumstances

The applicant challenges the operational effect of the Comprehensive Medical Rehabilitation Inpatient Services Rule (59C-1.039, Florida Statutes) contending that it reduces access to comprehensive medical rehabilitation beds for District 3. However, CON applications are not the proper venue for Rule challenges.

Seven "significant not normal circumstances" are identified by the applicant. The first circumstance addresses geographic barriers to access to CMR services for residents, given the current distribution of CMR providers within District 3 and Florida. Here the applicant attempts to utilize its own service area to justify need as opposed to the two-hour ground travel access standard contained in the CMR Rule [59C-1.039(6)]. The applicant notes that the two existing CMR providers in District 3 are approximately one and one-half hours travel time from

CON Action Number: 9599

its facility. According to Yahoo, Shands Rehabilitation Hospital (40 CMR beds) is 60.9 miles to the north in Alachua County, about one hour and twenty-seven minutes travel time. To the east is Leesburg Regional Medical Center-North (15 CMR beds), 52.8 miles and approximately one hour and 23 minutes travel time in Lake County. The applicant states that these travel distances have proven in the past to be a strong deterrent to physicians in referring patients for CMR services following an acute care admission. Among the concerns expressed by admitting physicians is that they could not have a meaningful participation in the CMR care if their patients are referred to a distant program.

While the applicant acknowledges the approval of 60 CMR beds (CON #9226) in Hernando County, it does not consider this an adequate alternative to its own proposed 16-bed project. The applicant states that the approved facility for HealthSouth Corporation - Spring Hill, is located 39.8 miles to the south at approximately one-hour and three minutes drive time. Yahoo reports the HealthSouth project in Hernando County (12440 Cortex Blvd/Spring Hill) as 32.0 miles (a 47 minute drive) from Seven Rivers Community Hospital. Another detractor identified by the applicant is the difficulty for older spouses, family, and/or caregivers to travel out of county to visit CMR patients or become involved in their post discharge care training. It is of interest to note that approval of CON #9226 is the direct result of a Final Order in DOAH Case No. 00-0473, dated June 14, 2000. Consequently when the Fixed Need was published for this batching cycle for the January 2008 planning horizon, an excess of 61 CMR beds was identified in District 3.

CMR services are defined in statute as tertiary services. A tertiary health service is defined [408.032(17) Florida Statutes] as a health service which, due to its high level of intensity, complexity, specialization or limited applicability, and cost, should be limited to, and concentrated in, a limited number of hospitals to ensure the quality, availability, and cost-effectiveness of such service. Rule 59C-1.039 (6), Florida Administrative Code identifies appropriate travel distances for this tertiary service as a maximum ground travel time of two hours under average travel conditions for at least 90 percent of the district's total population. Therefore, this first circumstance identified by the applicant is not a special, not-normal, circumstance.

The applicant also tries to equate the Agency's "specific recognition to not normal circumstances involving geographic access to tertiary services" in recent open heart decisions involving Brandon Regional Hospital (District 6), East Pasco Medical Center (District 5) and Citrus Memorial Hospital and Oak Hill Hospital in District 3. No specific data was presented to demonstrate that CMR patients were being denied care, however the level

of care provided may have been modified at the physician's discretion, choosing nursing home or home health care to referring patients to the specialized care of a CMR facility.

The second of seven "significant not normal circumstances" cited by the applicant is that residents of Seven Rivers Community Hospital's service area have a significant need for CMR services that is not being met. Here the applicant continues to focus on the hospital's service area to demonstrate need, rather than the planning area, and looks at the percentage of 65+ population, the projected increase in this age population over the next five years and the need documented by means of a quantitative methodology that evaluates the incidence of disabling conditions and the estimated demand for CMR services. The conclusion of the applicant's projections can be found as Exhibit 8, page 23 of the application, where the applicant contends that it has identified a need for 39.1 CMR beds within the service area of Seven Rivers Community Hospital. However, creating a new need methodology, which has not been promulgated in Rule, does not constitute special, or not-normal circumstances.

The third not normal circumstance offered by the applicant is that patients are currently being placed in less appropriate settings or simply not receiving post-acute care for conditions that could be improved with the addition of CMR services at Seven Rivers Community Hospital. It is again noted that 60 CMR beds have been approved for the southern portion of District 3. The referral of Citrus County patients to this new CMR hospital will reduce the driving time for residents needing CMR services.

