

STATE AGENCY ACTION REPORT
ON APPLICATION FOR CERTIFICATE OF NEED

A. PROJECT IDENTIFICATION

1. Applicant/CON Action Number

All Children's Hospital, Inc./CON #9652
801 Sixth Street South
St. Petersburg, Florida 33701

Authorized Representative: Gary Carnes, President
(727) 892-4101

2. Service District/County

District 5 (Pinellas County)

B. PUBLIC HEARING

No public hearing was requested or held regarding the proposed project to transfer 17 Level II Neonatal Intensive Care Unit (NICU) beds from Bayfront Medical Center to All Children's Hospital and close the Bayfront NICU program. The applicant submitted 16 letters of support from area physicians. The majority of the letters indicate that the proposed project would be beneficial because it would:

- Enhance operational efficiencies within the NICU program;
- Eliminate the need to transfer infants from Bayfront Medical Center to All Children's Hospital, thereby reducing the cost and risk associated with transport;
- Enhance family satisfaction by improving the proximity and continuity of maternal/infant care; and
- Improve nursing care/efficiency by utilizing a centralized group of highly advanced personnel.

C. PROJECT SUMMARY

All Children's Hospital, Inc. (ACH) proposes to add 17 Level II NICU (NICU) beds to its existing licensed Level II NICU. The 17 Level II NICU beds sought by the applicant will be added through transfer of 17 Level II NICU beds at Bayfront Medical Center. Bayfront Medical Center has agreed to discontinue its NICU program and delicense its 22 NICU Level II beds upon licensure of the 17 Level II beds at ACH. The applicant is one of four Level II NICU services providers in District 5. The facility, located in Pinellas County, is a 216-bed Class II specialty hospital

currently licensed for 156 acute care beds, 24 Level III NICU beds, and 36 Level II NICU beds. The applicant also has an approved certificate of need (CON #9609), which authorizes the addition of 13 Level III NICU beds. As a stipulation of CON #9609, ACH agreed to subsequently delicense six of its Level II NICU beds.

According to the *Certificate of Need Predicated on Conditions* page, the applicant is proposing that a minimum of 40 percent of the total Level II NICU patient days shall be provided to Medicaid and charity care patients. The applicant's proposed condition is consistent with CON #9609, which conditioned the 37-bed Level III NICU to a minimum of 40 percent of the total annual patient days be provided to Medicaid and charity care on a combined basis. ACH is a high indigent care provider and a Regional Perinatal Intensive Care Center (RPICC).

The total project cost is estimated at \$2,296,863. Construction costs are projected at \$1,195,510 and the project will involve 11,018 gross square feet (GSF) of new construction.

D. REVIEW PROCEDURE

The evaluation process is structured by the certificate of need review criteria found in Section 408.035, Florida Statutes. 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 assessing the responses 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 best meets the review criteria.

Section 59C-1.010(2)(b), Florida Administrative Code, allows no application amendment information subsequent to the application being 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, Jennifer Benghuzzi, 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 criteria and application content requirements found in Sections 408.035 and 408.037, Florida Statutes; applicable rules of the State of Florida, Chapters 59C-1 and 59C-2, Florida Administrative Code; and Local Health Plans.

1. Fixed Need Pool

a. Does the project proposed respond to need as published by a fixed need pool? Ch. 59C-1.008 and Ch. 59C-1.042, Florida Administrative Code.

The fixed need bed pool published in Volume 29; Number 4 of the Florida Administrative Weekly dated January 24, 2003 shows zero need for additional Level II NICU beds in District 5.

b. Regardless of whether bed need is shown under the need formula, the establishment of new Level II neonatal intensive care unit beds within a district shall not normally be approved unless the average occupancy rate for Level II beds in the district equals or exceeds 80 percent for the most recent 12-month period ending six months prior to the beginning date of the quarter of the publication of the fixed need pool. Ch. 59C-1.042(3)(f), Florida Administrative Code.

District 5 currently has 73 licensed Level II NICU beds. The Level II NICU beds in District 5 experienced an occupancy rate of 60.92 percent during the period July 2001 through June 2002. The applicant is not proposing to add beds to the district; rather this project and the six Level II beds that will be delicensed in conjunction with the implementation of CON #9609 will result in a net bed decrease in the number of licensed Level II beds. As noted in the project summary, the applicant proposes to transfer 17 Level II beds from Bayfront Medical Center and Bayfront will close its 22-bed NICU. This project combined with approved CON #9609 represent an 11-bed reduction in Level II NICU services.

- c. **Special Circumstances for the Approval of Additional Neonatal Intensive Care Unit Beds at Existing Providers, Ch. 59C-1.042(3)(g), Florida Administrative Code - Need for additional Level II neonatal intensive care beds at hospitals with Level II neonatal intensive care services seeking additional Level II beds is demonstrated in the absence of need shown under the formula specified in paragraph (3)(e) of this rule if the occupancy rate for their Level II beds exceeded an average of 90 percent as computed by the agency for the same period specified in subparagraph (3)(e)2.**

All Children's Hospital reported an occupancy rate of 61.99 percent in its Level II NICU for the specified reporting period.

- d. **Other Special Circumstances:**

Given the absence of a published need for Level II NICU beds in District 5, the applicant contends that "not normal" circumstances exist. The proposed addition of 17 Level II NICU beds at ACH would not increase the number of currently licensed and approved Level II NICU beds in District 5. Rather, this project proposes to consolidate the existing Level II NICU program at Bayfront Medical Center (BMC) to ACH, resulting in a more efficient use of beds, personnel, and other resources, and thereby allowing for an overall 11-bed reduction of Level II NICU beds in District 5, as discussed above in E. 1. b. BMC has agreed to close its existing 22-bed Level II NICU as a condition of the approval of this application. The closure of BMC's Level II NICU would occur upon final licensing of the requested beds at ACH. In the absence of approval of this application, BMC would continue to operate its 22-bed Level II NICU.

As stated earlier, the *Florida Hospital Bed Need Projection for the January 2003 Batching Cycle*, revealed that the four Level II NICU programs in District 5 experienced a 12-month occupancy of 60.92 percent. The Level II beds at ACH experienced a 12-month occupancy of 61.99 percent and BMC experienced an occupancy rate of 48.4 percent. The applicant states that there is no question that the current supply of Level II NICU beds in District 5 exceeds current and future needs of the community. A six-bed reduction in ACH's Level II NICU capacity (from 36 beds to 30) was requested and approved during the Fall 2002 batching cycle via CON #9609. Upon completion of the proposed project, the number of Level II NICU beds at ACH would total 47 as compared to the current total of 58 beds at ACH and BMC combined. The District 5 supply of Level II NICU beds would be reduced from 73 to 62 beds. The applicant stated that had there been 62 Level II NICU beds in District 5 during the most recent 12-month period, the annual occupancy rate would have been 71.7 percent as opposed to 60.9 percent.

