

STATE AGENCY ACTION REPORT
CON APPLICATION FOR CERTIFICATE OF NEED

A. PROJECT IDENTIFICATION

1. Applicant/CON Action Number

Columbia JFK Medical Center, L.P./CON #9617

d/b/a JFK Medical Center
5301 South Congress Avenue
Atlantis, Florida 33462

Authorized Representative: Phillip D. Robinson, C.E.O.
(561) 642-3850

Wellington Regional Medical Center, Inc./CON #9618

10101 Forest Hill Boulevard
West Palm Beach, Florida 33414

Authorized Representative: Thomas Davidson
2623 West Jetton Avenue
Tampa, Florida 33629
(813) 251-5470

2. Service District/Subdistrict

District 9/Subdistrict 5 (Palm Beach County)

B. PUBLIC HEARING

A public hearing was not held or requested. Columbia JFK Medical Center, L.P. did not submit any letters of support for its proposed project. Wellington Regional Medical Center submitted three letters of support. Two of the letters of support are from Hospice of Palm Beach County, Inc. (Dr. Gail Austin Cooney, Medical Director and Dr. Faustino Gonzalez, Associate Medical Director) and one letter is from The Helen and Harry Gray Cancer Institute at Good Samaritan Medical Center (Dr. Daniel Spitz). The three letters basically contain the same information and support the establishment of a hospice unit at Wellington Regional

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to meet the needs of residents in western Palm Beach County, and particularly in the Belle Glade area. It is noted that only licensed hospice programs may apply to establish hospice inpatient beds. The applicant is not a licensed hospice program. Additionally, there are two batching cycles a year in which applicants may apply to establish inpatient hospice beds and this application was not submitted during either. The applicant indicates that it is applying to add seven acute care beds, not inpatient hospice beds, to the hospital. While licensed hospice programs may contract with acute care hospitals to provide inpatient services to hospice patients under the care of the licensed hospice program, the beds in which those services are provided are acute care beds, not hospice beds and the program ultimately responsible for patient care is the hospice program, not the acute care hospital. The letters of support submitted by Hospice of Palm Beach County indicate that what is needed is a hospice unit, with inpatient hospice beds, rather than acute care beds. Therefore, these letters do not support this application, they support the establishment of an inpatient hospice unit within Wellington Regional Medical Center. The only entity that can apply for this inpatient hospice unit is a licensed hospice program, and as indicated above, the applicant is not a licensed hospice program.

C. PROJECT SUMMARY

Columbia JFK Medical Center, L.P. (CON #9617) proposes to add 36 acute care beds to the existing JFK Medical Center located in Palm Beach County. JFK Medical Center is licensed for 387 acute care beds and has also been approved to add 37 acute care beds under exemption #0000275. It is the applicant's intention to bring both projects into service by January 1, 2004. Total bed capacity at JFK Medical Center will increase to 424 acute care beds with the exemption and further increase to 460 beds, provided the proposed project is approved.

The applicant is requesting that the project be conditioned to provide a minimum of three percent of total annual patient days for Medicaid and/or charity care days for the total 460 acute care beds. The requested condition exceeds the current condition of 0.3 percent for combined total Medicaid and charity care.

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The 37-bed exempt addition is part of a \$76 million renovation project consisting of a new five-story patient tower and parking garage. The project will create more private room capacity and expand the intensive care unit and emergency department. The construction will allow for space to add the proposed 36 beds to meet future acute care needs. The proposed 36 medical/surgical beds will be housed on the fifth floor of the new patient tower and will consist of all private rooms. Total area for the project, including common spaces is 26,700 gross square feet. The project involves a total project cost of \$4,914,252 of which \$2,782,969 is allocated as construction costs.

Wellington Regional Medical Center, Inc. (CON #9618) operates Wellington Regional Medical Center, a 108-bed general acute care private for-profit hospital located in Palm Beach County. The hospital is licensed for 104 acute care beds and four Level II NICU beds. The applicant has a CON to add an additional six Level II NICU beds to its current four-bed inventory following the construction of the space in which the final 10-bed unit will be housed.

The applicant proposes to add seven acute care beds. The purpose of the requested bed addition is to make acute care beds available to Hospice of Palm Beach County for use as inpatient hospice beds. However, as discussed in detail above, the only entity that is able to apply to establish hospice inpatient beds is a licensed hospice program. The applicant is not a licensed hospice program.

The applicant wishes to condition the CON to make the seven proposed acute care beds “available by contract as hospice inpatient beds for a period of not less than three years from their date of licensure”. Again, this application is to add seven acute care, not inpatient hospice, beds to Wellington Regional Medical Center.

The total project cost is estimated at \$83,383. Construction costs are projected at \$16,800 and the project will involve 1,344 GSF of renovated space.

D. REVIEW PROCEDURE

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

Applications are analyzed to identify strengths and weaknesses in each proposal. If more than one application is submitted for the same type of project in the same district (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, M. Riley Gibson, analyzed the application with consultation from the financial analyst, Roger Bell, who reviewed the financial data and architect Joel Hill who evaluated the architectural and the schematic drawings.

E. CONFORMITY OF PROJECT WITH REVIEW CRITERIA

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

1. Fixed Need Pool

- a. Does the project proposed respond to need as published by a fixed need pool? Or does the project proposed seek beds or services in excess of the fixed need pool? Ch. 59C-1.008(2), Florida Administrative Code.**

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On July 26, 2002, AHCA published a fixed need pool (FNP) in Volume 28, Number 30, Florida Administrative Weekly (F.A.W.) of zero (0) for additional hospital acute care beds in District 9, Subdistrict 5/South Palm Beach County.

District 9, Subdistrict 5 had a total of 1,636 licensed beds that experienced an occupancy rate of 77.34 percent for the reporting period January 1, 2001 through December 31, 2001. There are currently 84 acute care beds approved for the subdistrict. JFK Medical Center is approved to add 37 acute care beds via CON exemption #0000275, while the remaining 47 beds are approved for Bethesda Memorial Hospital through both CON #9507 (28 beds) and exemption #0100037 (27 beds). For the reported timeframe, JFK Medical Center reported average occupancy of 91.64 percent while Wellington Regional Medical Center had a reported occupancy average of 62.12 percent. JFK's occupancy represents the highest reported in both Subdistrict 5 and District 9.

Neither project is submitted in response to the fixed need pool, but rather, involves what both applicants perceive are special circumstances.

b. Approval Under Special Circumstances; Rule 59C-1.038(5):

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

Based on the average 12-month occupancy rate reported by both applicant hospitals for calendar year 2001, only JFK meets the 80 percent occupancy threshold with a reported occupancy average of 91.64 percent. The inclusion of the 37 additional approved acute care beds via exemption does not reduce the overall average occupancy below the 80 percent threshold¹. Wellington Regional reported an average utilization of 62.12 percent for CY 2001 and does not meet this rule requirement.

¹ Had the 37 approved beds been operational during CY 2001, occupancy would have been 83.38 percent.

