

STATE AGENCY ACTION REPORT

CON APPLICATION FOR CERTIFICATE OF NEED

A. PROJECT IDENTIFICATION

1. Applicant/CON Action Number

North Florida Regional Medical Center, Inc./CON #9650

6500 Newberry Road
Gainesville, Florida 32605

Authorized Representative: William Earnest, V.P., Physician
Services and Development
(352) 333-4103

2. Service District/Subdistrict

District 3, Subdistrict 2, Alachua County

B. PUBLIC HEARING

No public hearing was requested or held regarding the proposed project. Four letters of support were submitted by the applicant. One letter was from the President of the Gainesville Area Chamber of Commerce, another was from the President of Santa Fe Community College, the third letter was from the President of Compass Bank in Gainesville and the final letter was from the Administrator of the Alachua County Health Department. The Alachua County Health Department Administrator expressed particular interest in seeing an increased number of isolation rooms because of the county's recent experience with SARS. The applicant is proposing three private isolation rooms as part of this project. No letters were included from the medical staff or from patients.

C. PROJECT SUMMARY

North Florida Regional Medical Center, Inc. d/b/a North Florida Regional Medical Center is an indirect wholly owned subsidiary of HCA Inc. The applicant proposes to add 44 acute care beds to the hospital's 278-licensed acute care bed complement for a total licensed bed capacity

of 322 acute care beds. The 44-bed addition will consist of 31 private rooms, five semi-private rooms and three isolation, private rooms. The project involves approximately 22,700 GSF on new construction as a seventh floor to the hospital. The total cost of the proposed project is projected to be \$11,713,261 with new construction accounting for \$6,200,000 of this total. The applicant proposes to provide a minimum of 1.50 percent of total annual patient days of the 44-bed addition to charity care. The applicant is proposing to provide a minimum of 0.20 percent of total annual patient days of the 322-bed facility to charity care. There are no existing conditions assigned to this applicant.

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, Ed Carter, analyzed the application in its entirety with consultation from the Financial Analyst, Roger Bell, who evaluated the financial data, and the 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 and 59C-1.038, Florida Administrative Code.**

In Volume 29, Number 4, dated January 24, 2003, of the Florida Administrative Weekly, a fixed need pool of zero beds was published for acute care beds in District 3, Subdistrict 3-2, for the February 2003 batching cycle.

The agency shall not normally approve applications for new or additional acute care hospital beds in any acute care subdistrict as specified in Chapter 59C-2.100, Florida Administrative Code, unless the average occupancy rate for all existing acute care hospital beds is at or exceeds 75 percent in the respective subdistrict, or the provisions in Chapter 59C-1.038(5) are met. During the period July 2001 through June 2002, the then 1,182 licensed acute care beds in District 1, Subdistrict 2 experienced an average occupancy rate of 67.72 percent.

North Florida Regional Medical Center 's 254 then licensed acute care beds averaged 81.87 percent utilization during the same period 12-month reporting period. On October 25, 2002 North Florida Regional Medical Center implemented the conversion of 24 hospital-based skilled nursing unit (HBSNU) beds to use as 24 acute care beds, authorized under CON Exemption Number 0200017 on September 18, 2002, bringing the total acute bed complement to 278.

- b. Chapter 59C-1.038(5): Approval Under Special Circumstances. 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.**

For the appropriate period as specified by rule, July 2001 - June 2002, North Florida Regional Medical Center's 254 acute care beds averaged 81.87 percent occupancy. On October 25, 2002, the applicant began operating 24 additional acute care beds pursuant to Exemption #0200017, thus increasing the licensed acute care beds to 278.

Section 408.036(3)(n), Florida Statutes exempts from CON review the addition of acute care beds at hospitals experiencing over an 80 percent occupancy rate for any 12-month period. Had the applicant chosen to do so, it could have added up to 25 acute care beds in July of 2002 as well as convert the 24 HBSNU beds, for a total of 29 additional acute care beds. Had the applicant so chosen it would have 303 acute care beds, 19 fewer than it is applying to add with this proposal.

Although the applicant's average occupancy exceeded 80 percent for the specified reporting period, as noted, the applicant could have already added acute care beds through a CON exemption. Further, the applicant has already added beds through conversion of HBSNU beds, but contends there are additional circumstances, which demonstrate need for 44 additional beds.

