

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

**A. PROJECT IDENTIFICATION**

1. Applicant/CON Action Number

**St. Joseph's Hospital, Inc./CON #9610**

3001 West Dr. Martin Luther King, Jr. Blvd.  
Tampa, Florida 33607

Authorized Representative: Isaac Mallah  
(813) 870-4020

2. Service District/Subdistrict

District 6/Subdistrict 6-1 (Hillsborough County)

**B. PUBLIC HEARING**

A public hearing was not held or requested. However, the application contained a total of 609 letters of support for the project. The majority of the letters were from local citizens (527) and physicians (79). The letters are similar in content and address the need to improve access to health care services in northern Hillsborough County.

A letter of opposition to the project was provided by University Community Hospital (UCH) in Tampa. UCH states that several hospitals ably and sufficiently serve the northwest quadrant of Hillsborough County, including St. Joseph's, UCH, UCH Carrollwood, Town & Country, and Pasco County facilities and that these facilities have unused capacity to meet existing and projected patient demand from this area of the county. UCH also states that the project is not needed to address or resolve an access problem for Medicaid or indigent persons since the proposed service area is a more affluent area than Hillsborough County or District 6 as a whole. UCH also states that the approved replacement/relocation of two Pasco County hospitals (North Bay Hospital and HCA Community Hospital) will be relocated just 2-3 miles north of the border of northwest Hillsborough County and will be available and accessible to serve the same geographic area as the proposed new St. Joseph's satellite hospital. UCH also states that the

proposed project will have a detrimental impact on the financial position of both University Community Hospital as well as University Community Hospital Carrollwood. Both hospitals reported a combined loss of \$5 million for fiscal year 2002.

**C. PROJECT SUMMARY**

**St. Joseph's Hospital, Inc. (CON #9610)** is proposing the establishment of a 76-bed acute care satellite hospital through the transfer of 76 beds from St Joseph's Hospital. The proposed satellite hospital, St. Joseph's Hospital North, will be located at 4211 Van Dyke Road, Lutz, Florida 33549 in Hillsborough County, District 6, Subdistrict 1.

St. Joseph's Hospital is a not-for-profit, 883-bed general acute care hospital, consisting of 799 acute care beds, 15 Level II and 27 Level III NICU beds, and 42 adult psychiatric beds. The hospital is part of the BayCare Health System, which is a linkage of seven hospitals in the Tampa Bay area. In addition to St. Joseph's, the system includes St. Anthony's, Morton Plant, Mease Dunedin, Mease Countryside, North Bay, and South Florida Baptist Hospitals.

The applicant has agreed to condition the project upon providing 15.6 percent of its patient days to Medicaid/Medicaid HMO/charity patients.

Total costs for the 240,000 gross square foot satellite facility are estimated to be \$75,976,836, with \$36,930,000 estimated for construction costs.

**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 meet 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, Riley Gibson, 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? Ch. 59C-1.008 and 59C-1.038, Florida Administrative Code.**

In Volume 28, Number 30, dated July 26, 2002, of the Florida Administrative Weekly, a fixed need pool of zero beds was published for acute care beds in District 6, Subdistrict 6-1, for the July 2002 batching cycle.

District 6, Subdistrict 1 had a total of 2,954 licensed beds that experienced an occupancy rate of 56.70 percent for the reporting period January through December 2001.

The proposed project is not submitted in response to the fixed need pool, but rather, involves the relocation of 75 of St. Joseph's existing 799 acute care beds to establish a 75-bed freestanding satellite hospital. The proposed project will not increase the district's licensed bed capacity and no new tertiary services will be included in the proposed satellite facility. The applicant indicates that the need for the project is based on special circumstances, discussed in Section C below.

- b. Approval Under Special Circumstances; Ch. 59C-1.038(5), Florida Administrative Code. Regardless of the subdistrict's average annual occupancy rate, need for additional acute care beds at an existing hospital is demonstrated if the hospital's average occupancy rate based on inpatient utilization of all licensed acute care beds is at or exceeds 80 percent. The determination of the average occupancy rate shall be made based on the average 12 months occupancy rate for the reporting period specified in section (4). Proposals for additional beds submitted by facilities qualifying under this subsection shall be reviewed in context with the applicable review criteria in Section 408.035, Florida Statutes.**

The applicant is not seeking to establish new acute care beds in the subdistrict, but rather is seeking to transfer 75 of its existing beds to establish a new acute care hospital. Prior to converting its 29-bed skilled nursing unit to acute care beds, St. Joseph's Hospital's licensed 770 acute care beds reported an average occupancy of 57.74 percent during the January through December 2001 reporting period.

- c. Other Special Circumstances:**

The applicant contends that other circumstances exist in the area that demonstrates need for this project. Specifically, the project is proposed to meet the perceived needs of the north/northwest Hillsborough County population and improve access to health care services in a high growth sector of the county. The proposed site of St. Joseph's North is centrally located within the proposed primary service area, comprised of nine zip codes.

The applicant states that during CY 2001, more than 8,000 inpatients, 16,000 plus emergency department patients and 14,000 plus outpatients from the proposed service area for the satellite hospital sought services at St. Joseph's Hospital. This volume of patients originating from the proposed service area represents a large portion of St. Joseph's Hospital overall volume: 20.9 percent of total inpatient volume, 17 percent of total emergency department volume and more than 19 percent of the hospital's outpatient volume. The applicant states that while a portion of

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these patients were in need of tertiary services, which will not be offered at the satellite facility, many could have been treated in a hospital with a primary/secondary care focus.

The applicant further contends that access will be improved as a result of the project since population in the area proposed for the satellite facility has increased dramatically (35 percent over the past 10 years). This population growth has apparently resulted in increased congestion and consequently, an increase in drive time for residents trying to access health care services at the main campus, particularly emergency and obstetric services. The applicant provided a travel time study (Appendix D) between service area neighborhoods and five hospital sites to demonstrate "peak" and "off peak" travel times. With regard to drive time to St. Joseph's Hospital during peak hours from these neighborhoods, the travel study documents that time will be decreased anywhere from five minutes to 55 minutes.

The applicant provided a list of the zip codes that comprise the primary service area (PSA) for the satellite hospital to show the population growth between 2002 and 2007. This service area population profile is shown in the following table:

**Proposed Service Area Population Profile  
2002-2007**

<b>Zip Code</b>	<b>2002</b>	<b>2007</b>	<b>% Change 2002-2007</b>	<b>Net Change</b>
33549	17,905	20,012	11.8%	2,107
33556	19,206	24,230	26.2%	5,024
33618	20,760	22,526	8.5%	1,766
33624	44,415	47,509	7.0%	3,094
33625	19,372	21,705	12.0%	2,333
33612	47,388	51,847	9.4%	4,459
33613	31,641	34,342	8.5%	2,701
33626	13,351	18,604	39.3%	5,253
34639	18,768	21,392	14.0%	2,624
Total Service Area	232,806	262,167	12.6%	29,361
District 6	1,952,837	2,076,791	6.3%	123,954
State of Florida	16,706,027	18,062,679	8.1%	1,356,652

**Source: AHCA Population Projections and Sachs/Solucient Zip Code Data. CON Application**

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As shown in the above table, the proposed PSA population is expected to increase 12.6 percent between 2002 and 2007 while District 6 is expected to increase 6.3 percent and the State of Florida 8.1 percent. It should be noted that zip code 34639 is located within Pasco County. Pasco County is in District 5. As shown above, this zip code contains approximately 19,000 residents that use both Pasco County hospitals as well as District 6 hospitals.