The fourth not normal circumstance proposed by the applicant is that the Agency has recognized the need for appropriate geographic access with other tertiary services in the absence of need under a fixed need pool. The applicant is attempting to use recent open heart surgery program approvals, either on merit of the application or by final order, to justify its request for 16 CMR beds. The applicant states that while there are differences in the nature of an interventional cardiology program and a CMR program, the same concerns about distance inhibiting access and utilization are present in each. However, in contrast to open heart surgery proposals in which applicants have presented information about negative health outcomes associated with the need to travel relatively longer distances to obtain interventional cardiology, no such argument was made in this application. Additionally, as noted earlier, a new hospital has been approved to be built in the southern portion of the district.

For the fifth not normal circumstance, the applicant reviewed its discharge information and concluded that it demonstrates that a 16-bed unit can be supported. The applicant retained clinical personnel from Pinecrest Rehabilitation Hospital located in Delray Beach, Florida to review 150 medical records for patients discharged from Seven Rivers Community Hospital during the period April through August 2002. The review identified a "significant number of patients", particularly with orthopedic and stroke diagnoses, who could benefit from CMR services but did not receive this level of care. The applicant projected its need analysis for CMR beds on page 28, Exhibit 11, to demonstrate a need for 11.7 CMR beds at 85 percent occupancy. HealthSouth, in its application to establish a new 60-bed CMR facility in Hernando County, was correct in projecting that it could expect to treat Citrus County patients.

The sixth not normal circumstance is the applicant's intent to develop the CMR unit through the conversion of existing underutilized beds, which the applicant contends will improve efficiency and avoid duplication of resources. It is unclear how the applicant's willingness to convert underutilized beds constitutes not-normal/special circumstance need for additional CMR beds in the district. Further, the applicant is not proposing a CMR unit size considered efficient or large enough to promote and ensure quality care and the number of adult psychiatric beds to be converted will reduce that unit's size below the size of an adult psychiatric unit considered efficient and large enough to promote and ensure quality care.

The seventh and final not normal circumstance presented by the applicant, contends that development of a CMR program at Seven Rivers Community Hospital will not adversely affect existing and approved providers of CMR services in District 3. Again, it is unclear how the applicant's belief that it will not adversely impact existing and CON approved providers constitutes not-normal or special circumstance need for additional CMR beds in the district. The applicant indicates that need for the 16 CMR beds at Seven Rivers Community Hospital will be generated by its admitting physicians who will refer to the proposed service. These physicians do not generally refer to other CMR providers because of the long travel distances involved. As noted earlier, the approved CMR hospital in Hernando County will be less than one hour away from many Citrus County residents.

The applicant failed to demonstrate not-normal or special circumstance need for additional CMR beds in District 3.

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

- a. Preference shall be given to the applicant who proposes to establish new comprehensive medical rehabilitation services through the conversion of existing medical/surgical beds provided these services are in accordance with the state rule and the proposed new service would substantially improve access to rehabilitative care. Substantial improvement in access means that a proposed new rehabilitation facility would allow services to be available within 35 minutes (40 miles) for an area with a population base of at least 50,000 residents.**

Although the applicant proposes to establish a 16-bed CMR unit by converting eight acute care beds and eight adult psychiatric beds, it has failed to show need for additional CMR beds in accordance with state rule. Further, as noted earlier, a new 60-bed CMR will be built within 32 miles of Seven Rivers Hospital. Additionally, a 16-bed CMR unit in a general hospital does not meet the minimum recommended standard of 20 CMR beds contained in the CMR Rule. Also, the conversion of eight adult psychiatric beds to CMR use will reduce the facility's licensed adult psychiatric beds from 16 to eight, below the required standard for a 15-bed adult psychiatric unit in a general hospital.

Because of Rule [59C-1.039(6), Florida Administrative Code] which establishes an access standard that CMR 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, the local health council preference is not in accordance with promulgated rules.

- b. Preference shall be given to an applicant for additional comprehensive medical rehabilitation beds in District 3 if the projected average annual occupancy rate calculated for the total bed supply (including existing and approved beds) in the district equals at least 75 percent annually.**

The 55 CMR beds in District 3 averaged 75.17 percent occupancy for the calendar year 2001. However, when the 60 CON (#9226) approved beds are factored into the mix, utilization drops to 39 percent for the district using a nine percent increase in population and patient days as projected in the fixed need pool calculation.

- c. Preference shall be given to applicants who document letters of support from acute care hospitals, long-term care facilities, home health agencies, vocational rehabilitation centers, and community social services organizations in the proposed service area.**

None of the letters of support provided by the applicant and discussed above are from entities identified in this preference however.