The applicant states that the proposed relocation of BMC's existing Level II NICU program to ACH is being undertaken as a part of a cooperative effort to enhance services at the two hospitals. According to the applicant, plans call for BMC Obstetrical Program and ACH's NICU program to be co-located in a new facility owned by ACH. This facility will be located on the ACH campus and would be physically connected to the existing ACH and BMC facilities via an enclosed skyway.

All Children's Hospital is a specialty children's hospital, a state-certified pediatric trauma center, and the designated RPICC in District 5, which serves as a regional referral center for pediatric and neonatal services. The applicant contends that its facility not only serves infants and children from within its own geographical area, but also from other districts, states, and countries. In fact, during the 12 months ending June 2002, that applicant maintains that 26.3 percent of all neonates discharged from ACH came from outside District 5.

As noted earlier, ACH is one of four District 5 hospitals providing Level II NICU services. Together these programs afford a total of 73 licensed Level II beds of which, 58 are located at either ACH (36 beds) or Bayfront (22 beds). As the table below indicates, occupancy at ACH, Bayfront, and the district as a whole is well below the 80 percent standard occupancy for NICU II beds (per 59C-1.042(3) c).

**Occupancy Rates in District 5 Level II NICU Beds
July 2001 through July 2002**

Hospital	#Beds	Pt. Days	ADC	Occupancy
All Children's Hospital	36	8,145	22.3	61.99%
Bayfront Medical Center	22	3,888	10.7	48.42%
Mease Hospital Dunedin	5	1,533	4.2	84.00%
Morton Plant Hospital	10	2,665	7.3	73.01%
Total/Average	73	16,231	44.5	60.92%

Source: *Florida Hospital Bed & Service Utilization by District, January 2003 Batching Cycle.*

The applicant discussed the NICU trends in District 5 and stated that the utilization of Level II NICU utilization has declined in District 5 over the last five years. From CY 1997-2001, the number of NICU II days provided by the four programs in District 5 declined from 17,563 to 16,386 (a 6.7 percent decrease). During that same five-year period, the number of live births rose by 5.4 percent. As a result, the utilization rate for Level II NICU services declined by 11.5 percent (from 1,392.5 to 1,232.4 patient days per 1,000 births). Conversely, the utilization of Level III NICU services has increased over the last five years. From CY 1997 through 2001, the number of Level III NICU patient days provided by District 5 programs increased from 9,624 to 12,237 (a 27.2 percent rise), while patient days per 1,000 lives births grew by 20.6 percent (from

763.0 to 920.4 days per 1,000). Taking these trends together, there has been virtually no change in the overall demand for NICU services.

Most of the downturn in Level II NICU utilization occurred in the last two years (CYs 2000 and 2001), whereas the upturn in Level III NICU utilization occurred in the most recent year (2001). The Level II and Level III NICU utilization rates remained fairly constant from 1997 through 1999. In CY 2000, there was a large dip in the Level II utilization rate yet in 2001, both the Level II and Level III rates increased. According to the applicant, these patterns indicate that while uncertainties exist with regard to future use rates for Level II and Level III services individually, overall utilization of NICU services can be expected to remain constant.

**5-Year Level II NICU Occupancy
For District 5**

Facility	1997	1998	1999	2000	2001
All Children's	69.93%	72.14%	71.89%	54.70%	59.86%
Bayfront	52.42%	61.91%	53.18%	34.82%	55.53%
Mease Hosp.	97.48%	91.18%	84.88%	73.01%	84.82%
Morton Plant	65.37%	72.88%	62.33%	68.36%	68.85%
District Total	65.91%	70.46%	65.83%	51.83%	61.50%

Source: ACH's publication of *Florida Hospital Beds & Utilization by District* for the periods shown.

**5-Year Level III NICU Occupancy
For District 5**

Facility	1997	1998	1999	2000	2001
All Children's	100.35%	98.39%	98.49%	104.80%	127.52%
Mease Hosp.	45.64%	34.08%	52.44%	20.49%	58.41%
District Total	90.92%	87.30%	90.55%	90.27%	115.61%

Source: ACH's publication of *Florida Hospital Beds & Utilization by District* for the periods shown.

The primary service area for ACH is District 5, where 73 percent of its neonatal discharges emanated (62.0 percent from Pinellas County and 11.0 percent from Pasco County). Twenty-seven percent of ACH'S high acuity neonates originated from outside of District 5, which the applicant credits to its designation as a regional referral center for both Level II and Level III NICU services. Bayfront Medical Center's Level II NICU serves as an adjunct to its obstetrical services program and as such, its draw area is more localized. According to the applicant, 89.9 percent of BMC's high acuity neonates originated from Pinellas County during the 12-month period ending in June 2002. An additional 5.2 percent originated in Pasco County and only 4.9 percent originated outside of District 5. In combination, ACH and BMC drew 75.4 percent of their high acuity neonates from Pinellas County, 8.2 percent from Pasco County and 16.4 percent from outside the planning district.

The applicant states that during CY 2002, 179 high acuity neonates were transferred from BMC to ACH in order to receive Level III NICU services. ACH, on the other hand, only transferred out 33 neonates during the same period. The vast majority of these neonates (79 percent) represented transfers back to BMC following stabilization of the infant warranting a return to Level II care. The applicant maintains that consolidation of the Level II NICU at BMC with the full service NICU program at ACH would enhance the continuity of care for these infants and eliminates the risks inherent in neonatal transports.

The proposed consolidation of the BMC Level II NICU into the full service (Level II/III) NICU program at ACH would be accomplished through part of a larger renovation and expansion project at the ACH/BMC campus. This larger project would entail the establishment of a freestanding Women's and Infants' Pavilion. The design of the pavilion would allow for the co-location of obstetrical services, which would be licensed and operated by BMC, with the tertiary and quaternary level neonatal intensive care program that is owned and operated by ACH. The applicant maintains that while each program will maintain its own identity and manage its own space within a distinct part of the new facility, the design of the building will provide for seamless movement of infants from the obstetrics/well baby environment into the NICU environment. (Refer to the architectural review below in E.4.h). The new facility will house a total of 84 licensed NICU beds configured as follows:

- 37 Level III beds currently licensed and approved at ACH
- 30 Level II beds currently licensed and approved at ACH, and
- 17 Level II beds from BMC per this CON application.