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Wellington states that this rule provision "is best suited to the needs of larger hospitals." However, the rule is equally applicable to all hospitals, as is the statutory exemption from CON review for up to 10 percent of licensed acute care beds or 10 acute care beds, whichever is greater, when the applicant hospital reaches 80 percent occupancy.

c. Other Special Circumstances:

Columbia JFK Medical Center, L.P. (CON #9617) states that high occupancy at JFK Medical Center drives the proposed project. The average occupancy at the hospital for calendar year 2001 was 91.64 percent and patient days have increased by 36 percent since 1996, a steady annual increase of 6.3 percent per year over the last five years. Palm Beach County and District 9 have experienced similar growth. Patient days grew by 3.8 percent per year for District 9, 4.4 percent for Palm Beach County, and 5.9 percent for Subdistrict 5 in the southeast quadrant of Palm Beach County. This growth at JFK Medical Center, as well as in the subdistrict and district is higher than the state average growth of 2.72 percent. A contributing factor to the hospital's high occupancy is the population growth in Palm Beach County, which has increased by almost 200,000 from 982,197 in January 1995 to 1,171,793 in January 2002. This represents a 19 percent increase in the last seven years.

The following table presents the population estimates for Palm Beach County, District 9 and the state, with the average annual compounded growth rate over the last five years and the next five years.

Population Estimates for Palm Beach County, District 9 and the State, Average Annual Compounded Growth Rate

Area	1996	2001	Total Pop. Growth	Avg. Annual Growth	2006	Average Annual Growth
Palm Bch. County	1,020,860	1,159,986	13.63%	2.59%	1,290,761	2.16%
District 9 Total	1,451,529	1,641,516	13.09%	2.49%	1,818,435	2.07%
State Total	14,701,520	16,410,669	11.63%	2.22%	17,778,368	1.16%

Source: AHCA Population Estimates, 12/01. July is used as the bases for population estimate.

As shown above, Palm Beach County is expected to grow at a higher rate than both District 9 and the state.

Also, being in a resort area, JFK Medical Center experiences seasonal high occupancy that can adversely impact access to the hospital. This seasonal impact can be seen in the following table that shows the hospital's utilization by quarter for CY 2001:

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**Utilization By Quarter for JFK Medical Center
January through December 2001**

Jan-March 2001	April-June 2001	July-September 2001	October-December 2001
102.25%	92.43%	86.83%	91.64%

Source: Hospital Bed Need Projections 7/26/02

A review of the hospital's utilization by quarter reveals that for the first quarter of 2001 (January-March), the hospital reported an average occupancy of 102.25 percent. This high occupancy can be largely attributed to the seasonal impact of out-of-area patients. As shown above, the utilization averages for the second and fourth quarter were above 90 percent. The applicant basically contends that since temporary residents are excluded from most demographic data, determining bed need from population estimates causes bed need projections to be artificially low for the actual demand. To further illustrate the seasonal impact, the applicant provided the hospital's monthly census to show the number of days in each month where occupancy exceeded 100 percent. The applicant arrived at 69 days in CY 2001, with the majority of the occupancy days occurring between January and April. The total days over 100 percent accounted for 18.90 percent of total days. According to the applicant, that percentage has risen to 19.48 percent for the first nine months of 2002.

The applicant contends that the acute care bed supply in the area is not keeping pace with population growth. The applicant states that while population continues to increase, acute care hospital beds have decreased by five percent over the last five years in Subdistrict 5 from 1,717 acute care beds in 1996 to 1,626 beds in 2001. However, with the addition of 84 approved beds, including the 37 acute care beds approved for the applicant through exemption, the total number of licensed and approved acute care beds is actually 1,710. This represents only a slight decrease of seven beds over the past five years.

The applicant presents a comparison of beds per 1,000 and patient days per 1,000 for the 11 health planning districts in Florida for calendar year 2001. This comparison shows that District 9 has the second highest use rate of patient days per 1,000 persons (622.07 days per 1,000 compared to 572.80 days per 1,000 for the state) but ranks eighth out of the 11 planning districts when licensed beds per 1,000 is computed (2.58 per 1,000 compared to 2.78 per 1,000 for the state). The applicant further presents a comparison of Subdistrict 5 with the District 9 rate and state rate to show an even lower rate of beds per 1,000 (2.27). The applicant's conclusion from these comparisons is that with continued strong population growth in the subdistrict, the beds per 1,000 population will decline each year and access to acute care beds will present a problem.

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As previously shown, Subdistrict 5 acute care beds have the highest average utilization (77.34 percent) of the five subdistricts that comprise District 9.

Another extenuating circumstance presented by the applicant involves emergency care. The applicant states that in 2001 JFK Medical Center received 52,011 emergency room visits and that the number has been growing steadily by almost 22 percent over the last five years. Of those 52,011 visits in 2001, 15,679 were admitted as inpatients, representing 61.32 percent of total admissions to the hospital. The hospital's annual growth in emergency room visits was 4.03 percent between 1996 and 2001. This represents a healthy increase but is less than the Subdistrict 5 growth of 6.43 percent and less than the District 9 growth of 4.65 percent in emergency room visits. However, the applicant's data shows that the hospital's emergency room admission rate of 61.32 percent is higher than the Subdistrict 5 and District 9 rates of 49.82 percent and 50.51 percent, respectively.

As previously shown, JFK Medical Center's annual growth rate is at 6.3 percent. The applicant contends that if growth at the hospital continues without slowing, the hospital's total patient days could reach 159,493 by 2005, the second year of operation for the proposed project. If by that time the hospital has 460 acute care beds (387 plus 37 approved through exemption, plus the 36 requested), the hospital's occupancy rate would be 94.99 percent. JFK Medical Center has a 27.27 percent market share of patient days in Subdistrict 5 (Source: AHCA Hospital Bed Need Projections, July 2002).

Having presented the special circumstances the applicant contends support the need for additional acute care beds, additional discussion is presented to quantify the number of beds requested. The applicant's forecasting model uses a conservative growth rate used in conjunction with population growth to arrive at annualized total patient days for 2002. Using a more conservative subdistrict growth rate determined by zip code population, assuming that market share will remain constant, and considering approved beds, the applicant concludes that the hospital's occupancy rate will be brought back down to just under 80 percent for the first year the beds are in service. The applicant further concludes that even with adding 73 beds in 2004 (37 plus 36), by 2006 the hospital's occupancy rate is expected to exceed 80 percent and warrant an additional 46 beds that may be acquired through exemption.

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On the other hand, if the requested 36 beds are not approved, the applicant states that in the first year of service for the 37 beds approved through exemption, the occupancy rate would exceed 86 percent. This would be sufficient for the applicant to once again add beds under the exemption rule. However, approval under this application offers a more efficient method of adding the beds as both the 37 approved and the 36 requested can be added/constructed at the same time. If no additional beds are added, it is likely that occupancy will again surpass 90 percent by 2007.

The proposed project appears to represent a logical approach to add capacity to meet growing demand, improve access and economizing on available resources. Need for 36 additional acute care beds at JFK Medical Center has been demonstrated.

Wellington Regional Medical Center, Inc. (CON #9618) contends that the need to add seven acute care beds at Wellington Medical Center is justified based on the intent to offer the beds for lease to Hospice of Palm Beach County. However, need for *hospice* beds are not at issue with regard to the current application. CON applications for new or additional inpatient hospice program beds must be filed in the "Other Beds and Programs" batching cycles. See Chapter 59C-1.008(1)(g), Florida Administrative Code. In this application, the applicant must demonstrate need for additional *acute care* beds. The applicant states: "The Project Summary narrative demonstrates qualitatively why Wellington Regional Medical Center should have additional acute care beds."