- d. Preference shall be given to applicants who document plans to accept Medicaid patients and to provide access to patents without resources. The percentage of a facility's revenue deductions for bad debt and net charity/uncompensated care should be equal to at least the current statewide average deductions from total patient service revenues for similar facilities as reported by AHCA.**

As a condition of approval, the applicant proposes to provide a minimum of two percent of total annual patient days of care in the CMR unit to Medicaid/charity care patients. The applicant reports that during its fiscal year ended May 31, 2002, Seven Rivers Community Hospital had total revenue of \$175,696,547 of which \$1,830,141 (1.0 percent) was provided to charity patients and \$10,139,423 (5.8 percent) to Medicaid patients. It is the applicant's policy to admit any non-elective patient who presents to the Hospital for treatment within the scope of services available at the hospital regardless of the patient's ability to pay.

Based on FY 2000 data reported to the Agency's Financial Review Unit, Seven Rivers Community Hospital provided 0.3 percent gross charity days and 5.6 percent Medicaid days of care to patients.

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.

Seven Rivers Community Hospital is a general acute care hospital consisting of 112 acute beds and 16 adult psychiatric beds for a total licensed capacity of 128 beds.

- (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 applicant seeks to delicense (convert) eight acute care beds and eight adult psychiatric beds to establish a 16-bed dedicated comprehensive medical rehabilitation unit within the general acute care facility.

- (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 requesting 16 CMR beds and contends that it has presented a number of "not normal" circumstances that justify the establishment such a program. However, as noted earlier, the applicant failed to demonstrate need for additional CMR beds. Also, as noted earlier, the applicant is not only proposing fewer CMR beds than considered adequate to enable the hospital to achieve efficiencies and provide quality care, but it will reduce the number of adult psychiatric beds below the number considered adequate to enable the hospital to achieve efficiencies and provide quality care.

- (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.

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 intends to participate in the Medicare and Medicaid programs and proposes to condition approval of this application for a minimum of two percent of total annual patient days of care in the CMR unit to Medicaid/charity care patients.

(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 states that a psychiatrist is being recruited by one of the orthopedic practices, and it is expected that this physician would be qualified and available to provide medical direction for the proposed CMR program.

- (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 states that it currently has on staff; physical therapists, occupational therapists, speech therapists, and qualified social service workers. Not mentioned is additional staff to provide psychological services or the provision of Orthotic and prosthetic services. Schedule 6A indicates the addition of 20.8 FTEs the first year and 23.5 by the second year of operations. A total of 5.5 RNs are included in these projections.

(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.**

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.

(7) Quality of Care:

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 the proposed project has been developed to be consistent with agency licensure standards, including those for the physical facility and staffing requirements.

(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 intends to provide CMR services to patients 18 years of age and older.

(b) Specialty inpatient rehabilitation services to be provided.

The applicant states that it will assist patients with a wide range of conditions, including: stroke; arthritis; amputation; chronic pain; orthopedic disorders, and other neurologic disorders. The applicant apparently does not intend to seek specialty accreditation for programs such as spinal cord injury or brain injury.

(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.

As previously noted the applicant will have a qualified and credentialed psychiatrist to serve as medical director of the proposed CMR service. The applicant did not provide a discussion of the training and experience requirements for all staff that will provide CMR inpatient services to patients. Tab "E" of the application provides a printout from an ".EDU EDUCATION RESOURCE", however it is not correlated to this preference. As mentioned above, Schedule 6A identifies proposed staffing for the first two years with a total of 23.5 FTEs by the second year, including the unit/program director.

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

The applicant has access to the resources of Tenet Healthcare Corporation, which owns and operates hospitals throughout the United States. The applicant states that Tenet Healthcare Corporation has an ongoing recruitment program which will be employed to recruit the staff required for the proposed comprehensive medical rehabilitation inpatient service.

(e) Expected sources of patient referrals.

The applicant expects that most referrals will come from the physicians on staff at Seven Rivers Community Hospital.

- (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 75 percent Medicare, 8 percent Medicaid, and two percent commercial insurance, 3.0 percent self-pay, and 12 percent other managed care. Charity care is included in "self-pay" on Schedule 7B.

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

The applicant's policy is to admit any non-elective patient who presents to the hospital for treatment within the scope of service available regardless of the patient's ability to pay. This policy will be extended to the proposed CMR service according to the applicant. The applicant has proposed to provide a minimum of two percent of total annual patient days of care to Medicaid/charity patients in the CMR unit.