The applicant contends that if this should happen, the proposed design of the new pavilion would provide ACH the ability to rapidly deploy an additional 12 beds (pending CON approval) to bring the total NICU capacity to 96 beds, yielding an annual average occupancy of 76.9 percent in 2010.

With utilization relatively stabilized in the district and below the benchmark for this service for the past five years, this proposed reduction in Level II beds is expected to be a better use of beds and services at the two hospitals. The applicant has shown need for the 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 5 CON Allocation Factors Report lists the following preferences relevant to CON applications for Level II Neonatal Intensive Care beds:

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

The applicant states that ACH provides a significantly higher number and percentage of Medicaid/charity care patient days in relation to other hospitals in District 5. The applicant states that in fiscal year (FY) 2000, ACH provided 54 percent of its total patient days to Medicaid/charity care. See Section E.4.i. for additional discussion.

- (b) Certificate of Need applications that demonstrate intent to serve HIV infected persons.**

The applicant states that it provides a range of inpatient and outpatient services to pediatric and neonatal HIV patients. Whenever an inpatient stay is required, the children are admitted to an appropriate unit at ACH based on their needs. According to the applicant, ACH admitted 11 HIV inpatient cases in its year ending September 2002 and 10 cases the year before. Additionally, the applicant indicates that there have been 608 outpatient visits to this program over the last 12 months. The applicant also provided a description of the specialized services, treatment, and care program for pediatric and neonatal HIV patients at ACH.

- (c) Certificate of Need applications that propose to convert existing licensed unused beds.**

This application describes a unique agreement between ACH and BMC to transfer BMC's existing Level II NICU beds to ACH's Level II/III NICU program, which is to be located in a new Women's and

Infants' Pavilion on the ACH campus. This proposal will eliminate two separate Level II NICU programs, which are located within close proximity each other, and provide many operating efficiencies. The 22 Level II beds at BMC experienced an average 12-month occupancy of 48.4 percent. This proposed project will reduce the number of underutilized Level II NICU beds through the transfer of 17 Level II NICU beds from BMC and the subsequent delicensure of its remaining five Level II NICU beds.

- (d) Certificate of Need applications that submit written patient transfer agreements with the county health department for maternal and child health services.**

The applicant states that no such transfer agreements exist because no transfers are made directly to ACH. Instead, the Pinellas (or Pasco) County Health Department makes referrals to a physician/service at ACH.

- (e) Certificate of Need applications that commit to conduct Healthy Start screens on all infants born in their facility.**

ACH does not have an obstetrics program, however, all infants within the Level II and Level III NICU at ACH receive Early Intervention/Part C screenings related to developmental or other medical needs and ACH assumes follow-up responsibility for those children identified by Healthy Start screenings at area birth hospitals.

The applicant maintains that the ongoing collaboration between ACH and BMC to co-locate BMC's obstetrics and routine newborn services to the new Pavilion located on ACH's campus, along with the consolidated NICU program, will facilitate coordination of Healthy Start and the other screening programs designed to enhance the services provided to at-risk mothers and babies.

In addition to the preferences discussed above, which are specific to Level II NICU beds, the CON Preferences for District 5 included several 'Generic Preference Statements' that are relevant to the present project. These preferences are as follows:

Transfer of Beds

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

The applicant states that the transfer of beds from BMC to ACH will consolidate NICU service, expand the NICU program on the campus of a RPICC provider which will improve service delivery for all high risk infants, including charity care patients since neonates will no longer be transferred from BMC to ACH. ACH has a history of providing services to the indigent, as does Bayfront; and the applicant expects a continuation of these services from the new location.

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

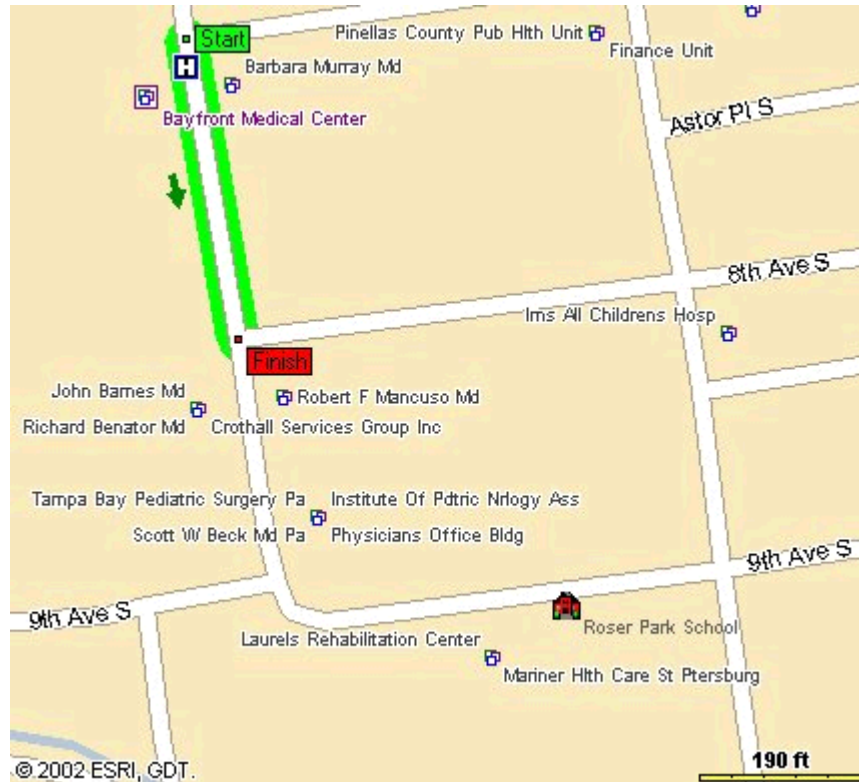
The transfer of beds is not necessary to ensure that services meet licensure standards. Agency records indicate that services currently met licensure standards (refer to E. 4.b below).

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

This proposal seeks to transfer 17 of its 22 underutilized Level II NICU beds from BMC. Upon approval of this application, BMC has agreed to delicense it remaining five Level II NICU beds thereby, reducing the number to Level II NICU beds in District 5.

