

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

**A. PROJECT IDENTIFICATION**

1. Applicant/CON Action Number

**Bethesda Healthcare System, Inc./CON #9659**

d/b/a West Boynton Community Hospital  
2815 South Seacrest Boulevard  
Boynton Beach, Florida 33435

Authorized Representative: Robert B. Hill, President & C.E.O.  
(561) 737-7733

**Columbia JFK Medical Center, L.P./CON #9660**

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

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

2. Service District/Subdistrict

District 9/Subdistrict 5 (South Palm Beach County)

**B. PUBLIC HEARING**

A public hearing was requested and held on April 24, 2003. Ms. Sara Ellen Blake, representing the Treasure Coast Health Council, Inc., conducted the hearing. Michael J. Glazer, Esquire representing Tenet Health System, Inc.'s Delray Medical Center spoke against approval of both of the applicants' proposals. Mr. Glazer contends that there are more than enough beds and the existing hospitals have the ability via exemption to add more beds at existing facilities in the subdistrict to meet any future need. He also presented a description of the recently approved bed additions at subdistrict facilities and the process for

## CON Action Numbers: 9659 & 9660

existing facilities to add beds. Mr. Glazer also indicated that there were three existing hospitals within 15 minutes and six within 30 minutes drive time of the proposed Bethesda location and eight within 30-minute drive time of the proposed JFK satellite location. Mr. Glazer pointed out that the new facilities would not offer comprehensive cardiac services and patients who might be initially taken to the new facility would have to be transferred and this could delay treatment. A copy of his remarks was included in the record.

Mr. Ken Lasseter, 2<sup>nd</sup> Vice-President of the Coalition of Boynton West Residential Association (COBWRA), and Pearl Meyers, with the South County Coalition were listed as speakers but the public hearing tape did not have their presentations. A copy of Mr. Lasseter's remarks was included in the record. The remarks indicate that the new facility is proposed to be located in the middle of the COBWRA area, on Boynton Beach Blvd, between the turnpike and US 441. The COBWRA area runs north from Delray Beach L-30 canal up to Hypoluxo Road and west of the city of Boynton Beach out to the Loxahatchee Wildlife Reserve and includes 70 homeowners and condo associations with about 80,000 residents. The notes state that the West Boynton area's population growth has demonstrated a need for three new schools; Odyssey Middle School opened recently, a new high school is under construction and a new school is also planned for Boynton Beach Boulevard and Lyons Road. Mr. Lasseter concludes that his association supports any organization that is granted the right to build a new hospital to serve the citizens of West Boynton.

Ms. Pearl Meyers, with the South County Coalition provided a letter from Bob Schulbaum, President of the Alliance of Delray Residential Associations, which states that this organization represents 52 communities and 67,000 residents. Mr. Schulbaum's letter indicates his Association's support for a new hospital because the South (Palm Beach) County area needs more hospital space, and no area more than fast growing West Boynton Beach. As noted above, Ms. Meyers' comments are also not on the hearing tape, but another speaker, referenced below, Ms. Sharon Reuben with JFK noted Ms. Meyers' mentioning concern about the nursing shortage issue when Ms. Reuben began her presentation.

Speaking in support of **Bethesda Healthcare System, Inc.**'s project were Robert Hill, Michael Carroll, Larry Gale, Jerry Feinman, Charles LoPresti, Allan Donnester, M.D., James Brynes, M.D. and Lou Docter of the Boynton Coalition.

## CON Action Numbers: 9659 & 9660

Mr. Hill cited Bethesda's history of serving the community for over 44 years, its \$27 million cost of establishing Bethesda Health City, to serve the west Boynton area. He stated that while not for profit Bethesda serves the greater Boynton area, JFK is part of the HCA system, a nation-wide for profit entity, while Bethesda reinvests cash in Palm Beach County for medical services.

Mr. Michael Carroll, Managing Director of Tribrook Healthcare Consultants, a firm that assisted Bethesda with its application spoke next. Mr. Carroll cited the proposed service area's projected 15.6 percent population growth from 2002 to 2007. He also cited a traffic study conducted by the West Palm Beach Urban Study Area Traffic Count Program, 2001 and Palm Beach County Metropolitan Planning Organization data. These indicate that traffic volume along the western corridor of Boynton Beach Boulevard is increasing and exceeds the eastern section of this thoroughfare. He also discussed population data, Medicaid admissions, Bethesda's transferring of beds, Bethesda Health City, and the higher charges of Delray and West Boca Medical Centers compared to Bethesda, which indicate that for the 13 most frequent inpatient conditions, the Tenet providers exceed Bethesda by an average of 80 percent.