- c. Other Special Circumstances:**

The applicant is seeking approval to add 44 acute care beds at this time in response to increased demand and the opportunity to consolidate construction of these beds on a seventh floor of a large construction project underway. The current construction project will add 165,000 GSF of space within a six-story patient tower intended to change the spatial plan of the hospital. The current construction project, not included in the 44-bed request, will include 14 operating rooms, support services for the operating rooms, updated critical care beds (24) and expansion of outpatient treatment and support areas. The applicant states that utilization of the hospital is expected to continue to grow, as

the improvements underway will permit greater numbers to be served. With the expansion of the emergency department, where 21.9 percent of inpatient admissions arise, the improvements are expected to result in an increase in the admission rate as facilities and services are enhanced. The applicant contends that its ability to add 44 beds now, as a seventh floor on top of a six-story patient tower under way, is a more efficient use of its resources. The seventh floor addition of 44 beds will consist of 31 private rooms, five semi-private rooms, and three isolation private rooms with anterooms, planning for containment of those with infectious diseases or conditions.

A review of more recent data collected from the North Central Florida Health Planning Council but not yet published by the Agency, advances utilization experience two more quarters thus verifying an increased utilization trend and confirming the threshold utilization required to demonstrate special circumstances. Utilizing 12 months of data, January 1, 2002 through December 31, 2002, occupancy increased from 81.87 percent to 82.4 percent with the last two months, November and December, including the increased bed capacity (from 254 to 278) that were licensed October 25, 2002.

It should be noted that the applicant considered the Certificate of Need Exemption route that would have garnered them 25 additional beds, however the applicant concluded the demand for beds exceeds the 10 percent maximum allowable under an exemption and contends the opportunity to combine this project with the six-story patient tower creates a unique opportunity to posture itself for future increased growth demand.

To further demonstrate need to expand its capacity to meet demand the applicant generated an analysis of weekday utilization versus weekend utilization of its acute care beds. Utilizing the Agency's *Patent Data Discharge File* for the July 1, 2001 through June 30, 2002, (Table 1-1, page 4 of application) reporting period, the application demonstrates a significantly higher occupancy during the weekdays, especially on Monday and Tuesday with 98.33 percent and 94.74 percent occupancy respectively. Overall weekday utilization (Monday through Friday) was 91.61 percent compared to weekend occupancy of 52.64 percent. This typically signals elective procedures and with the expansion of existing services including space for 14 operating rooms, it is reasonable to expect these utilization numbers will be exacerbated if more beds are not available.

While the applicant discussed seasonal population fluctuations, it does not appear that these fluctuations have a significant impact on North Florida Regional Medical Center's utilization. The most recent data show that the seasonality is masked as overall demand for the hospital's services has increased. The pattern of use for the calendar year 2002 is one in which a shift in how the hospital is used becomes apparent. Growth in utilization began an upturn in October and November 2001, at 79 percent and with the beginning of the first quarter of 2002, rising to 84 percent. Monthly utilization above 80 percent continued in February and March, with April and May at 85 percent. July, September and October experienced occupancy rates above 80 percent. The year ended with an overall 81 percent occupancy, including the consideration of the 24 skilled nursing facility beds that were converted to acute. The applicant contends that seasonality plays a diminished role in the pattern of use at the hospital.

Another point the applicant offered in support of its project is that of ensuring greater capacity in the event of bioterrorism. The applicant quoted from a January 2003 Report to Congress by the United States General Accounting Office (see page 7 of the application); "Federal, state, and local officials are concerned that the nation's hospitals and associated treatment facilities do not have enough capacity to treat a large, sudden influx of patients as might be seen in an emergency. Capacity can be limited by insufficient space in facilities such as emergency departments and intensive care units, insufficient numbers of personnel, and a lack of equipment such as ventilators." The applicant states that it is committed to being prepared for any eventuality in health care. It further states that the 44-bed addition requested in this application will help meet the need for monitored beds that will allow continuous monitoring of a patient's vital signs, critical care beds, and isolation beds, necessary with the potential threat of bioterrorism. This capacity also adds responsiveness to the emergency management plan for biohazard accidents or events. Thus, the applicant considers this project flexibility as an important enhancement with the additional capacity.

The applicant states that because it presently has a large construction project underway, this proposal can be integrated with the ongoing construction, adding a seventh floor on top of the new six-story patient tower. Therefore the project completion forecast assumes a 12-month construction period commencing July 1, 2003 and ending June 30, 2004. Hence, the first operating year of the project will be July 1, 2004 through June 30, 2005. This would be a more efficient option rather than waiting to add a seventh floor sometime in the future. The applicant provides the following forecast table.