The applicant also demonstrates that the PSA's female population age 15 to 44 is expected to increase over the next five years by 7.7 percent or a net change of 3,883 persons. The applicant contends that this increase will result in a corresponding increase in demand for services, including obstetric services. Obstetrical services are currently offered by all of the hospitals in Subdistrict 1. With an expected increase in the child bearing population over the next several years and the majority of admission destinations determined by the patients health plans and choice of physicians, it does not appear that the applicant's expansion of obstetrical services into the proposed service area will have a significant impact on current OB services offered by area hospitals. Rather, the proposed project should enhance the provision of OB services to residents who are currently traveling to St. Joseph Hospital and who will be, because of physician or health plan choice, by making these services more readily available to a growing population, within less travel time for residents of the PSA.

Another circumstance presented by the applicant involves what is described as a "dramatic" increase in the number of non-tertiary patients from the service area currently being admitted through St. Joseph's emergency room. According to the applicant, this number increased 11.5 percent between CY 2000 and CY 2001, with emergency department visits increasing 8.1 percent for the same period. The applicant contends that these increases along with increases in population and subsequent traffic and development congestion has had a negative impact on access to hospital services at the main campus. Although the applicant alludes to ambulance diversions and increasing patient wait times, these were not documented. It was further not demonstrated that access to non-tertiary care services is being denied to residents in the hospital's primary service area due to capacity constraints. According to the Discharge Summary Report for St. Joseph's for CY 2001, the hospital had 18,468 emergency admissions, accounting for 41.55 percent of total admissions.

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It is important to note that the proposed project is actually only part of a multi-phase project which initially includes the non-CON regulated construction of a diagnostic treatment center with laboratory and radiology services, an urgent care center and physician medical office space. The applicant did not discuss the impact this initial stage of development, especially the planned urgent care center, will have on the projected increase of non-tertiary cases expected to originate from the PSA.

The applicant contends that the proposed satellite facility will not only resolve current semi-private room limitations but also provide St. Joseph's with the ability to re-position a portion of its current hospital volume to the new facility, thereby curtailing the need to perform a major facility renovation and expansion. The applicant states that renovating the main facility would create building access problems. The applicant provided several examples of the difficulties associated with an on site renovation and expansion project including patient inconvenience, inability to consolidate services, parking problems and several logistics issues. The applicant estimates that renovation would approximate \$27 million and do not include capital projects approved and/or underway on the main campus. Although this is less than the \$75 million proposed for the new satellite hospital, it does not address travel time issues for North/Northwest Hillsborough County residents coming to St. Joseph's for non-tertiary care nor does it present an optimally functioning facility. The applicant states that this \$27 million estimate would result in some inefficiencies in operation and does not include needed expansion because expansion is precluded on the hospital's existing campus. Additionally, the applicant currently has more than \$40 million in capital projects approved and/or underway, the majority of which is dedicated to the main campus. These include, laboratory renovation (St. Joseph's and St. Joseph's Women's Hospital), relocation of the front entrance to St. Joseph's Women's Hospital, PICU expansion and renovation, addition of surgical suites and a dedicated catheterization lab and floor-by-floor refurbishment and updating of all patient rooms and other projects throughout the campus.

In an attempt to quantify need for the proposed project, the applicant presented AHCA discharge database information for the proposed nine zip code service area to show that service area residents generated 103,985 non-tertiary patient days for CY 2001. This represents 84.86 percent of the total patient days of 122,544 generated from this area.

**St. Joseph's Hospital North  
Service Area Patient Days, CY 2001**

	<b>Pop 0-17</b>	<b>18-24</b>	<b>45-64</b>	<b>65+</b>	<b>Total</b>
Total Patient Days	7,744	32,706	32,832	49,262	122,544
Non-Specialty/tertiary Patient Days	7,114	27,670	26,244	42,957	103,985

**Source: CON Application**

The applicant presented forecasted patient days to 2007, the second year of operation of the proposed satellite facility. These forecasted patient days were calculated by applying age cohort specific population growth rates to the age cohort specific CY 2001 patient days (excluding specialty and tertiary patients). The applicant arrived at a patient day forecast of 121,410 days, again without tertiary patient days. This represents what the applicant contends is a patient day increase of 17,425 days by 2007.

The applicant is expecting a market share capture rate of 13 percent in year one and 15 percent in year two. Applying this targeted market share to the patient day forecast previously shown results in a patient day forecast of 15,381 for 2006 and 18,211 for 2007 from the PSA. The applicant projects that 40 percent of the forecasted volume will be the result of re-direction of non-tertiary patients already being served by the main hospital campus and 60 percent of the volume from anticipated growth in the service area. Agency data verified this to be a reasonable projection. It is also noted that in an urban area, much of the market share is determined by the patient's health plans and preferred choice of physicians. The applicant states that in calendar year 2001, more than 8,000 inpatients, 16,000 + emergency department (ED) patients and 14,000 + outpatiented from the proposed satellite hospital service area sought services at St. Joseph's Hospital. Additionally, the applicant indicates that the volume of patients originating from the service area of the proposed satellite hospital represented a significant portion of the hospital's overall 2001 volume: 20.9 percent of total inpatient volume in the 883-bed facility and 17 percent of total ED volume.

In addition to patients originating from the service area, the applicant is expecting approximately a 7.5 percent in-flow of patients from outside the nine zip code areas. Thus, the total forecasted patient days for the new hospital is expected to be 16,628 in year one (2006) and 19,688 in year two (2007). Schedule 5 and Schedule 5 assumptions show the number of patient days the applicant expects to be redirected from the main campus to the satellite along with the net additional patient days at the satellite hospital. In year two ending December 31, 2007, the applicant indicates on Schedule 5 that 7,120 patient days are redirected from the main hospital and 10,680 patient days are new for a total of 17,800 patient days. This is less than the 19,688 patient days shown in

the applicant's need analysis. The applicant acknowledges that the patient day levels shown in the financial schedules are lower than the potential patient days presented above. However, the applicant states that in order to base the financial forecasts on a conservative, readily achievable volume base, the patient day projections were reduced. It is the applicant's belief that it will reach and exceed the patient day volumes utilized in the financial forecasts, and that as the financial forecasts prepared with the lower volume show a feasible project, any higher volume performance will only further support the financial viability of the proposed project.

The applicant used the higher forecasted patient days to arrive at a projected census of 53.9 in 2007 or a projected occupancy rate of 70 percent. Based on the CY 2001 patient day data for the hospital, at 57.74 percent average utilization, St. Joseph's is utilizing only 445 acute care beds out of a total of 770 licensed acute care beds. The proposed project will reduce the overall licensed bed capacity at St. Joseph's main campus from 883beds to 807 beds. Based on current acute utilization for CY 2001, the loss of 76 beds at the main St. Joseph campus would increase the overall occupancy average from 57.74 percent to 64 percent.