In the project summary, the applicant relates its reasons for Hospice of Palm Beach County needing additional inpatient hospice beds. The applicant states that Hospice of Palm Beach County is a licensed provider of hospice services in Palm Beach County and provided hospice services to 3,995 patients during the 12 months ended December 31, 2001. The applicant also states that Hospice of Palm Beach County has identified an unmet need for inpatient hospice services in western Palm Beach County and has approached Wellington Regional Medical Center to serve as its partner in addressing this need. Attachment 1 of the application is a copy of a letter of support from the President and CEO of Hospice of Palm Beach County. As noted above, Hospice of Palm Beach County may come in to establish these inpatient hospice beds.

The applicant summarized the reasons it believes it needs additional beds:

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- The hospital has experienced significant growth in its inpatient utilization over the past seven years, and is beginning to experience some capacity constraints in its peak demand months;
- The hospital's service area is experiencing substantial population growth and is expected to experience such growth in the future, thus fueling continued growth in the hospital's acute utilization in the future;
- New residential and commercial construction in the hospital's service area;
- High acute care utilization in the subdistrict; and
- No significant incremental capital costs associated with this project.

The table below illustrates the hospital's growth in utilization of its acute care beds over the past six years:

**Acute Care Bed Utilization at Wellington Regional Medical Center
By Year Ended December 31**

Year	1995	1996	1997	1998	1999	2000	2001
Patient days	11,166	13,945	15,729	16,725	18,917	21,245	23,582
% Occupancy	29.4%	36.6%	41.4%	44.1%	49.8%	55.8%	62.0%
% increase in Pt days from prior year		24.9%	12.8%	6.3%	13.1%	12.3%	11.0%
6 yr avg growth							13.3%

Source: CON Application 9559, Exhibit 2, from AHCA *Florida Hospital Bed & Service Utilization by District*.

According to the applicant, the utilization growth has averaged 13.3 percent per year over this six-year period. The applicant indicates that it projects the hospital will have 25,454 patient days for CY 2002, or 67.1 percent utilization. However, this leaves a daily average of approximately 34 unoccupied beds ($104 \times .671 = 69.8$). Furthermore, any trend is difficult to discern. The following table reflects the annual patient day percentage increase since 1995, based on the foregoing table and the applicant's projected utilization for the year ending June 30, 2002:

**Annual Patient Day Growth at Wellington Regional Medical Center
By Year Ending June 30**

Year	1996	1997	1998	1999	2000	2001	2002*
% increase in Pt days from prior year	24.9%	12.8%	6.3%	13.1%	12.3%	11.0%	8.2%

Source: CON Application 9559; *estimate

In application Exhibit 3, the applicant also compares the growth in its patient days with that of the subdistrict (Acute Care Subdistrict 9-5) and district (District 9) and notes that Wellington Regional Medical Center has substantially exceeded both over the six-year period (13.3 percent vs. 5.5 percent and 13.3 percent vs. 3.1 percent, respectively). Even though the acute care bed utilization in the subdistrict (and district) has been increasing, the data indicate that unoccupied beds are available at

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Wellington and the applicant has continuously experienced a lower utilization average than the district and subdistrict from 1995 through 2001.

Acute Care Bed Utilization By Year Ended June 30

Year	1995	1996	1997	1998	1999	2000	2001
Wellington	26.46%	33.71%	39.99%	41.76%	47.56%	52.13%	59.17%
Subdistrict 9-5	52.27%	53.28%	55.61%	60.12%	68.36%	71.19%	75.50%
District 9	53.47%	51.98%	54.09%	58.09%	62.10%	64.34%	65.63%

Source: AHCA Florida Hospital Bed and Service Utilization By District

The applicant also provided Subdistrict 9-5 utilization data for the peak demand months of January through March to demonstrate bed unavailability in the area. However, a statutory exemption from CON review for up to 10 percent of licensed acute care beds or 10 acute care beds, whichever is greater, for temporary beds in a hospital that has high seasonal occupancy serves to resolve any alleged seasonal bed shortage.

The table below illustrates peak seasonal utilization trends during the first quarter (January through March) for each year 1995 through 2002 at Wellington Regional Medical Center.

**Wellington Regional Medical Center
First Quarter (Jan-Mar) Utilization
1995 - 2002**

	1995	1996	1997	1998	1999	2000	2001	2002*
Patient days	3,084	3,995	4,617	4,571	5,430	5,991	6,088	6,828
% Occupancy	32.9%	42.2%	49.3%	48.8%	58.0%	63.3%	65.0%	72.9%
% increase in Pt days from prior year		29.5%	15.6%	-1.0%	18.8%	10.3%	1.6%	12.2%
6 yr avg growth								12.0%

Source: CON Application 9618, Exhibit 9;

The data show that for the first quarter of 1995, utilization was 32.9 percent and by 2002, it reached 72.9 percent. Although the hospital has shown reasonable growth over the past five years, the hospital's quarterly seasonal peak does not necessarily suggest need for additional acute care beds. In any event, the requested beds are not being proposed to alleviate acute care bed demand and existing underutilized acute beds may be leased by a licensed hospice program to provide inpatient hospice care.

The applicant also contends that its observation bed occupancy should be considered in determining the need for additional acute care beds. The applicant's inclusion of observation patient days in Exhibit 11 of the application for 2001 shows less than 70 percent occupancy. The applicant may add observation beds without CON review. The inclusion

of outpatient bed occupancy to determine inpatient bed need is not justifiable.

A final component presented by the applicant involves a projection of future utilization at the hospital and specifically in dedicated settings like OB, ICU, and medical/surgical beds. According to the applicant, Exhibit 12 of the application depicts projected bed need based on historical utilization by unit (ICU, OB, and medical/surgical), for 2002 and the population projections for the hospital's primary service area provided by claritas and projected forward through 2007. The applicant designates the number of beds to be placed into each unit. The applicant concludes that nine to 19 additional beds are needed over the next five years based on peak season demand. The applicant appears to have based this application for seven acute beds on the perceived needs of hospice patients and outpatients², two distinct bed categories. As noted earlier, need for inpatient hospice beds, per Rule 59C-1.0355, Florida Administrative Code, is not being reviewed in this batching cycle. Any request for the addition of outpatient/observation beds should be submitted directly to the Office of Plans and Construction.

2. Local Health Plan Preferences

Is need for the project proposed supported by the applicable district plan? ss. 408.035(1); 408037(1), Florida Statutes.

The Treasure Coast Health Council, Inc adopted the following acute care preferences in October 2000 for both competing and non-competing applications for acute care beds:

- 1. Priority shall be given to area hospitals, which can show a commitment to, or an historical record of service to Medicaid/indigent, handicapped and underserved population groups.**

Columbia JFK Medical Center (CON #9617) is willing to condition the certificate of need to provide a minimum of three percent of its total annual patient days for Medicaid and/or charity care days for the total facility. The projected payor mix of the additional acute care beds will mirror the hospital as a whole. According to Schedule 7A, the applicant projects that Medicaid will comprise 2.3 percent of total days while charity care is not specifically noted but

² It is noted that the Letter of Intent and CON application indicate that the applicant is applying for seven acute care beds, not seven inpatient hospice or seven outpatient beds. Had either the Letter of Intent or the CON application initially submitted indicated that the applicant was seeking to add inpatient hospice beds or observation beds, it would have been rejected.