- (4) Preference shall be given to an applicant who demonstrates that the transfer of beds will not adversely impact the Medicare and private pay markets of area hospitals providing a disproportionate share of charity care and Medicaid patient days.**

This proposal represents a collaborative effort and agreement between ACH and BMC, which are both high indigent care providers located on adjacent campuses less than a mile apart and, should not adversely impact other area hospitals. (See map below. The “start” represents the ACH location.)



Source: <http://www.floridahealthstat.com>
Depart ACH 701 6th St S, Saint Petersburg, FL 33701
Arrive BFMC 801 6th St S, Saint Petersburg, FL 33701
Driving distance: < 0.1 mile(s) Driving time: < 1 minute

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

ACH's existing NICU program is located in two separate nursery suites on the first and second floors of the main hospital. ACH plans to start construction in the fall to relocate its NICU program to the new Women's and Infants' Pavilion located on the ACH campus. The new pavilion is being constructed to update and expand the existing NICU beds and to implement CON #9609. The applicant maintains that the new facility will exceed the current recommended standards and can easily accommodate the additional 17 beds being proposed in this application. (Refer to the architectural review in E. 4. h. below).

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

Although not quantified, since the proposed project will be consolidating BMC's Level II NICU with ACH's NICU program, the applicant maintains that operational efficiencies will be achieved. As noted earlier, the applicant has planned the construction of a Women's and Infants' Pavilion which can accommodate these beds. That pavilion will be established whether or not this application is approved.

Access for Medicaid and Indigent

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

ACH and BMC are both RPICC providers and are located less than one mile from each other. The proposed project seeks to consolidate and expand the NICUs into one central location. The proposed new Pavilion located on ACH's campus will improve service access and delivery for all high-risk infants, including Medicaid sponsored and charity care patients.

Timely Project Completion

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

The applicant did not agree to condition award of the CON upon timely completion of the project.

In Schedule 10 of the application, the applicant projects that the proposed service would be initiated in January 2006.

3. Agency Rule Criteria

Please indicate how each applicable preference for the type of service proposed is met. Ch. 59C-1.042, Florida Administrative Code.

- a. Ch. 59C-1.042(3)(k), Florida Administrative Code - Services to Medically Indigent and Medicaid Patients. In a comparative review, preference shall be given to hospitals which propose to provide neonatal intensive care services to Children’s Medical Services patients, Medicaid patients, and non-Children’s Medical Services patients who are defined as charity care patients according to the Health Care Board, Florida Hospital Uniform Reporting System Manual, Chapter III, Section 3223. The applicant shall estimate, based on its historical patient data by type of payer, the percentage of neonatal intensive care services patient days that will be allocated to:**

- (1) Charity care patient;**
- (2) Medicaid patients;**
- (3) Private pay patients, including self-pay; and**
- (4) Regional Perinatal Intensive Care Center Program and Step Down Neonatal Special Care Unit patients.**

As stated above, the applicant commits to provide a minimum of 40 percent of its Level II NICU patient days to Medicaid and charity care patients. All Children’s Hospital is a specialty children’s hospital, a state-certified pediatric trauma center, and the designated RPICC in District 5. The NICU at ACH extends and will continue to extend services to all patients in need of care regardless of the ability to pay or source of payment according to the applicant. ACH’s estimates of utilization by payer class hospital-wide are contained in Schedule 7A of the application, which incorporates the patient days and payer mix anticipated for the NICU program. The applicant states that these projections are consistent with APH’s historical NICU experience. Children’s Medical Services-eligible patients requiring NICU services are included in the “Medicaid-sponsored” payer category according to the applicant.

Refer to E.4.i. below for further discussion.

b. Ch. 59C-1.042(4), Florida Administrative Code - Level II and Level III Service Continuity. To help assure the continuity of services provided to neonatal intensive care services patients:

- (1) Hospitals may be approved for Level II neonatal intensive care services without providing Level III services. In a comparative review, preference for the approval of Level II beds shall be given to hospitals, which have both Level II neonatal intensive care unit beds and Level III neonatal intensive care unit beds.**

The applicant provides Level II and Level III NICU services.

- (2) Applicants proposing to provide Level II or Level III neonatal intensive care services shall ensure developmental follow-up on patients after discharge to monitor the outcome of care and assure necessary referrals to community resources.**

The applicant states that developmental follow-up for its neonatal patients is provided by the Early Intervention Program, which consists of the Developmental Evaluation Program, the Individuals with Disabilities Education Act Part C program, and services provided under Chapter 393, Florida Statutes. The multi-disciplinary discharge planning team conducts follow-up checks on discharged infants to monitor outcomes and determine appropriate referrals for care.

c. Ch. 59C-1.042(5), Florida Administrative Code - Minimum Unit Size.

The applicant currently exceeds the minimum unit size for each level of service.

d. Ch. 59C-1.042(6) - Minimum Birth Volume Requirement. Hospitals applying for Level II neonatal intensive care services shall not normally be approved unless the hospital has a minimum service volume of 1,000 live births for the most recent 12-month period ending six months prior to the beginning date of the quarter of the publication of the fixed bed need pool. Specialty children's hospitals are exempt from these requirements.

ACH is a specialty children's hospital and therefore is exempt from these requirements.

- e. **Ch. 59C-1.042(7) - Geographic Access. Level II and Level III neonatal intensive care services shall be available within two hours ground travel time under normal traffic conditions for 90 percent of the population in the service district.**

Currently Level II and Level III NICU services are available and accessible within the two hours ground travel time to 90 percent of the residents of District 5.

- f. **Ch. 59C-1.042(8) - Quality of Care Standards.**

- (1) **Physician Staffing: Level II neonatal intensive care services shall be directed by a neonatologist or a group of neonatologists who are on active staff of the hospital with unlimited privileges and provide 24-hour coverage, and who are either board-certified or board-eligible in neonatal-perinatal medicine.**

The applicant states that there are 12 neonatologists on staff providing 24-hour coverage at the hospital. A curriculum vita for each of the physicians is included in the application.

- (2) **Nursing Staff. The nursing staff in Level II and Level III neonatal intensive care units shall be under the supervision of a head nurse with experience and training in neonatal intensive care nursing. The head nurse shall be a registered professional nurse. At least one-half of the nursing personnel assigned to each work shift in Level II and Level III neonatal intensive care units must be registered nurses.**

The applicant states that Pamela Bremmer, A.R.N.P., is the Nursing Director of the NICU at ACH. Ms. Bremmer's resume is provided in the application. The applicant states that 96 percent of the nursing staff consists of registered nurses. Schedule 6A indicates that 13.20 RN FTE's will be added to the existing nursing staff as a result of this project.