North Florida Regional Medical Center's Forecasted Patient Days, Average Daily Census, and Occupancy Rates at Current (278) and Proposed (322) Numbers of Acute Care Beds by Year

Average Daily Census	2003	2004	2005	2006
Patient Days	77,627	79,392	81,198	83,045
Average Daily Census	213	218	222	228
Occupancy with 278 Beds	76.50%	78.24%	80.02%	81.84%
Occupancy with 322 Beds			69.09%	70.66%
Average Daily Census During the Five-Day Workweek				
Patient Days	63,005	64,437	65,903	67,403
Average Daily Census	242	248	253	259
Occupancy with 278 Beds	87.17%	88.12%	90.10%	92.12%
Occupancy with 322 Beds			78.72%	80.51%

Source: CON application #9650

The applicant contends that this conservative forecast of patient days, holding use rates and market share constant, resulted in high occupancies above 90 percent during the workweek if no beds were added, remaining at 278. However, with a bed addition of 44, the occupancy rates for the forecasted periods during the workweek are 78 and 80 percent. These levels reflect that this proposed project is adequate to increase both the availability and accessibility of beds, and is an appropriate use of the hospital's resources. The applicant concludes that the methodology is based upon actual experience during the baseline period, July 1, 2001 through June 30, 2002, does not rely upon "taking market share" from any other hospitals, and therefore demonstrates entitlement to the 44 beds sought in this proposal.

Neither Shands at the University of Florida or Shands Teaching Hospital & Clinic, Inc. opposed the proposed project.

2. Local Health Plan Preferences

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

The October 2000 District 3 CON Allocation Factors Report lists the following generic preferences relevant to CON applications for acute care bed additions:

(1) Applicants proposing to expand services or establish services, which are similar in type and level of care to services in existing facilities in the community shall receive preference if the applicant documents that these services will not negatively affect existing services. Such documentation shall include evidence that the following conditions are true:

(a) Facilities located within 30 minutes or 25 miles of the proposed new service and providing the same type and level of care as the services proposed, operated at or above the applicable service-specific occupancy standards during the most recent 12-month period.

The applicant states that this preference is not applicable as the project is based on facility-specific special circumstances. However, the local health council makes no such distinction in this preference.

(b) The percent of Medicaid and charity care (as defined by AHCA) patient admissions to the proposed services will not be less than the average percent of these patients in facilities in the same community providing the same type and level of services.

During the July 2001 through June 2002 reporting period, the average percent of District 3, Subdistrict 2, Medicaid patient admissions was 16.98 percent and the average percent of charity (reported as self-pay) was 5.11 percent according to the applicant. North Florida Regional Medical Center's provision was 6.4 percent Medicaid and 3.47 percent for the same period. According to data collected by the Agency's Financial Review section, based on 2001 fiscal year data, North Florida Regional Medical Center provided 1.2 percent gross charity care and 6.8 percent Medicaid/Medicaid HMO care. During this same time period, the District 3 weighted averages found 3.1 percent gross charity care and 12.9 percent Medicaid/Medicaid/HMO care provided.

- (2) **Applicants proposing to establish services in a community where they have not previously provided health services shall receive preference if community awareness and support of their projects is documented. Such documentation shall include letters of support from the medical community and from other providers such as home health agencies, nursing homes, and ambulatory surgical centers with whom the facility will need to coordinate services.**

The only letter of support from a health related provider included in the application was from the administrator of the Alachua County Health Department. The administrator's support for the 44-bed project includes the versatility this increased capacity affords and the increased number of isolation rooms.

- (3) **Applicants merit special preference for proposals to add beds by documenting the cost-effectiveness of acute care services in their existing facilities. Documentation should include analysis of the applicant's performance compared to other facilities providing the same type and level of services based on such indicators as diagnosis-specific length of stay and patient outcomes; or, the use of specific treatment plans proven to be effective in reducing long-term disability, re-admission rate, or other costly effects of illness.**

North Florida Regional Medical Center was granted a three-year accreditation, effective August 2002, from the Joint Commission on Accreditation of Health Care Organizations (JCAHO). The accreditation, Accreditation with Full Standards Compliance, applies to all services offered by the hospital.