The applicant contends that the proposed satellite facility will have minimal impact on existing providers. First, as previously shown, service area population growth alone is forecast to generate an additional 17,425 non-tertiary patient days during the 2001-2007 time frame. The applicant states that with only 13,800 patient days forecast for year one and 17,800 patient days for year two, a major portion of the proposed satellite hospital volume will be offset by population and patient volume growth. The applicant currently holds a 32 percent share of this market and does state that it expects to capture an additional 15 percent of this market in its second year of operation. The applicant reasonably predicts that this growth in market will come largely from area population growth. As noted earlier, St. Joseph's treated approximately 24,000 non-tertiary patients from the proposed service area in 2001. An additional factor that should be considered is that in urban areas especially, the destination of patients is many times determined by the patient's health plan and choice of physicians. The closest facility to the proposed satellite is University Community Hospital with 374 acute care beds. For CY 2001, University Community reported an average acute care utilization of 68.94 percent. According to AHCA Discharge Data for 2001, University Community currently has 34.63 percent of this non-tertiary zip code market and University Community Carrollwood has almost nine percent. Tampa General serves 10.6 percent of this non-tertiary market and Town and Country serves almost three percent.

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(Refer to attached map) Although this satellite hospital is not expected to adversely impact any of these facilities for reasons cited above, should St. Joseph increase its market through means other than population increases such as achieving a greater managed care penetration, it appears that University Community would be the most impacted. Again, from data presented by the applicant and a review of data submitted by area facilities to the Agency, it does not appear that this proposal will adversely impact exiting providers. As previously discussed in the Public Hearing section of this report, both University Community Hospital and University Carrollwood state opposition to the project and contend that the loss of patients from the PSA to the satellite facility will have a detrimental impact on their financial viability.

The applicant has shown that this proposal improves access to hospital care in the area and allows for a better use of its resources and beds. For example, the project will facilitate the following:

- Improve wait times at St. Joseph's main campus ED. As stated above, 16,000 + patients were seen in the ED in 2001 from the proposed satellite hospital service area.
- Improve travel times for the hospital's patients who currently reside in the North/Northwest section of the county.
- Increase the number of private rooms available at the main campus.
- The redirection of North/Northwest Hillsborough County residents to the satellite hospital will provide relief to St. Joseph's main campus parking situation, which lacks 184 spaces to meet existing needs. This situation is expected to worsen if relief is not provided.

As noted above, existing facilities, notably disproportionate share providers are not expected to be adversely impacted by this project.

**2. Local Health Plan Preferences**

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

The October 2000 District 6 CON Allocation Factors Report lists the following preferences relevant to all CON applicants:

**(a) Transfer of Beds**

- (1) Preference shall be given to an applicant who demonstrates that the transfer of beds is necessary to maintain or improve the care currently provided to the district's indigent population.**

The applicant responds that as a result of relocating existing beds, additional capacity will be created at St. Joseph's main campus that will directly benefit the indigent population of the district. Although additional private rooms will result from the proposed transfer of beds, it was not demonstrated how this will benefit the area's indigent population.

The applicant further states that the proposed satellite facility will meet the needs of the indigent in the proposed service area as indicated by the condition to provide 15.6 percent of patient days to Medicaid/Medicaid HMO/charity care patients.

- (2) Preference shall be given to an applicant who demonstrates that the transfer of beds is necessary to ensure that services meet licensure standards.**

The applicant responds that the proposed transfer of beds is not necessary to meet licensure standards.

- (3) **Preference shall be given to an applicant for transfer of beds who proposes a reduction of excess beds in the existing facility.**

The proposed project will not result in a change to the licensed bed capacity in the subdistrict. However, the applicant states that the proposed transfer of 76 beds to a new satellite hospital will improve patient access to the existing facility as well as locate resources closer to where they are needed.

- (4) **Preference shall be given to an applicant who demonstrates that the 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.**

There is no indication given that the proposed project will adversely impact a disproportionate share facility in District 6. Although the applicant states that it is a disproportionate share provider with a long history of providing service to charity and Medicaid patients, St. Joseph's Hospital is not officially listed as a Disproportionate Share Provider for fiscal year 2002-2003. Refer to E.4.i. below for discussion of recent changes in this program.

- (5) **Preference shall be given to an applicant who will be able to improve the physical plant of an existing facility as a result of the bed transfer (e.g. improve square feet per bed to meet standards adhered to by newer facilities, expand necessary ancillary services, improve outpatient service departments).**

The proposed transfer of 76 licensed acute care beds will allow the applicant to increase the number of private rooms at St. Joseph's main campus. This will be accomplished via the conversion of semi-private rooms. The square footage of a semi-private room at St. Joseph's is currently 264 square feet, or 132 square feet per bed. The proposed satellite facility will have 186 square feet per bed in the private rooms.

- (6) **Preference shall be given to an applicant proposing the transfer of beds if the applicant can demonstrate that the transfer of beds is more cost-efficient than the renovation and expansion of the existing facility.**

The applicant states that the creation of private rooms and the expansion of support infrastructure at the main campus could be achieved, but at a significant cost and with serious drawbacks. The applicant provided a listing of the various problems relating to renovation including (a) cost due to site constraints and seasonal variations which would preclude closing patient care areas during certain times of the year; (b) the resulting private rooms would be provided via the construction of additional floors to the Children's Hospital or Women's Hospital buildings and would be difficult to access; (c) patient rooms would be too remotely located from patient care areas such as imaging and surgery; (d) the location of the additional patient floors would be on top of other buildings with gender and age restrictions, causing staffing difficulties; (e) the facility's support infrastructure including emergency room capacity, diagnostic capabilities and parking resources will not be adequate to meet current and future needs; and (f) the resulting facility would not address the perceived access constraints for residents of North/Northwest Hillsborough County. According to a recent article in the Tampa Tribune (published November 8, 2002), the Tampa City Council voted to require more than double the number of required parking spaces at hospitals. The new parking requirement, from 1.2 spaces per bed to 2.5 spaces per bed, came about under the council's comprehensive review of its zoning laws and appears to be largely aimed at St. Joseph's Hospital in view of parking capacity constraints that have impacted the Tampa neighborhood where St. Joseph's Hospital is located.

The applicant estimates that the cost of renovating the existing facility will approximate \$27 million, whereas the new proposed satellite facility has a total proposed cost of approximating \$76 million. The applicant did not provide any professional studies outlining potential renovation problems and costs.

**(b) Access for Medicaid and Indigent**

- (1) Preference shall be given to an applicant who proposes to locate a new facility in an area that will improve access for Medicaid and indigent patients.**

The applicant states that the proposed project will improve access to services for the residents of north/northwest Hillsborough County; including obstetric and pediatric services. These services typically involve higher Medicaid utilization. The applicant is requesting that the CON be conditioned to provide 15.6 percent of patient days to Medicaid/Medicaid HMO/charity patients. According to FY 2000 AHCA Hospital Financial Data, St. Joseph's provided 3.4 percent of gross charity patient days to charity care and 16.2 percent of patient days to Medicaid/Medicaid HMO. The combined total of charity care and Medicaid/Medicaid HMO at St. Joseph's Hospital for FY 2000 was 19.6 percent. This is higher than the amount proposed at the satellite facility.