- (3) **Special Skills of Nursing Staff.** Nurses in Level II and Level III neonatal intensive care units shall be trained to administer cardio-respiratory monitoring, assist in ventilation, administer I.V. fluids, provide pre-operative and post-operative care of newborns requiring surgery, manage neonates being transported, and provide emergency treatment of conditions such as apnea, seizures, and respiratory distress.

The applicant states that all of the nurses in ACH's NICU are trained in the foregoing requirements and extensive in-service training and continuing education are provided to the neonatal nursing staff.

- (4) **Respiratory Therapy Technician Staffing.** At least one certified respiratory care practitioner therapist with expertise in the care of neonates shall be available in the hospitals with Level II or Level III neonatal intensive care services at all times. There shall be at least one respiratory therapist technician for every four infants receiving assisted ventilation.

The applicant states there are currently sufficient qualified respiratory care practitioners on staff to satisfy this standard and the hospital maintains an appropriate full time 24-hour in-house staff of respiratory therapists who are available to support the present NICU population as well as the proposed expansion.

- (5) **Blood Gases Determination.** Blood gas determination shall be available and accessible on a 24-hour basis in all hospitals with Level II or Level III neonatal intensive care services

The applicant states that it provides 24-hour blood gas lab availability.

- (6) **Ancillary Service Requirements.** Hospitals providing Level II or Level III neonatal intensive care services shall provide on-site, on a 24-hour basis, x-ray, obstetric ultrasound, and clinical laboratory services. Anesthesia shall be available on an on-call basis within 30 minutes. Clinical laboratory services shall have the capability to perform microstudies.

The applicant states that it provides all of the foregoing requirements, except for obstetric ultrasound, which is provided by Bayfront Medical Center. According to the architectural review, the upper two floors of the new building will be occupied by

Bayfront's obstetrics department. Of course, when the maternal and neonatal services are located within the Women's and Infants' Pavilion, all of these services will be readily available in-house. Anesthesiology services are available on-site. Refer to the architectural review below in E. 4. h.

- (7) **Nutritional Services. Each hospital with Level II or Level III neonatal intensive care services shall have a dietician or nutritionist to provide information on patient dietary needs while in the hospital and to provide the patient's family instruction or counseling regarding the appropriate nutritional and dietary needs of the patient after discharge.**

According to the applicant, ACH has designated registered and licensed dietitians assigned to the NICU. These dietitians assess their patients for nutritional risk and follow them according to diagnosis-based standards of practice.

- (8) **Social Services. Each hospital with Level II or Level III neonatal intensive care services shall make available the services of the hospital's social service department to patients' families which shall include, but not be limited to, family counseling and referral to appropriate agencies for services. Children potentially eligible for the Medicaid, Children's Medical Services, or Developmental Services Programs shall be referred to the appropriate eligibility worker for eligibility determination.**

The applicant describes the duties of the social work services department in assisting the patient's family, including counseling and referral to community agencies for services.

- (9) **Developmental Disabilities Intervention Services. Each hospital that provides Level II or Level III neonatal intensive care services shall provide in-hospital intervention services for infants identified as being at high risk for developmental disabilities to include developmental assessment, intervention, and parental support and education.**

A multi-disciplinary team at ACH provides developmental care, intervention, and parental education. These services are part of a continuum of care that each family receives at ACH. Community resources augment in-hospital services, which link with the hospital to provide follow-up services and support after the infant's discharge.

- (10) Discharge Planning. Each hospital that provides Level II or Level III neonatal intensive care services shall have an interdisciplinary staff responsible for discharge planning. Each hospital shall designate a person responsible for discharge planning.**

According to the applicant, the case management team is comprised of case management nurse specialists, social workers, and the patient's staff nurse and physician. Additional support may also be provided by rehabilitative services, dietary services, and the CMS nurse. The two NICU case management nurse specialists are responsible for coordinating the team members in case management activities for each neonate.

- g. Ch. 59C-1.042(9) - Level II Neonatal Intensive Care Unit Standards: The following standards shall apply to Level II neonatal intensive care services:**

- (1) Nurse to Neonate Staffing Ratio. Hospitals shall have a nurse to neonate ratio of at least 1:4 in Level II neonatal intensive care units at all times. At least 50 percent of the nurses shall be registered nurses.**

The applicant states its nurse-to-neonate ratio is 1:4 in its Level II NICU. The requirement that 50 percent of the nurses be registered nurses is exceeded since 96 percent its NICU nurses are registered nurses. Schedule 6A indicates that 13.20 registered nurse FTEs will be added by this project.

- (2) Requirements for Level II NICU Patient Stations. Each patient station in a Level II NICU shall have, at a minimum:**
- a. Fifty square feet per infant;**
 - b. Two wall mounted suction outlets preferably equipped with a unit alarm to signal loss of vacuum;**
 - c. Eight electrical outlets;**
 - d. Two oxygen outlets and an equal number of compressed air outlets and adequate provisions for mixing these gases;**
 - e. An incubator or radiant warmer;**
 - f. One heated humidifier and oxyhood;**
 - g. One respiration or heart rate monitor;**
 - h. One resuscitation bag and mask;**
 - i. One infusion pump;**
 - j. At least one oxygen analyzer for every three beds;**

- k. At least one non-invasive blood pressure monitoring device for every three beds;**
- l. At least one portable suction device; and**
- m. Not less than one ventilator for every three beds.**

The applicant states that the requirements listed above will be included in the new NICU Center. Refer to the architectural review below in E. 4. h.

(3) Equipment required to be available to each Level II NICU on demand:

- a. An EKG machine with printout capacity;**
- b. Transcutaneous oxygen monitoring equipment; and**
- c. Availability to continuous blood pressure measurement.**

The applicant states that equipment listed above will be included in the new NICU Center.

i. Ch. 59C-1.042(11) - Emergency Transportation Services: Each hospital providing Level II neonatal intensive care services or Level III neonatal intensive care services shall have or participate in an emergency 24-hour patient transportation system.