The applicant also offered its recognition by *Solucient's 100 Top Hospitals® National Benchmarks for Success*, who recognizes 100 hospitals for setting national performance benchmarks across four critical areas: quality of care, operational efficiency, financial performance, and adaptation to the environment. According to the applicant, each year *Solucient* performs an objective statistical analysis of publicly available data from more than 5,600 acute care hospitals. In the most recent study released in December 2002, the applicant, for the seventh year, was recognized as one of the nation's *100 Top Hospitals* for 2001. The applicant reports that only four other hospitals in the country have been named seven or more times, and North Florida Regional Medical Center is the only non-teaching hospital to receive this distinction.

The following table is offered by the applicant to show the average length of stay and cost per adjusted patient day of the three major acute care hospitals in District 3, Subdistrict 2.

**Average Length of Stay & Cost Per Adjusted Patient Day
District 3, Alachua County Hospitals**

Factor	North Florida Regional	Shands at the University of Florida	Shands at AGH	Subdistrict Average
ALOS	4.4	6.9	5.1	5.6
Cost Per Adjusted Patient Day	\$1,162.98	\$1,529.64	(Consolidated with Shands @ U of F)	

Source: AHCA Publication, 2000 Hospital Financial Data, CON application # 9650

North Florida Regional Medical Center provides a full complement of acute care services including the following: medical/surgical, OB, ICU/CCU, emergency department, outpatient services, myelography, occupational therapy, permanent pacemaker install, physical therapy, radioisotope scanning, speech therapy, ultrasound, cardiac catheterization, maxillofacial surgery, microsurgery, neurosurgery, open heart surgery and plastic implant surgery.

(4) In comparing competing proposals to add or establish beds and services, preference shall be given to applicants meeting one or more of the following conditions:

- (a) Provide a full range of services, including obstetric, pediatric, and 24-hour physician staffing of emergency care (where there is a need for these services);**

To complement the information provided above, North Florida Regional Medical Center has more than 400 physicians on staff in 40 different specialties. In addition, comprehensive programs covering the full spectrum of care are available from patient education and prevention to diagnosis, treatment and rehabilitation. The hospital offers comprehensive heart care, cancer care, women's care, senior care and orthopedic/neurosurgery and spine services. For more specific details about the services offered by the applicant, see pages 2-3 through 2-5 of the application.

- (b) **Propose to develop services in medically underserved areas or communities with at least 25,000 people located at least 10 minutes from an existing facility;**

This project seeks to add beds to an established hospital in District 3, Alachua County.

- (c) **Document, using AHCA data, a history of providing services to Medicaid and charity patients, as defined by AHCA, in an amount equivalent to at least the district average percent of admissions for these payor groups; or establish a commitment within the application to serve Medicaid and indigent patients in an amount equivalent to at least the district average percent of admissions for these payor groups.**

Please see response to 2. (1)(b) above. The applicant notes that its facility, North Florida Regional Medical Center, is located in the same district and subdistrict as the large, not-for-profit, teaching and research hospital, Shands at the University of Florida, and its two not-for-profit affiliate hospitals, Shands at AGH (Alachua General Hospital), and Shands at Starke. Shands at the University of Florida is a high provider of indigent care and is a designated regional perinatal intensive care center. Shands at Starke is a rural hospital that is also a high provider of indigent care. Shands at AGH is in close proximity to the University campus and is included in its consolidated report to the Agency. In a ranking of hospitals in the state with low income utilization, Shands at the University of Florida ranks 8th among providers, Shands at Starke ranks 18th and North Florida Regional Medical Center ranks 132nd of the 209 licensed hospitals, excluding psychiatric and state hospitals.

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-1.038(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.**

The applicant's provision of care to Medicaid and charity is discussed in Sections E.2.a. and E.2.h. above and E.4.i. below.

- b. **When there are competing applications within a subdistrict, 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 for additional acute care beds in District 3, Subdistrict 2.

4. Statutory Review Criteria

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

The applicant provided a detailed discussion of and the need for the proposed project in the fixed need pool section of the application. Refer to Section E.1.c, above.

The applicant states that the 44-bed addition will increase accessibility to the residents of the service area, "providing state-of-the-art patient rooms. North Florida Regional Medical Center experiences approximately 26 percent of the acute care market share in Subdistrict 2 of District 3. Utilization and market share within the applicant's service area are shown in the following table.