There is no indication that the proposed project will significantly improve access to Medicaid/Medicaid HMO/charity care patients. However, access to services by these groups may be enhanced to some degree by shortened travel times. Community Hospital-Tampa, points out in its letter of opposition to the project that in general, the northwest quadrant of Hillsborough County is a more affluent area than Hillsborough County or District 6 as a whole. Thus, the demand for hospital services by the Medicaid and indigent population is not as great.

**(c) Timely Project Completion**

- (1) In cases where an applicant is a corporation with previously awarded certificates of need, preference shall be given to those which follow through in a timely manner to construct and operate the additional facilities or beds, and do not use them for later negotiations with other organizations seeking to enter or expand the number of beds they own or control.**

The applicant states that St. Joseph's Hospital has a consistent record of completing its CON and construction projects in a timely manner and has no history of brokering or negotiating beds/services/facilities with other entities.

*The October 2000 District 6 CON Allocation Factors Report lists the following preferences relevant to CON applications for acute care beds:*

- (1) Certificate of Need applications that provide the Agency for Health Care Administration with documentation that they provide, or will provide, the largest percent of Medicaid and charity care patient days in relation to other hospitals in the subdistrict. The charity care definition shall be consistent with Section 409.911, Florida Statutes.**

The following table provides a comparison of Medicaid/Medicaid HMO and charity care provided by District 6 Subdistrict 1 hospitals:

**Comparison of Subdistrict 1 Hospitals Provision of Medicaid, Medicaid HMO and Charity Care**

<b>Hospitals</b>	<b>Medicaid/Medicaid HMO Patient Days</b>	<b>Charity Care Patient Days</b>
Town & Country Hospital	8.9%	0.4%
University Hosp/Carrollwood	14.2%	1.7%
Brandon Regional Hospital	15.6%	0.2%
Memorial Hospital of Tampa	5.6%	0.3%
St. Joseph's Hospital	16.2%	3.4%
South Bay Hospital	3.4%	0.1%
South Florida Baptist Hosp.	12.7%	1.3%
Tampa General Hospital	21.0%	10.3%
University Comm. Hospital	9.5%	2.1%
Subdistrict Average	11.9%	2.2%

**Source: AHCA Hospital Financial Data FY 2000**

As shown in the above table, St. Joseph's provided the second highest percentage of Medicaid/Medicaid HMO patient days and the second highest amount of charity care patient days of the licensed acute care hospitals in Subdistrict 1. The hospital is not a Disproportionate Share provider for FY 2002-2003, but was during state fiscal years 2000-2001 and 2001-2002.

The applicant does not meet the intent of this preference.

- (2) **Certificate of Need applications requesting the transfer of existing beds and/or service complement should be given preference if the applicant can document commitment to provide care and assure access for the community regardless of ability to pay. Documentation should include presentation of the factors discussed in the above recommendation.**

St. Joseph's payment history demonstrates that it has a commitment to provide care and assure access for the community regardless of ability to pay.

- (3) **Certificate of Need applications that can document the following minimum occupancy standards (within their facility) in specific bed categories, in those instances in which numeric bed need exists as shown by the state bed methodology. Service Category Existing Subdistrict Bed Inventory Occupancy: medical/surgical 80 percent; pediatric 65 percent.**

The proposed project will not alter the licensed bed capacity of either District 6 or Subdistrict 1. The project is not submitted in response to a fixed need but rather to meet a perceived patient access problem for residents in north/northwest Hillsborough County.

St. Joseph's Hospital does not meet the minimum occupancy standards in the medical/surgical and pediatric bed categories per the preference. The hospital had an average acute care bed occupancy of 57.74 percent for CY 2001. The CON program does not gather or publish pediatric service utilization data.

- (4) **Certificate of Need applications that document the impact associated with the transfer of existing beds. Minimally, this documentation should include: Change(s) in operating costs and any increase/decrease in fixed costs, which will be incurred by the applicant due to the transfer of beds. Growth and demographic studies of the proposed referral area of the project. Availability of professionals and medical personnel in the proposed area, along with projected staffing and salary ranges. Referral patterns of area physicians by specialty and patient origin studies of both the main campus and existing providers at the proposed transfer site.**

The applicant briefly addresses examples of centralized services to be provided from the main campus location and contends that the fixed costs of certain areas will be spread over a larger patient base

resulting in a decrease in fixed cost. As an example, the applicant states that for the second year of operations, the incremental cost per adjusted patient day relating to the proposed satellite hospital for radiology, lab, pharmacy and administration and general is less than the cost per average patient day for the main campus for those departments and functions. *Reference is made to the agency financial review of the project presented in SAAR Item 4-e,f and g for an analysis of the cost-efficiency of the project.*

As previously addressed, the applicant states that the volume of patients originating from the service area of the proposed satellite hospital represents a significant portion of St. Joseph's overall volume: 20.9 percent of total inpatient volume, 17 percent of total emergency department volume and more than 19 percent of the hospital's outpatient volume. In response to growth and demographic factors, the applicant once again addressed the population growth in the nine zip code service area of the proposed facility to show that between 2002 and 2007, population is expected to double (12.6 percent) the growth rate of District 6 (6.3 percent) and surpass the state growth rate (8.1 percent).

The applicant did not specifically address physician referral patterns but does anticipate that 40 percent of forecast volume is expected to be driven by re-direction of non-tertiary patients from the proposed service area that are already being served by St. Joseph's main campus and 60 percent of volume from anticipated growth in the PSA. The applicant is projecting that 17,425 non-tertiary inpatient days will result from population growth through 2007. Although the applicant anticipates that the proposed new satellite hospital will achieve its volume forecast levels without reducing any existing provider below current volumes, this was not clearly demonstrated.

With regard to the availability of professionals and medical personnel for the satellite facility, the applicant states that this will be accomplished in part by the transfer of existing clinical staff from the main campus and other staff from established recruitment capabilities. The medical staff is expected to be the same as the current medical staff at the main campus. The applicant states that current medical staff has more than 256 physicians with offices located within the PSA.

- (5) **Certificate of Need applications that document the cost-effectiveness and efficiency associated with the addition and/or transfer of new or existing beds. Minimally, this documentation should contain: Analysis of current occupancy rates and the projected impact of additional beds and/or existing beds. Presentation of the existing charge structure and the anticipated impact of the proposed project.**

An analysis of the cost-effectiveness and efficiency associated with the transfer of beds is addressed in the Agency's financial analysis of the project (Item 4-e, f and g).