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is included with self-pay/other. This payer mix represented is projected to be 9.5 percent in each of the first two years of operation of the additional beds and will mirror the hospitals historical percentage.

According to AHCA Financial Information by District, in 2000, the hospital provided 0.4 percent of total patient days to charity care and 5.4 percent for Medicaid/Medicaid HMO days. The hospital is below the District 9 average of 1.9 percent charity care and 9.1 percent Medicaid/Medicaid HMO days.

The hospital is not a designated Medicaid Disproportionate Share Provider.

Wellington Regional Medical Center, Inc. (CON #9618) proposes no conditions relating to Medicaid/indigent, handicapped, or underserved population groups. According to AHCA Financial Information by District, in 2000, Wellington Regional provided 1.2 percent of its total patient days to charity care and 5.7 percent were Medicaid days. The hospital is below the District 9 average of 1.9 percent charity care and 8.0 Medicaid (9.1 percent Medicaid/Medicaid HMO days combined).

The hospital is not a designated Medicaid Disproportionate Share Provider.

2. **Priority shall be given to applicants who can document cost containment practices in their facilities. Cost containment practices, such as sharing services with other area hospitals, enhance efficient resource utilization and assist in avoiding duplication.**

Columbia JFK Medical Center, L.P. (CON #9617) provided a listing of the facilities that comprise the HCA Healthcare System, East Florida Region as well as a total list of all HCA Florida hospitals and ambulatory surgery centers in Florida. JFK Medical Center is one of three hospital comprising the Palm Beach County Network. The other hospitals are Palms West Hospital and Columbia Hospital. The applicant provided a listing of the services offered by these three hospitals and states that they work closely together to provide an integrated health care delivery system. The applicant states that critically ill pediatric patients who present at JFK Medical Center or Columbia Hospital are transported to Palms West Hospital for care. Patients within the system who are diagnosed as requiring open heart surgery or complicated

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cardiovascular work are treated at JFK Medical Center. Similarly, mental health patients are referred to Columbia Hospital.

The applicant addresses several benefits it says are provided as a member of a large health care company. These include a corporate line of credit; cash flow from corporate-wide continuing operations; joint purchasing agreements, and sharing of knowledge and expertise through a shared services program. The applicant describes shared services as HCA's plan to improve performance and reduce costs by consolidating in several non-clinical, administrative functions. This initiative was launched in January 2000 and is expected to be complete within three years.

The applicant did not document specific cost containment practices in its facility.

Wellington Regional Medical Center, Inc. (CON #9618) submitted Exhibit 13, which illustrates per-diem costs declined 6.8 percent between 2000 and 2001 in most of the hospital's cost centers.

The applicant states that the hospital participates in a number of shared services with other area hospitals which includes the following:

- Healthy Start Home Visiting Program
- Healthy Mothers, Healthy Babies
- Participation in the St. Mary's Hospital Child Development Center
- Participation in the Palm Beach County Public Health Unit and the Children's Medicaid Service

The applicant did not document specific cost containment practices in its facility.

- 3. Priority shall be given to an applicant who proposes to use existing space rather than new construction, including space created by previous voluntary delicensure of underutilized or unused beds and/or through transfer of beds within a subdistrict.**

Columbia JFK Medical Center, L.P. (CON #9617) is currently undertaking a \$76 million dollar renovation project that includes construction of a new five-story patient tower. The fifth floor will be shelled in and will be used to accommodate the proposed 36

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beds being proposed. Although the project does not involve the use of existing space, the applicant contends that the proposed beds can be added on with only modest costs incurred.

Wellington Regional Medical Center, Inc. (CON #9618) states that it is proposing to add the seven acute care beds in space that is already constructed to hospital code and equipped to accommodate inpatient care.

3. Agency Rule Preferences

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

The following criteria and standards found in Chapter 59C-01.038(6) of the Florida Administrative Code are applicable to a request for additional acute care beds:

- 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.**

Columbia JFK Medical Center, L.P. (CON #9617) is willing to condition the CON to provide a minimum of three percent of total annual patient days for Medicaid and/or charity care days for the total facility. However, financial Schedule 7A, does not specifically identify the amount of charity care to be provided since charity care is included with self-pay/other.

Wellington Regional Medical Center, Inc. (CON #9618) proposes no conditions relating to Medicaid and/or charity care.

Comparison of Applicant's History of Providing Medicaid And Charity Care

Patient Type	JFK Medical Ctr.	Wellington Reg.	District 9
Medicaid/Medicaid HMO	5.4%	5.7%	9.1%
Charity Care	0.4%	1.2%	1.9%

Source: AHCA Hospital Financial Data 2000

As shown in the table above, neither JFK Medical Center nor Wellington Regional meet the District 9 average for Medicaid and charity care.

- 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.**

Neither competing applicant proposes to convert existing underutilized beds to 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), 408.035(7), Florida Statutes.**

Columbia JFK Medical Center, L.P. (CON #9617) reasonably demonstrates that the proposed project will increase the availability of acute care services in the hospital's service area. The hospital is utilized efficiently and meets the special circumstances rule regarding the need for additional beds since the hospital's average occupancy rate exceeds 80 percent. As previously shown, JFK Medical Center reported an occupancy average of 91.64 percent for CY 2001. The hospital has experienced a steady increase in utilization due in part to the seasonal impact of temporary residents, as well as the general high demand at the hospital.

The hospital appears to have the ability to provide quality of care, as demonstrated by its accreditations and quality assurance programs (see Item E. 4-b for further discussion of quality of care). It would appear that the proposed project will enhance the quality of care provided, as the applicant reasonably demonstrated high occupancy without the expeditious addition of these 36 beds.

The proposed project appears to represent a logical approach to add capacity to meet growing demand, improve access and enhance efficiency by economizing on available resources.

Wellington Regional Medical Center, Inc. (CON #9618) incorporates by reference, in response to this criterion, the narrative and exhibits in the project summary section of the application.

The quality of care provided by other hospitals in the district is not questioned by the applicant. Refer to E. 4. b. below for additional discussion.

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The applicant did not state that any area residents had a problem accessing acute care services. As discussed above in E. 1. above, the applicant has not demonstrated need for any additional acute care beds.

As previously discussed, the average occupancy for acute care beds in District 9, Subdistrict 5, was 77.34 percent for the time period of January-December 2001. Wellington Regional had a reported occupancy average of 62.12 percent for the reporting period.

The following table shows the occupancy rate for all facilities in District 9, Subdistrict 5, for the 12-month period July 2000–June 2001.