**District 3, Subdistrict 2, Acute Care Utilization and Market Share
July 2001 through June 2002**

Hospital	Acute Care Beds	Total Bed Days	Total Patient Days	Occ.	Acute Market Share
Shands at AGH	328	119,720	66,484	55.53%	23%
North Florida Reg Med Ctr	254	92,710	75,899	81.87%	26%
Shands Hospital @ U of F	484	176,660	140,942	79.78%	48%
Shands at Starke	49	17,885	4,651	26.01%	2%
Nature Coast Medical Center	40	14,600	3,417	23.40%	1%
Lake Butler Hospital Hand Surgery Center	27	9,673	644	6.66%	0%
Total/Average	1,182	431,248	292,039	67.72%	100%

Source: AHCA Hospital Bed Projections, January 2003.

Quality of care is discussed in the following section, E. 4.b.

Under the efficiency category the applicant seems to focus on the alternative of adding 44 beds at this time rather than adding capacity in 10 percent increments through exemption requests. This strategy seems debatable in light of the fact that the Agency is allowing observation beds in conjunction with 10 percent bed additions. It would only take about two years to qualify for more beds than are being requested in this application, at less cost. The applicant mentions the opportunity to add a seventh floor to the six-story patient tower as a good use of the applicant's resources, however this efficiency has not been discussed to the extent that it demonstrates a significant savings (or additional cost) to the project tower project.

The facility is located on the western portion of Alachua County in close proximity to Interstate I-75 and is easily accessible to its patients, staff and providers. Patients can access specialized and comprehensive services by contacting appropriate physicians or support services directly or through North Florida Regional physician referral service. The 24-hour Physician Referral Service offers information about the more than 400 physicians on staff. The entire medical staff listing at North Florida Regional can be found online at www.nfrmc.com. The applicant also provides a range of means by which persons have financial access to care. There are no access issues to patient care identified in the application or by anyone else relative to the proposed project.

**Utilization by Class of Pay, North Florida Regional Medical Center
Calendar Years 1999 through 2002**

	1999	2000	2001	2002
Medicare Patient Days	35,903	40,452	42,076	42,399
Percent of Total Patient Days	55.40%	57.82%	58.01%	52.76%
Medicaid Patient Days	3,889	5,304	4,580	6,798
Percent of Total Patient Days	6.00%	7.58%	6.31%	8.46%
Self-pay/Charity Days	1,982	1,912	2,136	2,753
Percent of Total Patient Days	3.06%	2.73%	2.95%	3.43%
Total Acute Care Patient Days	64,807	69,968	72,529	80,363

Source: CON application #9650

The applicant states that the addition of acute care beds at North Florida Regional Medical Center will not change the provision of services to those traditionally underserved. The applicant is proposing to provide a minimum of 0.20 percent of total annual patient days of the 322-bed facility to charity care.

- 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.**

North Florida Regional Medical Center was granted a three-year accreditation, effective August 2002, from the Joint Commission on Accreditation of Health Care Organizations (JCAHO). The accreditation, Accreditation with Full Standards Compliance, applies to all services offered by the hospital.

According to the most recent EMTALA/complaint reports provided by the hospital section of the Agency, North Florida Regional Medical Center has had 25 allegations since 2000 with three confirmed, primarily related to nursing care and housekeeping issues. The other allegations were either not confirmed or not investigated. According to licensure records there are no uncorrected life safety issues at North Florida Regional Medical Center for the most recent survey.

- 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 applicant is not proposing special health care services for its service area that are not reasonably and economically accessible in adjacent service areas.

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

The proposed project will not be located in a teaching hospital, nor is the project's primary purpose research or physician education. The hospital participates with local community educational institutions, as well as other educational institutions, by providing clinical training on-site.

- 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.**

The audited financial statements for North Florida Regional Medical Center, Inc. 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:

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	<u>12/31/2001</u>	<u>12/31/2000</u>
Current Assets	\$ 37,739,452	\$ 37,299,193
Cash and Current Investment	\$ 2,171,182	\$ 1,450,713
Assets Restricted for Capital Projects	\$ 0	\$ 0
Total Assets	\$ 171,142,022	\$ 142,567,446
Current Liabilities	\$ 14,180,913	\$ 13,683,692
Total Liabilities	\$ 14,985,687	\$ 15,049,369
Total Equity	\$ 156,156,335	\$ 127,518,077
Net Operating Revenues	\$ 174,591,612	\$ 156,517,812
Interest Expense	\$ 669,735	\$ 669,736
Net Profit - Operations	\$ 34,820,429	\$ 34,130,508
Net Income	\$ 28,638,258	\$ 26,312,305
Cash Flow from Operations	\$ 36,358,531	\$ 27,766,269
Working Capital	\$ 23,558,539	\$ 23,615,501
Current Ratio (CA/CL)	2.7	2.7
Cash Flow to Current Liabilities (CFO/CL)	2.6	2.0
Long-Term Debt to Equity (TL-CL/TE)	0.0	0.0
Times Interest Earned (NPO+Int/Int)	53.0	52.0
Equity to Total Assets (TE/TA)	91.2%	89.4%
Operating Margin (NPO/NOR)	19.9%	21.8%
Total Margin (NI/NOR)	16.4%	16.8%
Return on Assets (NI/TA)	16.7%	18.5%
Operating Cash Flow to Assets (CFO/TA)	21.2%	19.5%

Short-term position:

The applicant's current ratio of 2.7 indicates current assets are approaching three times that of short-term liabilities, a good position. The working capital (current assets less current liabilities) of \$23.6 million is very good. The ratio of cash flow to current liabilities of 2.6 is excellent. The applicant has a strong short-term position.

Long-term position:

The long-term debt to equity of 0 is due to the minimal amount of long-term debt. The cash flow to assets of 21.2 percent reflects a high level of cash flows. The most recent year had an operating profit of \$35 million, which resulted in a margin of 19.9 percent, a very high level of earnings. The total equity of \$156 million with the equity to assets of 91.2 percent is among the very best for Florida hospitals. The applicant has a very strong long-term position.

Capital requirements:

Schedule 2 indicates the applicant had \$115 million in capital projects planned or underway. Since there is no significant long-term debt the \$115 million represents all capital funding needed.

Available capital:

Schedule 2 indicates funding for these projects will come from cash flows of \$22 million with the balance coming from HCA. The applicant's audited financial statement for December 31, 2001 shows cash flows for that year of \$36 million. 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.

Conclusion:

When we consider the strength and commitment from the applicant and the parent, 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.

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 2001; the applicant will be compared to the hospitals in group 7. Per diem rates are projected to increase by an average of 3.6 percent per year. Inflation adjustments were based on the 3rd Quarter 2002 New CMS Hospital Market Basket 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 \$1,743 in year one and \$1,773 in year two is between the control group median and highest values of \$1,536 and \$1,760 in year one and \$1,585 and \$1,817 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 \$1,540.

Projected cost per adjusted patient day of \$1,503 in year one and \$1,521 in year two is between the group median and highest values of \$1,454 and \$1,663 in year one and \$1,501 and \$1,716 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 \$1,225.

The year two operating profit for the hospital of \$28 million computes to an operating margin per adjusted patient day of \$252 which is between the peer group median of \$59 and highest of \$315. The 2001 financial data submitted to the agency shows the hospital with an operating margin of \$32 million and a profit per adjusted patient day of \$315, which was the highest in the group.

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

COMPARATIVE TABLE

CON # 9650						
North Florida Regional 2001 DATA Peer Group 7	2006	YEAR 2	INFLATION ADJ. VALUES			
	YEAR 2	ACTIVITY	Highest	Median	Lowest	
	ACTIVITY	PER DAY				
ROUTINE SERVICES	161,431,388	1,460	1,011	641	410	
INPATIENT AMBULATORY	0	0	138	57	30	
INPATIENT ANCILLARY SERVICES	402,918,107	3,645	3,937	2,593	1,747	
OUTPATIENT SERVICES	194,046,341	1,755	1,721	1,375	921	
OTHER OPERATING REVENUE	2,058,595	19	41	12	0	
TOTAL REVENUE	760,454,431	6,879	6,252	4,677	3,672	
DEDUCTIONS FROM REVENUE	564,400,370	5,105	*	*	*	
NET REVENUES	196,054,061	1,773	1,817	1,585	1,224	
EXPENSES						
ROUTINE	29,582,831	268	355	243	168	
ANCILLARY	52,662,865	476	583	531	455	
AMBULATORY	4,901,098					
OVERHEAD	59,933,598	542	791	656	504	
OTHER	21,108,727	191				
TOTAL EXPENSES	168,189,119	1,521	1,716	1,501	1,255	
OPERATING INCOME	27,864,942	252	315	59	-54	
		14.2%				
PATIENT DAYS	82,040		NOT INFLATION ADJUSTED			
ADJUSTED PATIENT DAYS	110,548					
TOTAL BED DAYS AVAILABLE	117,530					
ADJ. FACTOR	0.7421					
TOTAL NUMBER OF BEDS	322					
PERCENT OCCUPANCY	69.8%		78.7%	54.9%	37.0%	
<u>PAYER TYPE</u>	<u>PATIENT</u>	<u>% TOTAL</u>				
	<u>DAYS</u>					
MEDICARE	43,873	53.5%	77.3%	55.2%	25.5%	
COMMERCIAL	0	0.0%				
MEDICAID	6,699	8.2%	25.6%	8.5%	1.5%	
PRIVATE	5,688	6.9%				
HMO/PPO	25,779	31.4%	54.7%	27.0%	10.6%	
OTHER	0	0.0%				
TOTAL	82,039	100.0%				