District 6, Subdistrict 1 had a total of 2,954 licensed beds that experienced an occupancy rate of 56.70 percent for the reporting period January through December 2001. Based on the CY 2001 patient day data for the hospital, at 57.74 percent average utilization, St. Joseph's is utilizing only 445 acute care beds out of a total of 770 licensed acute care beds. The proposed project will reduce the overall licensed bed capacity at St. Joseph's main campus from 770 beds to 694 beds. Based on current utilization for CY 2001, the loss of 76 beds at the main St. Joseph campus would increase the overall occupancy average from 57.74 percent to 64 percent, still below the optimal acute care utilization average of 75 percent.

Although the applicant contends that the proposed satellite facility will have minimal impact on existing providers, this was not clearly demonstrated. However, as noted above, the applicant expects 7,120 of the patient days in the new hospital in 2007 to be redirected from its main campus and a relatively small market share increase. As previously discussed, University Community Hospital, Tampa General, University Hospital at Carrollwood and Town & Country Hospital will be impacted to varying degrees by the proposed project. According to AHCA Discharge Data for CY 2001, University Community with 374 acute care beds had 2,301 non-tertiary care discharges from the PSA while Tampa General had 2,301 non-tertiary care discharges. Other smaller hospitals could be impacted including University Community Hospital at Carrollwood with 112 beds and Town & Country Hospital with 166 beds. For CY 2001, these two hospitals reported 1,911 and 603 non-tertiary care discharges from the proposed PSA, respectively. Community/Carrollwood reported an average occupancy of 52.85 percent for CY 2001, while Town & Country Hospital reported an average occupancy of only 26.25 percent, the lowest in Subdistrict 1 and the second lowest occupancy in District 6.

- (6) **Certificate of Need applications that identify existing and approved providers of like services in the proposed planning area and provide an analysis of need for the proposed service, including the impact of the proposed project on existing providers and why the identified need is not currently being met.**

Refer to response to Preference 5 and E. 1.

### 3. Agency Rule Criteria

**Does the project respond to preferences stated in agency rules? Indicate how each applicable criteria for the type of service proposed is met. Ch. 59C-1.031-.044, Florida Administrative Code.**

#### **Priority Considerations.**

- a. **Priority consideration for initiation of new acute care services or capital expenditures shall be given to applicants with a documented history of providing services to medically indigent patients or a commitment to do so.**

According to FY 2000 AHCA Hospital Financial Data, St. Joseph's provided 3.4 percent of gross charity patient days to charity care and 16.2 percent of patient days to Medicaid/Medicaid HMO. The combined total of charity care and Medicaid/Medicaid HMO at St. Joseph's Hospital for FY 2000 was 19.6 percent. As previously discussed, St. Joseph's provided the third highest percentage of Medicaid patient days, the fourth highest percentage of Medicaid HMO patient days and the second highest amount of charity care patient days of the licensed acute care hospitals in Subdistrict 1. The hospital's commitment to the medically indigent population has been demonstrated.

The applicant is requesting that the CON be conditioned to provide 15.6 percent of patient days to Medicaid/Medicaid HMO/charity patients.

Although the proposed service area is not expected to generate a significant amount of Medicaid and charity care patients, the proposed project should enhance access to these service through improved travel times.

- b. When there are competing applications within a sub-district, priority consideration shall be given to the applications, which meet the need for additional acute care beds in a particular service through the conversion of existing underutilized beds.**

There are no competing applications within the subdistrict. There is no need for additional beds in the subdistrict and the project does not involve the addition of acute care beds.

**4. Statutory Review Criteria**

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

As previously noted, acute care utilization averaged 56.70 percent among the ten hospitals in Subdistrict 1 during the 12-month reporting period ending December 2001. However, the project is not in response to numeric need and does not increase the number of beds in the subdistrict. The applicant is planning to relocate 76 beds to an identified site in northern Hillsborough County to establish a new non-tertiary care satellite facility.

The applicant contends that the project is needed to better serve its existing service area population base in the north/northwest Hillsborough County area, while at the same time improve the delivery of services at its existing campus through the re-use of the space vacated by the relocation of the 76 beds and the creation of capacity to alleviate capacity constraints in emergency and outpatient services, as well as in alleviating the parking deficit. The applicant maintains that taken together, these projects (creation of a satellite hospital and re-use of existing space at St. Joseph's Hospital) will ensure that access to and availability of comprehensive health care services will not only be maintained, but also will enhance access and availability in the proposed service area.

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Regarding improved access to the medically indigent population, as noted above the proposed PSA is located in a more affluent area. Despite that, the applicant expects to serve approximately the same percentage of the medically indigent population as it currently serves. As indicated above, the applicant has agreed to condition award of the CON upon providing 15.6 percent of its total annual patient days to Medicaid/Medicaid HMO and charity patients on a combined basis. As the chart below illustrates, this is consistent with its current provision of care to this population.

**Non-Specialty District 6 Subdistrict 1, Hillsborough Providers  
Percentage of Medicaid, Medicaid HMO and Charity Care - fiscal year 2000**

Facility	# Beds in 2000	FY 2000 Occupancy	% Charity Days	% Medicaid Days	% Medicaid HMO Days	% Total Medically Indigent
Town & Country Hospital	186	26.4%	0.4%	7.6%	1.3%	9.3%
Univ. Comm. Hosp/Carrollwood	112	49.5%	1.7%	7.2%	7.0%	15.9%
Brandon Regional Hospital	247	73.4%	0.2%	12.4%	3.2%	15.8%
Memorial Hospital of Tampa	174	46.4%	0.3%	4.8%	0.8%	5.9%
<b>St. Joseph's Hospital</b>	<b>854</b>	<b>62.0%</b>	<b>3.4%</b>	<b>12.1%</b>	<b>4.1%</b>	<b>19.6%</b>
South Bay Hospital	101	71.9%	0.1%	1.9%	1.5%	3.5%
South Florida Baptist Hospital	132	34.1%	1.3%	5.8%	6.9%	14.0%
The Tampa General Hospital	846	47.7%	10.3%	16.8%	4.2%	31.3%
University Community Hospital	404	61.3%	2.1%	7.4%	2.1%	11.6%

Source: AHCA Financial Analysis Data FY 2000

As the chart above shows, in fiscal year 2000, St. Joseph's Hospital and Tampa General were the two largest providers of care to the medically indigent in District 6, Subdistrict 1, Hillsborough County. St. Joseph's provided 19.6 percent of its total patient days in all beds for all services to charity, Medicaid and Medicaid HMO patients while Tampa General provided 31.3 percent. Both were classified Medicaid disproportionate share providers for state fiscal year 2000-2001 and 2001-2002. Although neither University Community Hospital was so classified, it is noted that their combined total percentage of care to the medically indigent in fiscal year 2000 was 28.5 percent in 516 beds that were slightly less occupied than St. Joseph's beds were during that same time period. The applicant indicates that it will largely serve the medically indigent population its obstetric beds and, as discussed below, the location of this satellite hospital will decrease the driving time for its patients living in the north/northwest portion of Hillsborough County.

Specific to improved access for residents of the proposed service area, the applicant commissioned a travel-time study to demonstrate the access issue. The applicant contends that an increase in population and resulting congestion in the PSA has caused drive time to become a serious issue when trying to access health care services, particularly

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emergency and obstetric services. The travel time study (Appendix D) illustrates "peak" and "off peak" travel times and documents that time will be decreased anywhere from five minutes to 55 minutes between certain service area neighborhoods and five hospital sites. The proposed project will improve availability and accessibility to acute care services to Hillsborough County residents living in the North/Northwest portion of the county who currently travel to the applicant's main campus for care.