- (1) Provision of Emergency Transportation. Hospitals providing Level II or Level III neonatal intensive care services must operate a 24-hour emergency transportation system directly, or contract for this service, or participate through a written financial or non-financial agreement with a provider of emergency transportation services.**
- (2) Requirements for Emergency Transportation System. Emergency transportation systems, as defined in paragraph (11)(a), shall conform to section 64E-2.006, Florida Administrative Code.**

All Children's Hospital provides its own neonatal inter-facility emergency transportation service on a 24-hour basis. The applicant also states that all of the transportation services utilized and provided by All Children's Hospital conform to Rule 64E-2.006.

- j. **Ch. 59C-1.042(12) - Transfer Agreements: A hospital providing only Level II neonatal intensive care services shall provide documentation of a transfer agreement with a facility providing Level III neonatal intensive care services in the same or nearest service district for patients in need of Level III services. Facilities providing Level III neonatal intensive care services shall not unreasonably withhold consent to transfer agreements which provide for transfers based upon availability of service in the Level III facility, and which will be applied uniformly to all patients requiring transfer to Level III, as defined in subparagraph (2)(e)2. An applicant for Level II or Level III neonatal intensive care services shall include, as part of the application, a written protocol governing the transfer of neonatal intensive care services patients to other inpatient facilities.**

The applicant maintains transfer agreements with various community hospitals in surrounding counties as well as many hospitals in west central Florida, to facilitate the transfer of neonates requiring specialized care. The application included a sample of ACH's transfer agreements and neonatal transport protocols.

- k. **Ch. 59C-1.042(13) - Data Reporting Requirements: All hospitals with Level II or Level III neonatal intensive care services shall provide the agency or its designee with patient utilization and fiscal reports which contain data relating to patient utilization of Level II and Level III neonatal intensive care services.**

The applicant states that it will continue to provide all data to the agency and local health council as required by this section of the rule.

4. **Statutory Review Criteria**

- a. **Is need for the project evidenced by the availability, efficiency, quality of care, 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.**

With respect to availability, the applicant is one of four providers in District 5 offering Level II NICU services. District 5 currently has 73 licensed Level II NICU beds. The Level II NICU beds in District 5 experienced an occupancy rate of 60.92 percent during the period July 2001 through June 2002. This project proposes to consolidate the existing Level II NICU program at Bayfront Medical Center (BMC) with ACH Level II NICU and in so doing, allow for a five-bed reduction in Level

II NICU beds in District 5. BMC has agreed to close its existing 22-bed Level II NICU as a condition of the approval of this application. The closure of BMC's Level II NICU would occur upon final licensing of the requested beds at ACH. In the absence of approval of this application, BMC would continue to operate its 22-bed Level II NICU. The Level II beds at ACH experienced a 12-month occupancy of 61.99 percent and BMC experienced an occupancy rate of 48.4 percent. There is currently an abundance of Level II beds in District 5, which exceeds the current and future needs of the community. This project, combined with the past approval to delicense six Level II beds, would reduce the current Level II bed supply in the district by 11 beds and in essence, have a positive impact on District 5's Level II occupancy rate.

ACH is the designated RPICC in District 5, caring for large number of Medicaid and charity care patients who may lack prenatal care. The approval of this project would ensure that infants in that district, as well as in neighboring areas in west central Florida, continue to have adequate access to the highest levels of tertiary and quaternary neonatal care. Approval of the proposed project would also enhance operational efficiency by consolidating the two facilities' NICU programs into one location and locating Bayfront's obstetrics program within the same building.

The Joint Commission on Accreditation of Healthcare Organizations (JCAHO) accredits the applicant's facility. Refer to E.4.b. below for more discussion on quality of care.

The efficiency, quality of care, accessibility, and extent of utilization in the service area will be improved with this project.

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

All Children's Hospital is a specialty children's hospital, a state-certified pediatric trauma center, and the designated RPICC in District 5, serving as a regional referral center for pediatric and neonatal services. The facility is accredited by the Joint Commission on Accreditation of Healthcare Organizations.

According to AHCA data, the applicant had two confirmed complaints (one without deficiency), during the last three years. The confirmed complaint was related to patient care.

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

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

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

The proposed project will not be located in a statutorily defined teaching hospital. All Children's Hospital serves as a primary pediatric teaching facility for the University of South Florida College of Medicine and is a center for research and development in the care of children. The application also describes ACH's numerous research activities. The primary purpose of the project does not involve research or physician education.

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

The audited financial statements for the periods ending September 30, 2002 and 2001 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>19/30/2002</u>	<u>09/30/2001</u>
Current Assets	\$ 61,385,163	\$ 58,111,661
Cash and Current Investment	\$ 28,802,467	\$ 20,081,335
Assets Restricted for Capital Projects	\$ 7,175,861	\$ 7,221,379
Total Assets	\$ 307,572,445	\$ 291,922,068
Current Liabilities	\$ 39,084,214	\$ 33,571,318
Total Liabilities	\$ 65,868,559	\$ 61,968,977
Total Equity	\$ 241,703,886	\$ 229,953,091
Net Operating Revenues	\$ 189,943,781	\$ 168,689,923
Interest Expense	\$ 1,519,313	\$ 1,710,340
Net Profit - Operations	\$ 7,783,624	\$ 4,241,705
Net Income	\$ 11,065,469	\$ 17,020,956
Cash Flow from Operations	\$ 30,284,326	\$ 33,988,222
Working Capital	\$ 22,300,949	\$ 24,540,343
Current Ratio (CA/CL)	1.6	1.7
Cash Flow to Current Liabilities (CFO/CL)	0.8	1.0
Long-Term Debt to Equity (TL-CL/TE)	0.1	0.1
Times Interest Earned (NPO+Int/Int)	6.1	3.5
Equity to Total Assets (TE/TA)	78.6%	78.8%
Operating Margin (NPO/NOR)	4.1%	2.5%
Total Margin (NI/NOR)	5.8%	10.1%
Return on Assets (NI/TA)	3.6%	5.8%
Operating Cash Flow to Assets (CFO/TA)	9.8%	11.6%

Short-term position:

The applicant's current ratio of 1.6 indicates current assets are just over one and one half that of short-term liabilities, a satisfactory position. The working capital (current assets less current liabilities) of \$22.3 million is good. The most recent year had an operating profit of \$7.8 million resulting in a margin of 4.1 percent, which is somewhat average for Florida hospitals. The ratio of cash flow to current liabilities of 0.8 is good. The applicant has an adequate short-term position.