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

The applicant projects managed care to represent 31.4 percent of its patient days. This is between the control group median and highest levels of 27.0 percent and 54.7 percent and is a little above the hospital's own 2001 managed care level of 28.6 percent. Judging from the managed care forecast it does not appear that this project will have a significant impact on competition.

Schedule 4 shows the hospital's existing 254 beds were occupied during the peak quarters at 83 percent. After the addition of these 44 beds plus an additional 24 beds previously approved, the occupancy is expected to reach 82,040 patient days or 71 percent in the second year. This projected number of patient days would have been 81 percent occupancy with the 278 beds (254 plus 24). Based on this occupancy approach, this project, the addition of 44 acute care beds will have no significant impact on the competition to promote quality and cost-effectiveness.

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

The proposal is to add a 21,665 square foot seventh floor to the tower that is under construction at the facility. The remaining 1,035 square feet will be minor work on other floors. The application also mentions the construction of new mechanical and elevator penthouses. Without any plans other than those noted below being submitted, it seems likely that the penthouse square footage is part of the current construction project at the facility.

On page 3 of 4 of the architectural narrative, there is a sentence that begins: "The one-story addition and the seventh floor level will have....". This is probably a typographical error and the word "and" should have been "at". There is no other reference to a "one-story addition" in the application except when referring to the proposed seventh floor. The application is not totally clear about the additional 1,035 square feet, and the only floor plan submitted was of the seventh floor. Work to be done to the elevator lobbies on the other floors is also mentioned but not shown.

The facility's ongoing six-story project adds 165,000 square feet to the hospital. Since construction is under way for these new floors, this is the ideal time to add another floor, assuming that the structure was sized to accommodate an additional floor. Presumably the load-carrying capacity is sufficient. The new penthouses are most likely not already totally framed in, and they can easily be relocated or built one floor higher.

The narrative part of the application is not exactly coordinated with the plans submitted. This is a minor item, but is somewhat confusing.

A site plan and ¼" plans of two typical patient rooms were included in the application and the rooms seem to meet spatial requirements. There was no large-scale plan of the handicapped accessible private patient room 16 on the end of the west wing. It appears that it is sized to meet the new guidelines, but size confirmation would be helpful since the room is smaller than the others.

The narrative states that the corridors will be one-hour rated construction. This exceeds the requirements of the applicable codes, but is certainly acceptable. It is possible that the design professional is not totally familiar with the code situation in Florida because of the discrepancies in the editions of some of the codes listed. However, most of the codes will change before this project could be submitted to the AHCA Office of Plans and Construction for review. New spaces will have to comply with new construction standards.

There was no demolition plan submitted, so it is not possible to determine the extent of the demolition (if any) nor the cost impact this might have on the project. The bulk of the project is the seventh floor, and based on that square footage, the costs presented are most likely reasonable.

The information of Schedule 10 showing the days required to accomplish tasks and the anticipated dates is not really understandable as submitted. Either the days or the dates are incorrect or both. In any case, the 90 days shown for approval by the AHCA Office of Plans and Construction cannot be met since 60 days is allowed for the review of each of the three stages of plans to be submitted.

The floor plan is rather straightforward and is essentially a “T” shape with double-loaded corridors and a central nurse station. There will be five semi-private rooms, and the rest will be single occupancy. There are three isolation rooms with gown and glove anterooms and one handicapped accessible room. The floor plan appears to provide all the ancillary spaces that will be required by the new codes. As plans for this project are developed, the nomenclature of ancillary spaces should match the terminology of the codes so that it can be determined that each required space is provided. This is particularly important for clean and soiled rooms.