Although the proposed site of the satellite facility is located approximately 12 miles from the main St. Joseph's campus, the applicant contends that efficiency will be implemented through various wireless technological advances including: radiology imaging, medical records, laboratory, billing, and patient registration/admission. The main campus will serve as the "Mother-Ship", being the resource for many day-to-day services as well as the location for more complex and technically challenging medical procedures.

With regard to utilization of like and existing facilities, the following table provides the utilization trend for the hospital's in Subdistrict 1 for calendar years 1998 through 2001.

**Acute Care Utilization For Subdistrict One Hospitals  
Calendar Years 1998-2001**

<b>Facility</b>	<b>CY 1998</b>	<b>CY 1999</b>	<b>CY 2000</b>	<b>CY 2001</b>
Town & Country Hospital	29.35%	24.04%	29.81%	26.25%
Univ. Comm. Hosp/Carrollwood	37.13%	45.13%	51.06%	52.85%
H. Lee Moffitt	47.64%	50.50%	50.29%	52.65%
Brandon Regional Hospital	62.00%	69.17%	74.32%	84.61%
Memorial Hospital of Tampa	42.99%	42.85%	47.50%	45.18%
St. Joseph's Hospital	59.10%	59.37%	59.33%	57.74%
South Bay Hospital	68.65%	66.80%	71.86%	81.66%
South Florida Baptist Hospital	40.18%	36.97%	35.09%	36.43%
The Tampa General Hospital	46.33%	46.02%	45.73%	51.69%
University Community Hospital	59.47%	60.21%	62.53%	68.94%
<b>Subdistrict 1 Average Occupancy</b>	<b>56.84%</b>	<b>50.90%</b>	<b>53.75%</b>	<b>56.70%</b>

Source: Florida Hospital Bed and Service Utilization by District, Vol. 11 (1998-2001 Volumes)

As shown above, the overall average occupancy in the subdistrict has fluctuated over the past four years and was actually higher in CY 1998 than in the following years including CY 2001. St. Joseph's average utilization for the same period remained relatively unchanged between 1998 and 2000 but decreased slightly in CY 2001. Based on the above data, it cannot be demonstrated that utilization has substantially increased in the subdistrict or at St. Joseph's Hospital specifically over the past four calendar years.

As noted earlier, this project does not appear to improve access to the medically indigent population in Subdistrict 1.

Although need for the project is not evidenced by the availability, quality of care, efficiency, accessibility and extent of utilization of existing health care facilities in this area, the applicant has shown that this proposal allows for a more efficient use of its resources and beds, improve access to care in the area, and offers certain amenities to patients such as more private rooms. Additionally, the satellite hospital will reduce travel time to non-tertiary patients currently traveling from the proposed service area to St. Joseph's main campus.

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

St. Joseph's Hospital is certified to participate in the Medicare and Medicaid programs, and has full Joint Commission on the Accreditation of Health Care Organizations (JCAHO) accreditation. In addition, St. Joseph's has been awarded several awards and recognitions including the following:

- (1) In 2002, St. Joseph's was named one of America's Best Hospitals by "U.S. News & World Report" for medical treatment and service in Urology and Digestive Disorders.
- (2) The National Research Corporation recognized St. Joseph's as Tampa's most preferred hospital for the fifth year in a row.
- (3) The Cancer Institute received special recognition from the American Cancer Society for the efforts of team members and volunteers in two programs supporting the Florida Breast Cancer Initiative (The Triple Touch breast self-examination program, and the Reach to Recovery program for breast cancer survivors.
- (4) St. Joseph's HIV Clinics received a \$25,000 grant from Dupont and the hospital's Treatment and Management Program for AIDS Care received the Florida HIV/AIDS Red Ribbon Excellence Award.

Specific to quality management activities, the applicant discussed the quality enhancement and quality improvement activities that are incorporated in the organizations' Total Quality Management program. This program includes the organization's Team Improvement Plan, which provides a mechanism to monitor key indicators of service, cost, and outcome to continuously improve quality.

According to the most recent Complaint Summary Report provided by the Office of Quality Assurance-Hospital Section and dated November 12, 2002, St. Joseph's Hospital had 116 allegations since 1997 with 21 confirmed violations (two without deficiency) involving medicine error,

patient care, falls/injury, pressure sores, dietary, plan of care, patient rights, Chapter 354/Baker Act, staffing, and inappropriate discharge. AHCA data, the applicant had 20 confirmed complaints (three without deficiency), during the last three years.

In view of the various accreditations and awards the hospital has received, the various quality of care measures in place at the hospital, and the reasonably low number of confirmed violations, the applicant appears to have a history of and demonstrated the ability to provide quality care.

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

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

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

Baptist Hospital is not a statutorily defined teaching hospital, nor is its primary purpose research or physician education. However, the applicant states that the new hospital would have a positive effect upon the clinical needs of health professional training programs in the service area. The hospital currently has agreements with various schools and programs in the area to provide educational experiences and preceptorship programs for students. The applicant states that the proposed satellite facility will provide students with an enhanced educational experience.

- 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 St. Joseph's Hospital, Inc. and subsidiaries for the periods ending December 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.

**Financial Accounts and Ratios**

	<u>12/31/2001</u>	<u>12/31/2000</u>
Current Assets	\$ 77,317,000	\$ 75,727,000
Cash and Current Investment	\$ 521,000	\$ 1,744,000
Assets Restricted for Capital Projects	\$ -	\$ -
Total Assets	\$ 528,922,000	\$ 502,699,000
Current Liabilities	\$ 46,928,000	\$ 41,637,000
Total Liabilities	\$ 280,153,000	\$ 285,220,000
Net Assets	\$ 248,769,000	\$ 217,479,000
Total Revenues	\$ 379,512,000	\$ 357,169,000
Interest Expense	\$ 9,797,000	\$ 11,342,000
Excess of Revenues over Expenses	\$ 27,151,000	\$ 20,670,000
Cash Flow from Operations	\$ 25,074,000	\$ 30,729,000
Working Capital	\$ 30,389,000	\$ 34,090,000
Current Ratio (CA/CL)	1.6	1.8
Cash Flow to Current Liabilities (CFO/CL)	0.5	0.7
Long-Term Debt to Net Assets (TL-CL/NA)	0.9	1.1
Times Interest Earned (NPO+Int/Int)	3.8	2.8
Net Assets to Total Assets (TE/TA)	47.0%	43.3%
Total Margin (ER/TR)	7.2%	5.8%
Return on Assets (ER/TA)	5.1%	4.1%
Operating Cash Flow to Assets (CFO/TA)	4.7%	6.1%

**Short-term position:**

The applicant's current ratio of 1.6 is below the median of Florida hospitals. The working capital (current assets less current liabilities) of \$30.4 million is a measure of excess liquidity that could be used to fund capital projects. The ratio of cash flow to current liabilities of 0.5 is also below the median level of Florida hospitals. Overall, the applicant has a weaker than average short-term position.