Long-term position:

The long-term debt to equity of 0.1 means this debt is not significant in relation to the net worth of the entity, a good position. The cash flow to assets of 9.8 percent is satisfactory. The total equity of \$242 million with the equity to assets of 78.6 percent is very good. The applicant has a strong long-term position.

Capital requirements:

Schedule 2 indicates the applicant had \$112 million in capital projects planned or underway. The audited financial statements disclosed \$4 million in long-term debt maturing through the construction period of this project; therefore \$116 million is the total amount needed.

Available capital:

Schedule 2 indicates funding for these projects will come from cash on hand of \$81 million and operating cash flows of \$31 million. The applicant's most recent audited financial statement indicates it had cash, investments, and restricted assets of \$36 million and when this is added to three years of cash flows at \$22.3 million a year would equal \$103 million. In addition, the applicant has long-term investments of \$101,611,717 that could be used for capital funding. The applicant will be able to obtain the additional amount needed.

Conclusion:

The applicant should be able to fund all capital requirements as needed.

f. What is the immediate and long-term financial feasibility of the proposal? ss. 408.035(8), Florida Statutes.

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

Comparative data were derived from hospitals in peer groups that reported data in 2001; the applicant will be compared to the hospitals in group 14. Per Diem rates are expected 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. A discrepancy in the year two projections was noted between Schedule 7 net revenues of \$233,762,107 and Schedule 8 net revenues of \$233,028,933. The difference of \$733,174 is only three tenths of one percent of net revenues, an immaterial amount.

Net revenues per adjusted patient day (NRAPD) of \$2,466 in year one and \$2,543 in year two are just above the control group highest values of \$2,450 in year one and \$2,528 in year two. The highest level is generally viewed as the practical upper limit on economies of operation. With net revenues falling above the highest level, the facility is expected to consume excess health care resources for the services provided. (See Comparative Table). The 2001 actual NRAPD for this hospital was \$2,062. Inflated forward to year one the NRAPD would be \$2,432. While the NRAPD is just above the highest in the group it is only 1.4 percent above its historical level.

Anticipated costs per adjusted patient day of \$2,416 in year one and \$2,478 in year two are between the group lowest and median values of \$1,580 and \$2,453 in year one and \$1,630 and \$2,531 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 \$2,079 and inflated to year one would be \$2,453.

The year two operating profit for the hospital of \$6.0 million computes to an operating margin per adjusted patient day of \$65 which is between the peer group median and highest of \$(17) and \$343. The operating margin computes to 2.6 percent, which is in the average range for Florida hospitals. The 2001 financial data submitted to the agency shows the hospital with a negative operating margin of \$(1.3) million. This project is expected to contribute \$835,089 to the operating margin.

With the NRAPD being a little high and the CAPD being slightly low, the profit margin shows significant improvement over the hospital's historical level. While the projections may be a little optimistic, they are in the bounds of attainable expectations. The proposal is financial feasible in the immediate and long-term.

COMPARATIVE TABLE

CON # 9652					
All Children's 2001 DATA Peer Group 14	2007	YEAR 2			
	YEAR 2	ACTIVITY	<u>INFLATION ADJ. VALUES</u>		
	ACTIVITY	PER DAY	Highest	Median	Lowest
ROUTINE SERVICES	82,223,184	895	887	210	71
INPATIENT AMBULATORY	4,560,503	50	64	12	1
INPATIENT ANCILLARY SERVICES	240,204,230	2,613	2,656	1,277	192
OUTPATIENT SERVICES	158,429,940	1,724	5,347	2,139	1,443
OTHER OPERATING REVENUE	10,725,429	117	142	52	32
TOTAL REVENUE	496,143,286	5,398	5,753	4,788	3,669
DEDUCTIONS FROM REVENUE	262,381,179	2,855	*	*	*
NET REVENUES	233,762,107	2,543	2,528	2,458	1,721
EXPENSES					
ROUTINE	48,018,450	522	389	124	79
ANCILLARY	60,681,255	660	773	736	597
AMBULATORY	21,218,952				
OVERHEAD	97,835,651	1,064	1,619	1,174	793
OTHER	0	0			
TOTAL EXPENSES	227,754,308	2,478	2,848	2,531	1,630
OPERATING INCOME	6,007,799	65	343	-17	-258
		2.6%			
PATIENT DAYS	60,577			NOT INFLATION ADJUSTED	
ADJUSTED PATIENT DAYS	91,914				
TOTAL BED DAYS AVAILABLE	87,600				
ADJ. FACTOR	0.6591				
TOTAL NUMBER OF BEDS	240				
PERCENT OCCUPANCY	69.2%		65.0%	53.2%	2.8%
<u>PAYER TYPE</u>					
	PATIENT DAYS % TOTAL				
MEDICARE	308	0.5%	37.0%	27.4%	0.6%
COMMERCIAL	1,032	0.0%			
MEDICAID	26,850	44.3%	45.9%	7.3%	4.4%
PRIVATE	359	0.6%			
HMO/PPO	30,885	51.0%	48.9%	46.1%	26.8%
OTHER	1,142	1.9%			
TOTAL	60,576	100.0%			

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

The applicant forecasts managed care to represent 51.0 percent of its patient days. This is above to the control group's highest level of 48.9 percent, which was also the hospital's own 2001 managed care level. The level of managed care will exert some positive pressure on competition.

The proposed NICU II project was compared to all other hospitals in the state with approved NICU II programs. Schedule 7's total gross revenue for the project is only projected to be \$24,039,772 for year two. With 3,906 patient days anticipated, the gross revenue (gross charges) per patient day computes to \$6,155. This amount is significantly above the highest charges in the state of \$4,096. With the NICU II charges at this level, no competitive impact will be felt.

The project should have a relatively minor positive impact on competition to promote quality assurance and cost-effectiveness.

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

The applicant proposes to add 17 Level II NICU beds to All Children's Hospital (ACH) and concurrently, its next-door-neighbor, Bayfront Hospital, will delicense its 22 comparable beds and will, in effect, be transferring 17 beds to ACH and permanently delicensing the others.

The application for the new beds included a partial site plan and plans of all six floors of the proposed building, but they were not to scale. There were no large-scale plans of typical patient rooms but the narrative indicates that the size requirements of the building codes will be met or exceeded. All new hospital spaces will be required to meet the standards for new hospitals. It is expected that the revised Florida Building Code and Chapter 59A-3 of the Florida Administrative Code will be in effect by the time this project would be submitted for review by the AHCA Office of Plans and Construction.