District 9, Subdistrict 5 Acute Care Occupancy Rates January 2001-December 2001		
Hospital	# of Acute Care Beds	Percent Occupancy
Bethesda Memorial Hospital	300	74.12%
Boca Raton Community Hospital	384	71.98%
Delray Medical Center	290	83.33%
JFK Medical Center	387	91.64%
Wellington Regional Medical Center	104	62.12%
West Boca Medical Center	171	62.94%
TOTALS	1,636	77.34%

Source: *AHCA Hospital Bed and Service Utilization by District July 2002 Batching Cycle*

Wellington Regional Medical Center has the lowest occupancy in the subdistrict. Need for the project is not evidenced by the availability, quality of care, 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 demonstrated the ability to provide quality care? ss. 408.035(3), 408.035(12), Florida Statutes.**

Columbia JFK Medical Center, L.P. (CON #9617) is accredited by the Joint Commission on Accreditation of Health Care Organizations (JCAHO), an indication that the hospital provides quality of care. JFK Medical Center has also received national recognition by the HCIA-Sachs Institute as one of the 100 Top Hospitals in America for 2000. The hospital was also recognized under the 100 Top Hospitals National Benchmarks for Success for 2000 and also received recognition as a 100 Top Cardiovascular Hospital for 1999, both for Cardiac Bypass Surgery and Cardiac Intervention. Also for four consecutive years, JFK Medical Center has been named one of the Top 100 Best Companies for Working Mothers by Working Mother magazine.

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According to the most recent Complaint Summary Report provided by the Office of Quality Assurance-Hospital and dated October 1, 2001, JFK Medical Center has had 92 allegations since 1997 with 16 confirmed violations involving patient care, medicine errors, life safety code, pressure sores, surgery error, patient rights, plan of care, infection control, medical records/charting, and one COBRA/emergency access error.

The applicant described the hospital's set of policies and procedures used to guide the staff, physicians, volunteers, patients and patients' families. These policies and procedures include but are not limited to: utilization review, pre-admission screening, appropriateness review, patient care plans, discharge planning, quality improvement program, quality improvement plan, and copy of rights and responsibilities of patients. The applicant also provided a reasonably thorough description of the hospital's Performance Improvement Program, used to develop and maintain an efficient and effective system of measurement and continuous improvement of governance, management, medical and support functions and process of care and service at the hospital.

Wellington Regional Medical Center, Inc. (CON #9618) is accredited by the JCAHO, an indication that the hospital provides quality of care. The applicant discusses the hospital's Performance Improvement Plan and summarized the principles and objectives of the plan.

According to the most recent Complaint Summary Report provided by the Office of Quality Assurance-Hospital and dated October 1, 2001, Wellington Regional Medical Center has had 26 allegations since 1998 with four confirmed violations involving inappropriate discharge, physical plant and life safety code.

- 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.**

Neither of the proposed projects 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.**

Neither JFK Medical Center (CON #9617) nor Wellington Regional Medical Center (CON #9618) are statutorily defined teaching hospitals, nor is their primary purpose research or physician education. However,

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both co-batched applicants discuss their own respective clinical training programs as well as a variety of in-service training for employees.

- e. **What resources, including health manpower, management personnel, and funds for capital and operating expenditures, are available for project accomplishment and operation? ss. 408.037(6), Florida Statutes.**

Columbia JFK Medical Center, L.P. (CON #9617): The audited financial statements of Columbia JFK Medical Center, L.P. 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. The following is a list of accounts and ratios used in the analysis:

Financial Accounts and Ratios

	12/31/2001	12/31/2000
Current Assets	\$ 50,121,885	\$ 54,052,810
Cash and Current Investment	\$ 1,879,669	\$ 1,132,333
Assets Restricted for Capital Projects	\$ 0	\$ 0
Total Assets	\$ 235,845,540	\$ 243,415,315
Current Liabilities	\$ 23,753,978	\$ 22,150,230
Total Liabilities	\$ 136,433,657	\$ 156,456,856
Total Equity	\$ 99,411,883	\$ 86,958,459
Net Operating Revenues	\$ 257,122,473	\$ 228,315,521
Interest Expense	\$ 8,477,923	\$ 8,515,941
Net Profit - Operations	\$ 17,275,753	\$ 2,862,716
Net Income	\$ 12,453,424	\$ 2,133,385
Cash Flow from Operations	\$ 20,708,958	\$ 10,093,450
Working Capital	\$ 26,367,907	\$ 31,902,580
Current Ratio (CA/CL)	2.1	2.4
Cash Flow to Current Liabilities (CFO/CL)	0.9	0.5
Long-Term Debt to Equity (TL-CL/TE)	1.1	1.5
Times Interest Earned (NPO+Int/Int)	3.0	1.3
Equity to Total Assets (TE/TA)	42.2%	35.7%
Operating Margin (NPO/NOR)	6.7%	1.3%
Total Margin (NI/NOR)	4.8%	0.9%
Return on Assets (NI/TA)	5.3%	0.9%
Operating Cash Flow to Assets (CFO/TA)	8.8%	4.1%

Short-term position:

The applicant's current ratio of 2.1 indicates current assets are over twice that of short-term liabilities, a satisfactory position. The working capital (current assets less current liabilities) of \$26.4 million is adequate. The ratio of cash flow to current liabilities of 0.9 is good. The applicant has a satisfactory short-term position.

Long-term position:

The long-term debt to equity of 1.1 is a little high, indicating significant long-term debt. This debt consists primarily of amounts due to the ultimate parent, HCA, Inc. The cash flow to assets of 8.8 percent reflects a reasonable level of cash flows. The most recent year had an operating profit of \$17 million, which resulted in a margin of 6.7 percent, a good level of earnings. The total equity of \$99 million with the equity to assets of 42.2 percent is about average for Florida hospitals. The applicant has a good long-term position.

Capital requirements:

Schedule 2 indicates the applicant had \$97 million in capital projects planned or underway. The long-term debt consists primarily of funds due to an affiliate and carries no specific maturity dates; therefore the \$97 million represents all capital funding needed.

Available capital:

Schedule 2 indicates funding for these projects will come from cash flows of \$6 million with the balance coming from HCA. The applicant's audited financial statement for December 31, 2001 shows cash flows for that year of \$21 million, which if continued through 2005 would result in \$84 million available cash. A letter in the application from HCA states it will fund this project, other capital projects as needed, as well as any working capital needs. Audited financial statements of HCA, Inc. included in the application support its ability to provide this funding.

Staffing:

According to Schedule 6A, the applicant anticipates an additional 43 FTE staff will be needed in the first year of operation of the additional beds, increasing by one nursing position in year two. The majority of the new positions involve additional nursing staff including 17 RNs (increasing to 18 in year two), five LPNs, eighty nurses aides, three unit secretaries and four monitor technicians. The project will also require one additional physical therapist, one dietary aide, two housekeepers, and two laundry aides. The hospital has all necessary general, administrative, and ancillary support services for the additional beds.

Conclusion:

When the strength and commitment from the applicant and the parent are considered, all capital requirements should be available as needed.