**Long-term position:**

The ratio of long-term debt to net assets of 0.9 is slightly below average compared to other Florida hospitals, as is the ratio of cash flows to

assets of 4.7 percent. The most recent year had revenues in excess of expenses of \$27.2 million, resulting in a margin ratio of 7.2 percent, which is above the average level. Total net assets are \$248.8 million. The ratio of net assets to total assets is 47.0 percent, which is slightly above the average level. Overall, the applicant has an acceptable long-term position.

**Capital requirements:**

Schedule 2 indicates the applicant has capital projects totaling \$168.3 million. Schedule 2 did not include maturities of long-term debt which totals \$32.4 million through 2005, bringing the total funded need to \$200.7 million.

**Available capital:**

Funding for this project will come from \$89.6 million in cash on hand and \$38.0 million from tax-exempt bond financing. The applicant provided a letter of support for the bond financing from MorganStanley. St. Joseph's Hospital Inc. is a controlled affiliate of St. Joseph's Health Care Center, Inc. and Catholic Health East, members of the BayCare Health System. The notes to the financial statements for St. Joseph's Hospital, Inc. and subsidiaries states that cash receipts are deposited into a centralized account and are shown on the balance sheet as due from affiliates. The amount reported as of December 31, 2001 was \$253.6 million. The applicant states that these funds will be used to finance the project.

**Staffing:**

Schedule 6 indicates that the new hospital will have 231.4 total FTE staff in the first year of operation (2006) increasing to 291.1 in year two (2007). In year two, the applicant expects that the new satellite hospital will employ 83 additional R.N.'s, 23 L.P.N.s, and 26 nurses aides in addition to therapy and ancillary positions, additional dietary, housekeeping and plant maintenance positions by the end of year two (September 30, 2007).

**Conclusion:**

St. Joseph's Hospital, Inc. has the financial resources to fund this project and all 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

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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 3. Per Diem rates are projected to increase by an average of 3.3 percent per year. Inflation adjustments were based on the most current Florida Hospital Input Price Index. An analysis of the hospital's primary service area, excluding services not offered, generated a case mix score of 1.0891.

Projected net revenue per adjusted patient day (NRAPD) of \$1,536 in year one and \$1,582 in year two is between the control group median and highest values of \$1,170 and \$2,071 in year one and \$1,205 and \$2,133 in year two. The highest level is generally viewed as the practical upper limit on economies of operation. With net revenues falling between the median and highest level, the facility is expected to consume health care resources in proportion to the services provided. (See Comparative Table).

Projected cost per adjusted patient day of \$1,693 in year one and \$1,557 in year two is between the group median and highest values of \$1,240 and \$1,819 in year one and \$1,277 and \$1,874 in year two. Compared to the control group these costs are efficient. (See Comparative Table).

The year two operating profit for the hospital of \$546,912 computes to an operating margin per adjusted patient day of \$25 which is between the control group median and highest of \$15 and \$399. The computed operating margin ratio is 1.6 percent.

The applicant has the financial resources to implement this project. However, it may be financially inefficient. The utilization for St. Joseph's Hospital in 2001 was 62.9 percent; the projected utilization for the



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

The applicant forecasts managed care levels at 50.0 percent, between the median and highest level of the control group of 38.2 and 64.5 percent. This level, if realized, will have a positive 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.**

St. Joseph's Hospital is proposing to establish a 76-bed acute care satellite hospital in northern Hillsborough County. A non-CON regulated phase will be constructed first and will consist of a diagnostic treatment center, an urgent care center and medical office space. This portion is projected to open in January 2004. Estimated construction dates of later phases that will include the actual hospital are not definitively addressed in the application.

It would have been helpful if the application had more information as to the phasing of the entire project, although this might not be available at this stage of development. Phase I, although not reviewed for CON purposes, appears to merge with the remainder of the building(s) architecturally. Obviously the entire project will appear as a unified complex when completed.

For the satellite hospital, many functions and systems will remain at the main campus 12 miles away, but the new facility will be connected to the existing hospital electronically. Certain functions such as some of the administrative areas will remain at the main campus and some of the more technically advanced procedures will still only be done there.

Portions of the new hospital such as doctors' offices and other support space will be classified as business occupancy. As with most hospitals, the first floor is much larger than the upper floors with the public-intensive spaces as well as the physical plant functions located at the lower level. A future central cooling plant is not scheduled for Phase I and the first phase will utilize an entirely different method of conditioning the air as the hospital will when built. The future cooling plant will be built near the edge of the site with a utility tunnel serving the hospital.

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The building is roughly circular or radial in shape surrounded by ample parking. Public areas are well separated from non-public area support spaces. The application states that the layout, which is quite well done, will be conducive to “confidence in navigation” by the patients and public. The proposed facility is certainly large enough so that way-finding could be an issue. The design professionals have taken this into account.

The first floor includes a diagnostic center, the urgent care center, the obstetrical and surgical suites, recovery, the emergency department, medical records, food service and other office areas. The emergency department is expected to serve up to 40,000 patients per year and the dining room is sized for 150 seats.

The second and third floors have four pods each connected to a central atrium-like core. The second floor has two medical/surgical pods with 16 beds each, an intensive care pod and an educational pod. The third floor has a medical/surgical pod as well as pods for obstetrics, observation beds and education. The application states that the observation pod will be configured the same as the medical/surgical pods which would lead one to conclude that the hospital might want to convert these 16 beds to licensed beds at some point.

Each pod has a central area with two nurse stations and the required ancillary spaces. This core is surrounded by a corridor and the patient rooms are located on the exterior perimeter of each pod. This seems to be a very efficient way of arranging the rooms and functions.

All spaces appear to meet the required square footages. Every patient room will be private with its own toilet/shower room. As a space-saving device, the entire patient toilet room also serves as a wheelchair-accessible shower. Consequently, the whole room will get wet to some degree each time a patient showers. While far from ideal, this configuration is better than some solutions that other facilities have tried.

The application states that the site infrastructure is in place and mention is made to the requirements for disaster preparedness, which are required by the Florida Building Code.

The drawings include a site plan, floor plans and large scale plans of the patient rooms. The list of applicable building codes on the drawings is essentially correct. The design professionals have health care experience and are well aware of applicable building code issues.

The application is not totally clear as to whether the costs below apply only to the hospital or to the entire project. Since this CON review is only for the hospital, it is assumed that any business occupancy spaces that are not an integral part of the hospital are not included in the cost information.

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

The following table provides a comparison of St. Joseph's Hospital's provision of Medicaid/Medicaid HMO and charity care percentage of patient days to the District 6 percentage for these payor groups.

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

<b>Applicant Hospital</b>	<b>FY 00 Conventional Medicaid and Medicaid/HMO % of Pt. Days</b>	<b>FY 00 Charity % of Patient Days</b>
St. Joseph's Hospital	16.2%	3.4%
District 6 Average	12.5%	3.1%

Source: FY 2000 Actual Data/AHCA

As reflected above, St. Joseph Hospital's provision of Medicaid and charity care is greater than the district average.