- (9) **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 agrees to continue reporting in the future.

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.**

In reference to availability and extent of utilization, there are a total of 55 CMR beds in the district divided between two hospitals, one of which is a specialty rehabilitation hospital. The highest utilization was demonstrated at Shands Rehabilitation Hospital (76.54 percent), the only specialty CMR hospital in District 3, for the reporting period, January 2001 through December 2001. The district's average occupancy rate was 75.17 percent, up from 73.53 percent during the previous reporting

period. The applicant did not demonstrate special circumstances to add 16-bed CMR beds. While accessibility of services for some CMR patients may be improved within the immediate service area of the applicant's facility, the applicant did not demonstrate services are not accessible to district residents.

It is significant to note that the applicant is proposing to establish 16 CMR beds which is less than the minimum unit size of 20 CMR beds normally required by Rule to ensure quality care and efficiencies of operation for a CMR unit in a general hospital. Also by proposing to convert eight of its 16 adult psychiatric beds to CMR beds, this will reduce the adult psychiatric unit below the minimum size of 15 beds required for that service.

Additionally, as discussed above, CON #9226 was recently approved to establish a new 60-bed CMR hospital in District 3. That hospital will be located approximately 32 miles from Seven Rivers Hospital. HealthSouth in CON #9226 projected approximately 43 of Citrus County residents were expected to receive services at the new hospital. The applicant failed to demonstrate that establishment of this 16-bed CMR unit at Seven Rivers was needed and it appears that such a program would impact HealthSouth as it implements the approved CON to establish a new CMR hospital in Hernando County.

Need for the project is not 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.

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

Seven Rivers Community Hospital is accredited by the Joint Commission on Accreditation of Health Care Organizations for the maximum three-year period granted by this organization. The facility was named one of the 100 Top Hospitals in the United States in 1999. The applicant states that this prestigious listing is conducted by HCIA, Inc., a Baltimore-based health care research company, in conjunction with New York-based Mercer Management Consulting, Inc. The Hospital was measured in categories such as quality of care, patient costs, efficiency, clinical outcomes, and financial performance. Seven Rivers Community Hospital has an active Performance Improvement Program, which includes the Quality Care and Accreditation Committee and the Quality Council. The applicant intends to apply for and obtain accreditation by the Commission on Accreditation of Rehabilitation Facilities.

Since March 1999 there have been 22 complaints filed with the Agency regarding the applicant's facility. All of the complaints have been closed. There were six complaints involving patient care with only one complaint confirmed. There were also six COBRA/Emergency Access complaints, two of which were confirmed and one of these alleged a missed diagnosis that resulted in the patients death.

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

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

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

Seven Rivers Community Hospital is not a statutory teaching hospital nor is the proposed project's primary purpose research or physician education.

- 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 Tenet HealthSystem Hospitals, Inc. for the periods ending may 31, 2001 and 2000 were analyzed for the purpose of evaluating the applicant's ability to provide the capital and operational funding necessary to implement the project. The following is a list of accounts and ratios used in the analysis:

CON Action Number: 9599

	05/31/2001	05/31/2000
Current Assets	\$ 1,034,469,000	\$ 1,047,836,000
Cash and Current Investment	\$ 35,766,000	\$ 32,064,000
Assets Restricted for Capital Projects	\$ 0	\$ 0
Total Assets	\$ 3,090,057,000	\$ 3,034,620,000
Current Liabilities	\$ 574,389,000	\$ 497,335,000
Total Liabilities	\$ 2,077,453,000	\$ 2,396,570,000
Total Equity	\$ 1,015,604,000	\$ 638,050,000
Net Operating Revenues	\$ 4,496,987,000	\$ 3,982,660,000
Interest Expense	\$ 243,593,000	\$ 233,535,000
Net Profit - Operations	\$ 616,074,000	\$ 266,328,000
Net Income	\$ 377,554,000	\$ 154,306,000
Cash Flow from Operations	\$ 667,526,000	\$ 427,842,000
Working Capital	\$ 460,080,000	\$ 550,501,000
Current Ratio (CA/CL)	1.8	2.1
Cash Flow to Current Liabilities (CFO/CL)	1.2	0.9
Long-Term Debt to Equity (TL-CL/TE)	1.5	3.0
Times Interest Earned (NPO+Int/Int)	3.5	2.1
Equity to Total Assets (TE/TA)	32.9%	21.0%
Operating Margin (NPO/NOR)	13.7%	6.7%
Total Margin (NI/NOR)	8.4%	3.9%
Return on Assets (NI/TA)	12.2%	5.1%
Operating Cash Flow to Assets (CFO/TA)	21.6%	14.1%

Short-term position:

The applicant's current ratio of 1.8 is near the median of Florida hospitals, an acceptable position. The working capital (current assets less current liabilities) of \$460 million is a measure of excess liquidity that could be used to fund capital projects. The ratio of cash flow to current liabilities of 1.2 is above the average of Florida hospitals and a strong position. Overall, the applicant has a good short-term position.