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Wellington Regional Medical Center, Inc. (CON #9618): The audited financial statements 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. The following is a list of accounts and ratios used in the analysis:

	<u>12/31/2001</u>	<u>12/31/2000</u>
Current Assets	\$ 12,758,000	\$ 12,643,000
Cash and Current Investment	\$ 1,268,000	\$ 129,000
Assets Restricted for Capital Projects	\$ 0	\$ 0
Total Assets	\$ 64,186,000	\$ 37,307,000
Current Liabilities	\$ 8,713,000	\$ 6,511,000
Total Liabilities	\$ 75,155,000	\$ 54,206,000
Total Equity	\$ -10,969,000	\$ -16,899,000
Net Operating Revenues	\$ 59,858,000	\$ 53,390,000
Interest Expense	\$ 0	\$ 0
Net Profit - Operations	\$ 3,309,000	\$ 585,000
Net Income	\$ 5,930,000	\$ 1,401,000
Cash Flow from Operations	\$ 6,252,000	\$ 2,980,000
Working Capital	\$ 4,045,000	\$ 6,132,000
Current Ratio (CA/CL)	1.5	1.9
Cash Flow to Current Liabilities (CFO/CL)	0.7	0.5
Long-Term Debt to Equity (TL-CL/TE)	-6.1	-2.8
Times Interest Earned (NPO+Int/Int)	na	na
Equity to Total Assets (TE/TA)	-17.1%	-45.3%
Operating Margin (NPO/NOR)	5.5%	1.1%
Total Margin (NI/NOR)	9.9%	2.6%
Return on Assets (NI/TA)	9.2%	3.8%
Operating Cash Flow to Assets (CFO/TA)	9.7%	8.0%

Short-term position:

The applicant's current ratio of 1.5 indicates current assets are one and one half that of short-term liabilities, a little low for the industry. The working capital (current assets less current liabilities) of \$4 million is mediocre considering the entity's size. The ratio of cash flow to current liabilities of 0.7 is satisfactory. The applicant has a slightly substandard short-term position.

Long-term position:

The long-term debt to equity of -6.1 reflects the negative equity, a weak situation. The cash flow to assets of 9.7 percent reflects an adequate level of cash flows. The most recent year had an operating profit of \$3.3 million, which resulted in a margin of 5.5 percent, a good level of earnings. The total negative equity of \$-11 million with the equity to assets of -17.1 percent is poor for Florida hospitals. The applicant has a weak long-term position.

It should be noted that the last two years have had positive earnings and cash flows. The negative equity of \$-17 million for the year ending December 31, 2000 was decreased to \$-11 million in 2001. If the positive earnings continue the equity should be positive in just over two years. Although the long-term position is weak, the trend of positive earnings removes most of the concerns for the immediate future.

Capital requirements:

Schedule 2 indicates the applicant had \$22 million in capital expenditures planned or underway. The long-term debt consists primarily of funds due to parent company and carries no specific maturity dates; therefore the \$22 million represents all capital funding needed.

Available capital:

Schedule 2 indicates funding for these projects will come from the parent company, Universal Health Services, Inc. A letter from the parent indicates it will fund the referenced project and all other projects. The audited financial statements for the parent show significant assets of \$2 billion, net income of \$100 million, and a half a billion dollars in equity.

Staffing:

According to Schedule 6A, the applicant intends to employ an additional 1.9 FTE staff for the first two years of operation of the additional seven beds. The additional staff involve plant maintenance (0.3 positions), and housekeeping (1.4 positions). Additional nursing staff will be increased by 0.3 FTE positions.

Conclusion:

When the strength and commitment from the parent are considered, all capital requirements should be available as needed.

f. What is the immediate and long term financial feasibility of the proposal? ss. 408.037(8), Florida Statutes.

Columbia JFK Medical Center, L.P. (CON #9617): A comparison of the applicant's estimates to the control group values provides for an objective evaluation of financial feasibility, (the likelihood that the services can be provided under the parameters and conditions contained in Schedules 7 and 8), and efficiency, (the degree of economies achievable through the skill and management of the applicant). In general, projections that approximate the median are the most desirable, and balance the opposing forces of feasibility and efficiency. In other words, as estimates approach the highest in the group, it is more likely that the project is feasible, because fewer economies must be realized to achieve the desired outcome. Conversely, as estimates approach the lowest in the group, it is less likely that the project is feasible, because a much higher level of economies must be realized to achieve the desired outcome. These relationships hold true for a constant intensity of service through the relevant range of outcomes. As these relationships go beyond the relevant range of outcomes, revenues and expenses may, either go beyond what the market will tolerate, or may decrease to levels where activities are no longer sustainable.

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

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

Net revenue per adjusted patient day (NRAPD) of \$1,605 in year one and \$1,652 in year two is between the control group median and highest values of \$1,471 and \$1,892 in year one and \$1,515 and \$1,949 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). The 2001 actual NRAPD for this hospital was \$1,307.

Projected cost per adjusted patient day of \$1,530 in year one and \$1,557 in year two is between the group median and highest values of \$1,497 and \$1,672 in year one and \$1,542 and \$1,722 in year two. This application is considered cost efficient when compared to the control group. (See Comparative Table). The 2001 actual CAPD for this hospital was \$1,243.

The year two operating profit for the hospital of \$18 million computes to an operating margin per adjusted patient day of \$95 which is between the peer group median of \$9 and highest of \$246. The 2001 financial data submitted to the agency shows the hospital with an operating margin of \$11 million.

The projections indicate the proposal is financially feasible in the immediate and long-term.

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COMPARATIVE TABLE

JFK Medical Center 2000 DATA Peer Group 9	2005	YEAR 2	INFLATION ADJ. VALUES		
	YEAR 2	ACTIVITY	Highest	Median	Lowest
	ACTIVITY	PER DAY			
ROUTINE SERVICES	126,838,536	682	1,170	662	328
INPATIENT AMBULATORY	0	0	154	53	20
INPATIENT ANCILLARY SERVICES	559,248,016	3,007	4,437	2,462	1,590
OUTPATIENT SERVICES	247,094,233	1,329	2,369	1,636	803
OTHER OPERATING REVENUE	0	0	78	13	1
TOTAL REVENUE	933,180,785	5,018	6,886	4,779	3,358
DEDUCTIONS FROM REVENUE	625,909,740	3,366	*	*	*
NET REVENUES	307,271,045	1,652	1,949	1,515	1,012
EXPENSES					
ROUTINE	47,395,888	255	351	257	193
ANCILLARY	95,958,943	516	716	526	376
AMBULATORY	7,831,781				
OVERHEAD	111,841,440	601	779	686	479
OTHER	26,545,077	143			
TOTAL EXPENSES	289,573,129	1,557	1,722	1,542	1,145
OPERATING INCOME	17,697,916	95	246	9	-374
		5.8%			
PATIENT DAYS	136,732		NOT INFLATION ADJUSTED		
ADJUSTED PATIENT DAYS	185,976				
TOTAL BED DAYS AVAILABLE	167,900				
ADJ. FACTOR	0.7352				
TOTAL NUMBER OF BEDS	460				
PERCENT OCCUPANCY	81.4%		90.6%	53.6%	23.0%
<u>PAYER TYPE</u>	<u>PATIENT</u>	<u>% TOTAL</u>			
	<u>DAYS</u>				
MEDICARE	55,990	40.9%	68.2%	41.6%	19.4%
COMMERCIAL	0	0.0%			
MEDICAID	5,947	4.3%	22.8%	6.0%	0.7%
PRIVATE	11,807	8.6%			
HMO/PPO	62,989	46.1%	64.6%	36.0%	13.7%
OTHER	0	0.0%			
TOTAL	136,733	100.0%			

Wellington Regional Medical Center, Inc. (CON #9618): 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

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that the project is feasible, because fewer economies must be realized to achieve the desired outcome. Conversely, as estimates approach the lowest in the group, it is less likely that the project is feasible, because a much higher level of economies must be realized to achieve the desired outcome. These relationships hold true for a constant intensity of service through the relevant range of outcomes. As these relationships go beyond the relevant range of outcomes, revenues and expenses may, either go beyond what the market will tolerate, or may decrease to levels where activities are no longer sustainable.