According to Financial Schedule 7A, approximately 15 percent of the total patient days to be provided in the satellite facility will be Medicaid and or Medicaid HMO days. Charity care is included in the self-pay category and will represent two percent of total patient days. The applicant has conditioned the project such that 15.6 percent of patient days will be provided to Medicaid/Medicaid HMO/charity patients.

The applicant responds that as a result of relocating existing beds, additional capacity will be created at St. Joseph's main campus that will directly benefit the indigent population of the district. Although the proposed service area is not expected to generate a significant amount of Medicaid and charity care patients, the proposed project should enhance access to these service through improved travel times.

Although the applicant states that it is a disproportionate share provider with a long history of providing service to charity and Medicaid patients, and was classified as a disproportionate share provider in state fiscal years 2000-2001 and 2001-2002, it is not eligible to be a Disproportionate Share Provider for fiscal year 2002-2003. This is due to an amendment to section 409.911, Florida Statutes. A note to that statute addresses the method used in calculating Medicaid disproportionate share providers in State Fiscal Year 2002-2003:

*"(1) Notwithstanding s. 409.911(3), Florida Statutes, for the state fiscal year 2002-2003 **only**, the agency shall distribute moneys under the regular disproportionate share program only to hospitals that meet the federal minimum requirements and to public hospitals. Public hospitals are defined as those hospitals identified as government owned or operated in the Financial Hospital Uniform Reporting System (FHURS) data available to the agency as of January 1, 2002. The following methodology shall be used to distribute disproportionate share dollars to hospitals that meet the federal minimum requirements and to the public hospitals:*

*"(a) For hospitals that meet the federal minimum requirements and do not qualify as a public hospital, the following formula shall be used:*

$$DSHP = (HMD/TMSD)*\$1 \text{ million}$$

*DSHP = disproportionate share hospital payment.*

*HMD = hospital Medicaid days.*

*TSD = total state Medicaid days.*

*"(b) The following formulas shall be used to pay disproportionate share dollars to public hospitals:*

*"1. For state mental health hospitals:*

$$DSHP = (HMD/TMDMH) * TAAMH$$

*The total amount available for the state mental health hospitals shall be the difference between the federal cap for Institutions for Mental Diseases and the amounts paid under the mental health disproportionate share program.*

*"2. For non-state government owned or operated hospitals with 3,200 or more Medicaid days:*

$$DSHP = [(.82*HCCD/TCCD) + (.18*HMD/TMD)] * TAAPH$$

*TAAPH = TAA - TAAMH"*

*"3. For non-state government owned or operated hospitals with less than 3,200 Medicaid days, a total of \$400,000 shall be distributed equally among these hospitals.*

*Where:*

*TAA = total available appropriation.*

*TAAPH = total amount available for public hospitals.*

*TAAMH = total amount available for mental health hospitals.*

*DSHP = disproportionate share hospital payments.*

*HMD = hospital Medicaid days.*

*TMDMH = total state Medicaid days for mental health days.*

*TMD = total state Medicaid days for public hospitals.*

*HCCD = hospital charity care dollars.*

*TCCD = total state charity care dollars for public non-state hospitals."*

*"In computing the above amounts for public hospitals and hospitals that qualify under the federal minimum requirements, the agency shall use the 1997 audited data. In the event there is no complete 1997 audited data for a hospital, the agency shall use the 1994 audited data."*

*"(5) In the event the Centers for Medicare and Medicaid Services does not approve Florida's inpatient hospital state plan amendment for the public disproportionate share program by November 1, 2002, the agency may make payments to hospitals under the regular disproportionate share program, regional perinatal intensive care centers disproportionate share program, the children's hospital disproportionate share program, and the primary care disproportionate share program using the same methodologies used in state fiscal year 2001-2002."*

*"(6) This section is repealed on July 1, 2003."*

## **F. SUMMARY**

**St. Joseph's Hospital, Inc. (CON #9610)** is proposing the establishment of a 76-bed acute care satellite hospital through the transfer of 76 beds from St Joseph's Hospital.

The applicant has conditioned the project such that 15.6 percent of patient days will be provided to Medicaid/Medicaid HMO/charity patients.

Total costs for the 240,000 gross square foot satellite facility are estimated to be \$75,976,836, with \$36,930,000 estimated for construction costs.

*After weighing and balancing all relevant criteria, the following issues are presented:*

**Need:**

- The proposed project will not impact the district's licensed bed capacity and no new tertiary services will be added. The applicant sufficiently demonstrated that overall access and bed availability will be improved as a result of the project. The project also appears to be a better use overall of the applicant's resources.

**Quality of Care:**

- The applicant reasonably demonstrates that it has a history of providing quality of care, an indication being the hospital's JCAHO accreditation and compliance with all licensure requirements of the State of Florida. The applicant also reasonably describes its current performance improvement program.

**Cost/Financial Analysis:**

- The applicant has the financial resources to fund the proposed project as well as all other capital projects listed.
- The applicant has the financial resources to implement this project. However, it may be financially inefficient. The utilization for St. Joseph's Hospital in 2001 was 62.9 percent; the projected utilization for the satellite hospital is 38.5 percent year 2, not including patients coming from the main Hospital and 64.8 percent including those patients. The actual cost per adjusted patient day at St. Joseph's Hospital for 2000, inflated to year two of the project would result in a cost per adjusted patient day of \$1,326. The projected cost per adjusted patient day at the new hospital is \$1,557. This is a significant increase in the cost of providing services at the new hospital over the cost of providing these services at the existing facility.
- The applicant's forecasted managed care level (50.0 percent) is between the median and highest level of the control group of 38.2 and 64.5 percent. This level, if realized, will have a positive impact on competition to promote quality assurance and cost-effectiveness.

**Medicaid/Indigent Charity Care Commitment:**

- According to AHCA FY 2000 Hospital Financial Data, St. Joseph's provided 16.2 percent of its total patient days to Medicaid and Medicaid HMO patients and 3.4 percent to charity care patients. The applicant's Medicaid percentage is greater than the District 6 average of 12.5 percent. The applicant's charity care is slightly above the District 6 average of 3.1 percent to charity care patients. The applicant is eligible as a Medicaid disproportionate share provider for State Fiscal Year 2002-2003.
- The applicant projects that 15 percent of the total projected patient days will be provided to Medicaid and Medicaid HMO patients and the equivalent of 2.0 percent of total patient days will be provided to indigent patients. The applicant is requesting that the CON be conditioned for the combined provision of 15.6 percent of patient days to Medicaid/Medicaid HMO/charity care patients.

**Architectural Analysis:**

- There appear to be no substantive architectural concerns with the project.

**G. RECOMMENDATION**

Approve CON #9610 to establish a 76-bed acute care satellite hospital through the delicensure of 76 acute care beds at St. Joseph's Hospital. Project costs total \$75,976,836 and involve 240,000 GSF of new construction and \$36,930,000 in construction costs.

CONDITION: A minimum of 15.6 percent of the total annual patient days in the 76-bed facility shall be provided to Medicaid/Medicaid HMO and charity patients on a combined basis.

**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**