All of the NICU beds that ACH now has, and will have if CON approval is granted, will be located on the third floor of what is called a Children's Health Center or a Women's and Infants' Pavilion. The terminology is used interchangeably. There will be a total of 84 NICU beds on the third floor of the new building. This floor will have seven pods with 12 NICU beds each and space for a future eighth pod. The pods are grouped in pairs and each pair has the required ancillary spaces and is quite well

laid out. There is no clean supply room provided for the seventh pod since this functional space is located in the space designated for the future eighth pod. This needs to be corrected during design development phase.

There was a list of building codes included in the application, but most of them will change as noted above. A meaningful review of the architectural cost data cannot be made. The figures shown may apply to the third floor or might only reflect costs for the 17 new NICU beds. It cannot be determined exactly what is included in these costs. The schedules submitted also cannot be accurately reviewed because the new NICU beds are only a small part of the proposed new building, which will house many other different hospital functions. There is also a reference to an ACH building to be razed and this is not elaborated upon.

The current application is only for the proposed 17 NICU beds. However, there is rather extensive language referring to the fact that the upper two floors of the new building will be occupied by Bayfront Hospital's obstetrics department and how it will function with the NICU department of All Children's. There are references made to the planned physical and systems separation of the two hospitals in the new building. However, the floor plans do not seem to reflect the separation measures that the narrative puts forth. The plans submitted are truly schematic and will naturally be revised and refined during the design development (preliminary) and contract document stages, so there is opportunity for these issues to be more thoroughly thought out.

The application also does not address the complete configuration of a proposed sky bridge from Bayfront to ACH. The bridge is not shown on the larger plans. Some renovation to the existing All Children's Hospital will have to take place where the bridge and new building connect to the hospital and this is not shown on the schematic plans.

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

The applicant is a high indigent care and RPICC provider. All Children's Hospital is proposing a condition of at least 40 percent of the total Level II NICU patient days will be provided to Medicaid/charity care patients.

The following table provides an indication of the applicant's commitment to charity and Medicaid, with comparison to the district, based on Fiscal Year (FY) 2001 Actual Data prepared by AHCA.

**Medicaid and Charity Care of the Applicant
Compared to the District for Fiscal Year 2001**

Applicant Hospital	FY 01 Conventional Medicaid % of Pt. Days	FY 01 Charity % of Patient Days
All Children's Hospital	41.5%	1.9%
District 5 Average	12.9%	3.1%

Source: FY 2001 Actual Data/AHCA

As reflected in the table, All Children's Hospital's provision of Medicaid is greater than the district average however; its charity care is below the district average.

F. SUMMARY

The applicant proposes to add 17 Level II NICU beds to the existing NICU at All Children's Hospital, located in Pinellas County. This proposed project would be effectuated through transfer of 17 Level II NICU beds at Bayfront Medical Center. Upon licensure of the 17 Level II beds at ACH, Bayfront Medical Center has agreed to discontinue its NICU program and delicense its 22 NICU Level II beds.

The proposed project cost is estimated to be \$2,296,863 and involve construction costs of \$1,195,510 and GSF of 11,018.

Need, Availability, Efficiency, Extent of Utilization

District 5 currently has 73 licensed Level II NICU beds. The Level II NICU beds in District 5 experienced an occupancy rate of 60.92 percent during the period July 2001 through June 2002. This project proposes to consolidate the existing Level II NICU program at Bayfront Medical Center (BMC) with ACH Level II NICU and in so doing, allow for a five-bed reduction in Level II NICU beds in District 5. This project, combined with the past approval to delicense six Level II beds, would reduce the current Level II bed supply in the district by 11 beds and in essence, have a positive impact on District 5's Level II occupancy rate. Approval of the proposed project would also enhance operational efficiency by consolidating the NICU programs into one location.

Quality of Care:

The applicant is JCAHO accredited and has a history as a quality care provider.

Medicaid/Indigent Care:

According to the *Certificate of Need Predicated on Conditions* page, the applicant is proposing a minimum of 40 percent of its total Level II NICU patient days to Medicaid and charity care patients. All Children's Hospital is a designated Regional Perinatal Intensive Care Center (RPICC) and provides a high amount of indigent care.

Financial/Cost:

The applicant has an adequate short-term position and a strong long-term position. Based on the financial position, the applicant should be able to fund all capital requirements as needed.

The project should have a relatively minor positive impact on competition to promote quality assurance and cost-effectiveness.

Architectural:

The applicant will be constructing a new six story building on ACH's campus referred to as the Women's and Infants' Pavilion. All of the NICU beds will be located on the third floor of the pavilion. This floor will have seven pods with 12 NICU beds each and space for a future eighth pod. The pods are grouped in pairs and each pair has the required ancillary spaces and is quite well laid out. There is no clean supply room provided for the seventh pod since this functional space is located in the space designated for the future eighth pod. This will need to be corrected during design development phase. A meaningful review of the architectural cost data cannot be made because it cannot be determined exactly what is included in these costs. The schedules submitted also cannot be accurately reviewed because the new NICU beds are only a small part of the proposed new building, which will house many other different hospital functions. There is rather extensive language referring to the fact that the upper two floors of the new building will be occupied by Bayfront Medical Center's obstetrics department and how it will function with the NICU Department of All Children's. There are references made to the planned physical and systems separation of the two hospitals in the new building. However, the floor plans do not seem to reflect the separation measures that the narrative puts forth. The application also does not address the complete configuration of a proposed sky bridge from Bayfront to ACH. Some renovation to the existing All Children's Hospital will have to take place where the bridge and new building connect to the hospital and this is not shown on the schematic plans.

G. RECOMMENDATION

Approve CON #9652 to add 17 Level II Neonatal Intensive Care Unit (NICU) beds at All Children's Hospital, creating a 47-bed Level II NICU through the delicensure of 22 Level II NICU beds at Bayfront Medical Center. Total project cost is \$2,296,863 and involves 11,018 GSF and construction costs of \$1,195,510.

CONDITION: A minimum of 40 percent of the total Level II NICU patient days in the 47-bed NICU shall be provided to Medicaid and charity care patients on a combined basis.

AUTHORIZATION FOR AGENCY ACTION

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

DATE: _____

Karen Rivera
Health Services and Facilities Consultant Supervisor
Certificate of Need

Jeffrey N. Gregg
Chief, Bureau of Health Facility Regulation