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

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

Net revenue per adjusted patient day (NRAPD) of \$1,324 in year one and \$1,332 in year two is between the control group median and highest values of \$1,183 and \$1,522 in year one and \$1,219 and \$1,567 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). The 2001 actual NRAPD for this hospital was \$1,226.

Projected cost per adjusted patient day of \$1,167 in year one and \$1,168 in year two is between the group lowest and median values of \$894 and \$1,204 in year one and \$920 and \$1,240 in year two. This application is considered cost-efficient when compared to the control group. (See Comparative Table). The 2001 actual CAPD for this hospital was \$1,148.

The year two operating profit for the hospital of \$8.6 million computes to an operating margin per adjusted patient day of \$164 which is between the peer group median of \$9 and highest of \$246. The 2001 financial data submitted to the agency shows the hospital with an operating margin of \$3.3 million.

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COMPARATIVE TABLE

Wellington Regional 2000 DATA Peer Group 5	2005	YEAR 2	INFLATION ADJ. VALUES		
	YEAR 2	ACTIVITY	Highest	Median	Lowest
	ACTIVITY	PER DAY			
ROUTINE SERVICES	125,450,608	2,388	941	533	264
INPATIENT AMBULATORY	0	0	124	42	16
INPATIENT ANCILLARY SERVICES	0	0	3,568	1,980	1,278
OUTPATIENT SERVICES	98,386,583	1,873	1,905	1,316	645
OTHER OPERATING REVENUE	596,659	11	63	10	1
TOTAL REVENUE	224,433,850	4,272	5,537	3,843	2,700
DEDUCTIONS FROM REVENUE	154,467,262	2,940	*	*	*
NET REVENUES	69,966,588	1,332	1,567	1,219	814
EXPENSES					
ROUTINE	11,062,376	211	282	207	155
ANCILLARY	25,883,755	493	576	422	303
AMBULATORY	3,014,491				
OVERHEAD	21,386,653	407	626	552	385
OTHER	0	0			
TOTAL EXPENSES	61,347,275	1,168	1,385	1,240	920
OPERATING INCOME	8,619,313	164	246	9	-374
		12.3%			
PATIENT DAYS	29,364		NOT INFLATION ADJUSTED		
ADJUSTED PATIENT DAYS	52,533				
TOTAL BED DAYS AVAILABLE	40,515				
ADJ. FACTOR	0.5590				
TOTAL NUMBER OF BEDS	111				
PERCENT OCCUPANCY	72.5%		90.6%	53.6%	23.0%
<u>PAYER TYPE</u>	<u>PATIENT</u>	<u>% TOTAL</u>			
	<u>DAYS</u>				
MEDICARE	8,235	28.0%	68.2%	41.6%	19.4%
COMMERCIAL	0	0.0%			
MEDICAID	1,970	6.7%	22.8%	6.0%	0.7%
PRIVATE	624	2.1%			
HMO/PPO	18,486	63.0%	64.6%	36.0%	13.7%
OTHER	48	0.2%			
TOTAL	29,363	100.0%			

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

Columbia JFK Medical Center, L.P. (CON #9617) projects managed care to represent 46.1 percent of its patient days. This is between the control group median and highest levels of 36.0 percent and 64.6 percent and is identical to the hospital's own 2001 managed care level of 46.1 percent. Although the applicant's expected level of managed care is relatively high when compared to the group it is stable in relation to its

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existing activity. Judging from the managed care forecast alone it does not appear that this project will have a significant impact on competition.

Schedule 4 shows the hospital's existing 387 beds occupied during the peak quarters at almost 100 percent. After the addition of these beds plus an additional 37 beds previously approved, the occupancy is expected to reach 93.1 percent in the first quarter of 2005. Assuming reasonableness of these projections, these additional beds will enable the hospital to serve patients otherwise having to go to other facilities. This project, the addition of 36 acute care beds, therefore will have some positive impact on the competition to promote quality and cost-effectiveness.

Wellington Regional Medical Center, Inc. (CON #9618) expects managed care to represent 63.0 percent of its patient days in year two. This is between the control group median and highest levels of 36.0 percent and 64.6 percent and is similar to the hospital's own 2001 managed care level of 62.2 percent. Although the applicant's expected level of managed care is relatively high when compared to the group it is stable in relation to its existing activity.

The hospital's 104 beds were 62 percent full in 2001. Year two of the forecast anticipates 29,364 patient days, which would be 77 percent occupancy with the existing 104 beds. Judging from the managed care and utilization forecast this project should not have any significant impact on competition to promote quality and cost-effectiveness.

Comparisons between applicants

	Net Rev. per day	Total Cost per day	Oper. Profit per day	Managed Care Percent	Medicaid Percent
JFK	1,652	1,557	95	46.1	4.3
Wellington	1,332	1,168	164	63.0	6.7

- 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.**

Columbia JFK Medical Center, L.P. (CON #9617): The application would add 36 new acute care beds on a new 5th floor. There is an ongoing project in that area and the 5th floor where these beds are proposed is under construction as shell space under that project. The applicant is hoping to get the current CON application approved so that the shell space can be built-out during the current construction and all new beds can go online at the same time.

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The applicant is referring to this shell space as “existing” in order to have this application reviewed as a project that would be given priority over a project where entire new space would have to be built. The costs incurred with this application are referred to as “modest”.

All 36 new patient rooms will be private, and four of them have wheelchair-accessible showers. Additionally, there are what appear to be two isolation rooms with ante-rooms for gowning and gloving. There are two nurse stations, which share some of the required ancillary spaces such as medicine preparation, nourishment, etc. This is acceptable.

The floor is well laid-out with good sight lines and all spaces appear to have more than adequate square footages. Each space appears to be functional and convenient for both patients and staff.

Cost data and schedules submitted seem to be reasonable. The most common applicable building codes are listed on the drawings and are current. Compliance with the Disaster Preparedness is not an issue with this application.

Wellington Regional Medical Center, Inc. (CON #9618): The application is for the addition of seven new acute care beds.

The only drawing submitted was a plan of the four patient rooms to be added by renovation. All the rooms are existing with typical acute care services. No mention is made as to what these rooms are currently being used for. None of the rooms are accessible for the disabled, but this may not be necessary if the hospital has provided the required number of accessible rooms in other parts of the facility. With a facility of this size, it is probable that they have already met or exceeded the requirement for accessible patient toilet/shower rooms. The addition of four new bed spaces is not likely to be significant enough to require more accessible facilities. However, this will need to be verified before the project goes forward if it is approved. The AHCA Office of Plans and Construction will review any plans submitted for the new beds to verify the number of accessible spaces.

Three of the new patient rooms will be semi-private, and there is one private suite in the group. Each room appears to be functional and the square footage requirements appear to have been met even though there were no dimensions given.

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Cost data and schedules submitted seem to be reasonable for what is essentially minor renovations to existing spaces. Applicable building codes are not listed, but this is a very minor issue for a project of this limited scope.

- 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.**

Columbia JFK Medical Center, L.P. (CON #9617): According to AHCA Financial Information by District, in 2000, the hospital provided 0.4 percent of total patient days to charity care and 5.4 percent for Medicaid/Medicaid HMO days. The hospital is below the District 9 average of 1.9 percent charity care and 9.1 percent Medicaid/Medicaid HMO days.