It is required that schematic drawings be submitted as part of the CON application. Although the drawings for this proposal may be more advanced than required, they have been reviewed as schematics with the expectation that they will necessarily be revised and refined during the design development (preliminary) and contract document stages. The architectural review of the application shall not be construed as an in-depth effort to determine complete compliance with all applicable codes and standards. The final responsibility for facility compliance ultimately rests with the owner.

- 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.**

**North Florida Regional Medical Center
Medicaid & Charity Compared to Subdistrict 2 Average**

	Charity Percent	Medicaid Percent
North Florida Regional Medical Center	1.2%	6.8%
Subdistrict Average	3.0%	20.2%

The applicant states that the addition of acute care beds at North Florida Regional Medical Center will not change the provision of services to those traditionally underserved. The applicant is proposing to provide a minimum of 0.20 percent of total annual patient days of the 322-bed facility to charity care.

F. SUMMARY

North Florida Regional Medical Center, Inc. proposes to add 44 acute care beds to the hospital's 278-licensed acute care bed complement for a total licensed capacity of 322 acute care beds.

The proposed project cost is estimated to be \$11,713,261. Construction costs are projected at \$6,200,000 and the project will involve 22,700 gross square feet (GSF) of new construction.

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

Need/Special Circumstances:

The AHCA published no need for acute care beds in District 3, Subdistrict 2.

For the appropriate period as specified by rule, July 2001 - June 2002, North Florida Regional Medical Center's 254 acute care beds averaged 81.87 percent occupancy. On October 25, 2002, the applicant began operating 24 additional acute care beds pursuant to Exemption #0200017, thus increasing the licensed acute care beds to 278.

A review of more recent data collected from the North Central Florida Health Planning Council but not yet published by the Agency, advances utilization experience two more quarters thus verifying an increased utilization trend and confirming the threshold utilization required to demonstrate special circumstances. Utilizing 12 months of data, January 1, 2002 through December 31, 2002, occupancy increased from 81.87 percent to 82.4 percent with the last two months, November and December, including the increased bed capacity (from 254 to 278) that were licensed October 25, 2002. The applicant considered the Certificate of Need Exemption route, however it concluded the demand for beds exceeds the 10 percent maximum allowable under an exemption and contends the opportunity to combine this project with the six-story patient tower creates a unique opportunity to posture itself for future increased growth demand.

Quality of Care:

North Florida Regional Medical Center Inc. provided a copy of its certificate of accreditation by the Joint Commission on Accreditation of Healthcare Organizations (JCAHO).

Cost/Financial Analysis:

The applicant has a strong short-term position and a very strong long-term position. Based on the financial position, a reasonable probability exists that funding for all capital projects will be available as needed considering the strength and commitment from the applicant and the parent, HCA, Inc. The projections indicate the proposal is financially feasible in the immediate and long-term.

Medicaid/Indigent Charity Care Commitment:

The applicant is proposing to provide a minimum of 0.20 percent of total annual patient days of the 322-bed facility to charity care. There are no existing conditions assigned to this applicant.

Architectural Analysis:

The proposal is to add a 21,665 square foot, 44-bed, seventh floor to the tower that is under construction at the facility. The floor plan is rather straightforward and is essentially a "T" shape with double-loaded corridors and a central nurse station. The floor plans appear to provide all the ancillary spaces that will be required by the new codes. The information of Schedule 10 showing the days required to accomplish tasks and the anticipated dates is not really understandable as submitted. Either the days or the dates are incorrect or both. In any case, the 90 days shown for approval by the AHCA Office of Plans and Construction cannot be met since 60 days is allowed for the review of each of the three stages of plans to be submitted.

G. RECOMMENDATION

Approve CON #9650 to add 44 acute care beds to the 278 acute care beds at North Florida Regional Medical Center. The project involves 22,700 GSF of construction and construction costs of \$6,200,000. Total project cost is \$11,713,261.

CONDITION: A minimum of 0.20 percent of the total annual patient days in the 322-bed facility shall be provided to charity patients.

AUTHORIZATION FOR AGENCY ACTION

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

DATE: _____

Karen Rivera
Health Services and Facilities Consultant Supervisor
Certificate of Need

Jeffrey N. Gregg
Chief, Bureau of Health Facility Regulation