Long-term position:

The ratio of long-term debt to equity of 1.5 is about average. The ratio of cash flows to assets of 21.6 percent is well above average compared to other Florida hospitals, a strong position. The most recent year had an operating profit of \$616.1 million resulting in an operating margin of 13.7 percent, a strong position. Total equity is \$1.0 billion with the ratio of equity to assets 32.9 percent. Overall, the applicant has a good long-term position.

Capital requirements:

Schedule 2 indicates capital projects for the applicant totaling \$1.08 billion through year two of the project. This did not include maturities of long-term debt and minimum operating lease payments through 2003 of \$48.3 million, which would increase the funded need to \$1.13 billion.

Available capital:

Tenet Healthcare Corporation, the parent of Tenet HealthSystem Hospitals, Inc., will provide funding for these projects. Tenet Healthcare submitted a commitment letter for funding the project. Tenet Healthcare's audited financial statements for the period ended May 31, 2002 showed assets of \$13 billion, net income of \$785 million, working capital of \$810 million and annual cash flows of \$2.3 billion.

Conclusion:

The strong financial position of the parent, Tenet Healthcare Corporation, along with its commitment to provide funding for the project, provide adequate proof of the applicant's ability to fund the project and all other capital projects.

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 peer group 2. Per diem rates are projected to increase by an average of 3.0 percent per year. Inflation adjustments were based on the most current Florida Hospital Input Price Index.

Projected net revenue per adjusted patient day (NRAPD) of \$1,194 in year one and \$1,220 in year two approximates control group median values of \$1,192 in year one and \$1,228 in year two. With net revenues per adjusted patient day near the median value in the control group this hospital is expected to consume health care resources group in proportion to the services provided when compared to the control. (See Comparative Table). The year 2001 actual NRAPD for this hospital was \$1,042.

Projected cost per adjusted patient day of \$958 in year one and \$976 in year two is between the control group lowest and median values of \$853 and \$1,144 in year one and \$878 and \$1,178 in year two. (See Comparative Table). Compared to the control group these costs are considered cost efficient. The year 2001 actual data reported for this hospital was \$822 per adjusted patient day.

The year two operating profit for the hospital of \$12.2 million computes to an operating margin per adjusted patient day of \$244 which falls between the group median and highest values of \$60 and \$296. The computed operating margin ratio is 20.0 percent. The actual margin reported in 2001 was 21.1 percent.

This project is considered financially feasible.

Comparative Table

CON # 9599					
Seven Rivers Community Hospital	2005	YEAR 2	INFLATION ADJUSTED		
2000 DATA Peer Group 2	YEAR 2 ACTIVITY		VALUES		
	ACTIVITY	PER DAY	Highest	Median	Lowest
ROUTINE SERVICES	34,331,963	687	759	490	185
INPATIENT AMBULATORY	2,678,673	54	113	52	10
INPATIENT ANCILLARY SERVICES	146,506,484	2,932	2,776	2,049	619
OUTPATIENT SERVICES	79,264,536	1,586	2,745	1,192	700
OTHER OPERATING REVENUE	60,000	1	43	8	2
TOTAL REVENUE	262,841,656	5,260	5,843	3,871	1,836
DEDUCTIONS FROM REVENUE	201,908,536	4,041	*	*	*
NET REVENUES	60,933,120	1,220	1,700	1,228	820
EXPENSES					
ROUTINE	10,174,799	204	277	173	116
ANCILLARY	18,867,063	378	476	364	242
AMBULATORY	0				
OVERHEAD	18,030,045	361	1,098	552	402
OTHER	1,687,847	34			
TOTAL EXPENSES	48,759,754	976	1,787	1,178	878
OPERATING INCOME	12,173,366	244	296	60	-342
		20.0%			
PATIENT DAYS	34,886		NOT INFLATION ADJUSTED		
ADJUSTED PATIENT DAYS	49,965				
TOTAL BED DAYS AVAILABLE	46,720				
ADJ. FACTOR	0.6982				
TOTAL NUMBER OF BEDS	128				
PERCENT OCCUPANCY	74.7%		78.8%	60.0%	28.3%
PAYER TYPE	PATIENT				
	DAYS	% TOTAL			
MEDICARE	26,938	77.2%	79.7%	66.5%	49.8%
COMMERCIAL	1,530	4.4%			
MEDICAID	2,069	5.9%	20.5%	7.0%	1.6%
PRIVATE	791	2.3%			
HMO/PPO	3,558	10.2%	34.3%	17.5%	6.2%
OTHER	0	0.0%			
TOTAL	34,886	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 10.1 percent of its patient days. This is between the control group lowest and median level of activity of 6.2 percent and 17.5 percent. Actual reported level in 2001 was 8.5 percent. The projected levels, if realized, are not likely to increase 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 application is straightforward and would add a new CMR service to the hospital. The 16 new CMR beds will be gained by renovating two existing medical/surgical units, one on the second floor and one on the third floor. The new CMR Unit will be located on the third floor. It will include a staff conference room and an equipment supply room as well as other ancillary spaces. There will be a rehab waiting room with public toilets adjacent to the existing elevators.