The hospital is not a designated Medicaid Disproportionate Share Provider.

The applicant is willing to condition the certificate of need to provide a minimum of three percent of total annual patient days for Medicaid and/or charity care days for the total facility. The projected payor mix of the additional acute care beds will mirror the hospital as a whole. According to Schedule 7A, the applicant projects that Medicaid will comprise 2.3 percent of total days while charity Care is not specifically noted but is included with self-pay/other. This payer mix represented is projected to be 9.5 percent in each of the first two years of operation of the additional beds and will mirror the hospitals historical percentage.

The applicant does not have a significant history of providing health services to Medicaid patients and the medically indigent.

Wellington Regional Medical Center, Inc. (CON #9618): According to AHCA Financial Information by District, in 2000, Wellington Regional provided 1.2 percent of total patient days to Charity care and 5.7 percent Medicaid days. The hospital is below the District 9 average of 1.9 percent charity care and 8.0 Medicaid (9.1 percent Medicaid/Medicaid HMO days combined).

The hospital is not a designated Medicaid Disproportionate Share Provider.

The applicant is not willing to propose conditions relating to Medicaid/indigent, handicapped, or underserved population groups.

The applicant does not have a significant history of providing health services to Medicaid patients and the medically indigent.

F. SUMMARY

Columbia JFK Medical Center, L.P. (CON #9617) proposes to add 36 acute care beds to the existing JFK Medical Center located in Palm Beach County. Total bed capacity at JFK Medical Center will increase to 424 acute care beds with the currently approved 37-bed exemption and further increase to 460 beds as a result of the proposed project.

Total area for the project, including common spaces is 26,700 gross square feet. The project involves a total project cost of \$4,914,252 of which \$2,782,969 is allocated as construction costs.

After weighing and balancing all relevant criteria, the following issues are presented with regard to Columbia JFK Medical Center, L.P./CON 9617: :

Need:

- The proposed project is not submitted in response to the fixed need pool that indicates zero need for additional acute care beds in District 1, Subdistrict 2.
- The applicant presents the proposed project based on special circumstances. Specifically, the project meets the criteria in Rule 59C-1.038, recognizing need for additional acute care beds if the hospital's average occupancy rate is at or exceeds 80 percent. JFK Medical Center's average utilization for CY 2001 was 91.64 percent. Other special circumstances include lack of bed capacity, seasonal variances, population growth, increase in emergency visits, and the cost-efficiency of adding the beds now.
- The proposed project appears to represent a logical approach to add capacity to meet growing demand, improve access and economize on available resources. Need for additional beds has been demonstrated.

Quality of Care:

- The applicant reasonably demonstrates its ability to provide quality of care, an indication being the hospital's JCAHO accreditation and compliance with all licensure requirements of the State of Florida.
- The current project and inclusion of the proposed addition is designed to upgrade existing programs and reduce operating stresses. This in turn should enhance the quality of care provided by the hospital.

Cost/Financial Analysis:

- Based on the applicant's financial position and the support of the parent company (HCA), funding for the proposed project and all other capital projects is assured.
- With net revenues falling between the median and the highest level, the facility is expected to consume health care resources in proportion to the services provided. The project is considered cost efficient when compared to the hospital control group. The financial analyst concludes that the project is financially feasible in the immediate and long-term.
- The projected managed care level of 46.1 percent is high compared to the control group but it does not appear that from a managed care perspective, the project will have a significant impact on competition. However, the proposed project should have some positive impact on the competition to promote quality and cost-effectiveness.

Medicaid/Indigent Charity Care Commitment:

- The hospital does not have a significant history of providing Medicaid services and serving charity care patients. The applicant is not a Medicaid disproportionate share provider for State Fiscal Year 2002-2003.
- The applicant wishes to condition the CON to provide a minimum of three percent of total annual patient days for Medicaid and/or charity care days combined for the total 460 acute care bed facility.

Architectural Analysis:

- The proposed project will be incorporated within a previously approved expansion project, thus, promoting cost efficiency and allowing both bed expansion projects to be constructed and licensed simultaneously.
- The hospital floor that will accommodate the additional beds is well designed with adequate square footage. Each space appears to be functional and convenient for both patients and staff.
- Cost data and construction schedules appear reasonable and applicable building codes appear to be met.

Wellington Regional Medical Center, Inc. (CON #9618) proposes to add seven acute care beds to the currently licensed 104 acute care beds for the purpose of making acute care beds available to Hospice of Palm Beach County for use as inpatient hospice beds. The hospital is licensed for 104 acute care beds and four Level II NICU beds. The applicant has a CON to add an additional six Level II NICU beds to its current four-bed inventory following the construction of the space in which the final 10-bed unit will be housed.

The total project cost is estimated at \$83,383. Construction costs are projected at \$16,800 and the project will involve 1,344 GSF of renovated space.

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

Need:

- The proposed project is not submitted in response to the fixed need pool that indicates zero need for additional acute care beds in District 1, Subdistrict 2.
- The applicant does not meet the criteria per special circumstances in Rule 59C-1.038(5). The hospital had an averaged utilization of 62.12 percent for CY 2001. Need analysis and methodologies presented by the applicant do not demonstrate need for additional beds at the hospital.

Quality of Care:

- The applicant reasonably demonstrates its ability to provide quality of care, an indication being the hospital's JCAHO accreditation and compliance with all licensure requirements of the State of Florida.

Cost/Financial Analysis:

- The applicant's audited financial statements provide evidence of a substandard short-term financial position and a weak long-term position. However, the applicant's last two years show positive earnings and cash flows suggesting a positive trend. In view of the support of the parent company (Universal Health Services, Inc.) funding for the proposed project and all other capital projects should be available.
- With net revenues falling between the median and the highest level, the facility is expected to consume health care resources in somewhat greater proportion to the services provided. The financial analyst concludes that the proposed project is cost efficient when compared to the control group.
- Managed care is expected to represent 63.0 percent of total patient days in year two, similar to the hospital's own 2001 managed care experience of 62.2 percent. The financial analyst concludes that the project should not have any significant impact on competition to promote quality and cost-effectiveness.

Medicaid/Indigent Charity Care Commitment:

- The hospital does not have a significant history of providing Medicaid services and/or serving charity care patients. The applicant is not a Medicaid disproportionate share provider for State Fiscal Year 2002-2003.
- The applicant is not proposing a Medicaid and/or charity care condition relative to the proposed project.

Architectural Analysis:

- The additional seven beds requested will be incorporated within existing space. None of the rooms are shown to be accessible for the disabled. However, this may not be necessary if the hospital has provided the required number of accessible rooms in other parts of the facility. This will need to be verified by the Office of Plans and Construction.
- Cost data and schedules submitted appear reasonable for what is essentially minor renovations to existing spaces.

G. RECOMMENDATION

Approve CON #9617 to add 36 acute care beds to JKF Regional Medical Center. Project costs total \$4,914,252 and involve 26,700 GSF of construction and \$2,782,969 in construction costs.

CONDITIONS:

A minimum of three percent of the total annual patient days in the 460 acute care beds shall be provided to Medicaid and/or charity care patients.

Deny CON #9618.

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