All the new patient rooms will be semi-private and will have accessible toilet rooms with a self-contained shower. There seems to be no place where the patients could take bath in a tub instead of using a shower. The hospital may have concluded that showers are all that these patients need although most rehab units include a tub.

A list of applicable building codes is included on the cover sheet and is mostly correct. Room sizes are adequate. Cost data and schedules submitted seem to be reasonable.

- 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 states that during its fiscal year ended may 31, 2002, Seven Rivers Community Hospital had total revenue of \$175,696,547 of which \$1,830,141 (1.0 percent) was provided to charity patients and \$10,1349,423 (5.8 percent) to Medicaid patients.

According to data reported to the Agency's Financial Review Unit for fiscal year 2000, Seven Rivers Community Hospital provided 5.6 percent Medicaid days and 0.3 percent charity days to patients.

The applicant proposes to condition approval of this application on providing two percent of annual patient days in the CMR unit to Medicaid and charity care patients combined.

F. SUMMARY

In Volume 28, Number 30, dated July 26, 2002 on page 3318 of Section XII of the Florida Administrative Weekly, a fixed need pool of zero beds was published for comprehensive medical rehabilitation beds in District 3 for the January 2008 planning horizon.

Need/Special Circumstances

The applicant is seeking to create a 16-bed CMR unit by delicensing (converting) eight acute care beds and eight adult psychiatric beds. This number is below the minimum unit size of inpatient CMR units. The applicant failed to demonstrate that any special circumstance or not normal circumstances exist that constitute need for additional CMR beds. Although the applicant claims that patients needing CMR care are not receiving it because local physicians prefer not to transfer patients to exiting providers because of driving times, it failed demonstrate that area residents were unable to access CMR services. Additionally, CON #9226 was recently approved and will establish a 60-bed CMR hospital in Hernando County, less than an hour drive from Seven Rivers Hospital. If eight adult psychiatric beds are converted to CMR beds then the adult psychiatric unit will fall below the minimum standard of 15 beds required by the Hospital Inpatient General Psychiatric Services Rule: 59C-1.040(5), Florida Administrative Code.

Quality of Care

The applicant is accredited by the Joint Commission on Accreditation of Health Care Organizations (JCAHO), and intends to become CORF accredited. Since March 1999 there have been 22 complaints filed with the Agency regarding the applicant's facility. All of the complaints have been closed. There were six complaints involving patient care with only one complaint confirmed. There were also six COBRA/Emergency Access complaints; two of which were confirmed and one of these alleged a missed diagnosis that resulted in the patient's death.

Medicaid/Indigent Care

As a condition of approval, the applicant proposes to provide a minimum of two percent of total annual patient days of care to Medicaid and charity care patients in the CMR unit. The applicant has a history of service to Medicaid and charity care patients.

Financial Feasibility

Based on the audited financial statements, the applicant has adequate funding strength to meet the capital needs of the project under review and all other capital projects. The project is considered financially feasible.

Architectural

All the space involved in the project is existing and will be renovated. All the patient rooms will be semi-private and will have accessible toilet rooms with a self-contained shower. There seems to be no place where the patients could take a bath in a tub instead of using a shower. Cost data and schedules seem reasonable.

G. RECOMMENDATION

Deny CON #9599.

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