James Byrnes, M.D. on staff at Bethesda, spoke about the facility's high quality of care, putting money back into the facility and charity care. Mr. Lou Docter, an eight-year resident of the West Boynton area, stated that there are 4,000 homes being constructed and 3,000 more with permits in the service area. He also addressed the new schools in the area. Allen Donnester, M.D. spoke of the traffic congestion in the West Boynton area and advised that response to a 911 takes 15 minutes for the responder to arrive and another 30-40 minutes to get to the hospital. Mr. Larry Gale spoke next and he stated that he has been a resident of West Boynton for six years and traffic is such that it takes an hour for him to go from Jog Road to Bethesda. He also praised Bethesda's quality of care. Mr. Jerry Feinman, a six-year resident of the area, indicates that he has been cared for at three hospitals, JFK, Delray Medical Center and Bethesda and he feels that Bethesda has the best quality care. He reported that he had a friend that had to wait three days in the ER at Delray Medical Center before being admitted. Charles LoPresti and Richard Weiss, both long-time residents of the area also praised Bethesda's care and service.

Speaking in support of **Columbia JFK Medical Center, L.P.'s** project were Darrell Blaylock, Charles Posternack, M.D., Ken Scheppeke, M.D., Stan Kazerman, Sharon Reuben, and Sharon Gordon-Girvin. Mr. Darrell Blaylock, JFK's Chief Operating Officer, indicated that JFK provided care

## **CON Action Numbers: 9659 & 9660**

to 11 percent of Palm Beach County's Medicaid patients during CY 2002. He stated that JFK wrote off \$6 Million in 2002 and expects to write off \$7.5 million in 2003 for care to the uninsured. He also discussed JFK's growth and presence in the service since 1996 via its medical office building to residents in the West Boynton area.

Charles Posternack, M.D. indicated that it takes more than 30 minutes from Jog Road and Boynton Beach Boulevard for him to get to JFK. He also discussed JFK's high volume and quality of care. Ken Scheppke, M.D. with JFK indicated that it was the hospital where the Anthrax terror attack was first diagnosed. He called JFK a Center of Excellence with all physicians board-certified in their area of expertise. Dr. Scheppke stated that as medical director of Boynton Beach's emergency medical services, he and other acute care facility administrator ensure that the patient is sent to a trauma center or open heart center should the patient warrant specialized treatment. He also stated that in reference to Mr. Glazer's concern that patients with heart problems would still need to be transferred to facilities with interventional cardiac cath labs and open heart surgery, sudden cardiac death and access to a defibulator is the key to patient survival and not access to cardiac cath services.

Mr. Stan Kazerman spoke next and stated that the Hagen Ranch Road resident was lucky to get to either JFK or Bethesda within 30 minutes time via ambulance. Both facilities are approximately 10 miles from Hagen Ranch Road. At this point the tape does not include Mr. Lasseter or Ms. Meyers comments. It returns with Ms. Sharon Reuben, who started her presentation by thanking Ms. Meyer for bringing up the nursing shortage. Ms. Reubin indicated JFK has a Department for Workforce Development that works with 49 affiliated schools that train nursing and technical workers. She described an extensive array of incentives JFK provides for potential nurses and indicated that JFK had over 6,000 letters of support from area residents for its project. Ms. Sharon Gordon-Girvin was the last speaker. She provided details on population growth, high occupancy during the week at the existing hospitals and mileage from the proposed service area to existing hospitals.

Ms. Sara Ellen Blake, of the Treasure Coast Health Council, Inc., asked if Wellington Regional Medical Center had any speakers present. Mr. Glazer spoke earlier in opposition to the Wellington neonatal proposal which is not relevant to this review. When Wellington did not have a presentation, she concluded the hearing.

## CON Action Numbers: 9659 & 9660

### Letters of Support:

There were five letters received that support the addition of a hospital in the West Boynton Beach area, but do not specifically support either applicant. There was also a letter indicating that while both applicants wish to build a new hospital, the certificate of need should be based on “need and not greed”. The writer included a copy of letters sent by the applicant facilities soliciting letters of support for their projects.

Bethesda’s request appears to be oriented to Bethesda patients as its salutation is “Dear Bethesda 55 Plus Member”, while JFK’s appeal appears to be more broad-based as its salutation is “Dear Community Member”.

**Bethesda Healthcare System, Inc. (CON #9659)** had 11 letters of support from physicians received through the mail which essentially cited the care Bethesda provides, accessibility issues with the eastern hospitals, the proposed hospital service area’s population growth, and Bethesda’s Health City, an ambulatory surgery center that serves western Palm Beach County residents. There were 10 additional letters received through the mail for Bethesda’s project, which are essentially the same as the physician letters. Volume 2 of the application also included approximately 460 letters of support from local physicians and community members, who also essentially cited the care Bethesda provides, accessibility issues with the eastern hospitals, the proposed hospital service area’s population growth, and Bethesda’s Health City, an ambulatory surgery center that serves western Palm Beach County residents as reasons for approving the applicant’s proposal.

**Columbia JFK Medical Center, L.P. (CON #9660)** submitted five letters from local organizations in support for its proposed project. These letters essentially cite the population growth in the West Boynton Beach area and JFK’s service to the community. The applicant also included a form letter signed by 56 area physicians which cites JFK’s building of the Aberdeen Professional Plaza on Jog Road and Le Chalet Boulevard to serve West Boynton area residents, JFK’s taxpaying corporate status and it’s reputation as a state-of-the-art facility that provides quality healthcare. Additional copies of this letter signed by approximately 5,550 area residents and a petition signed by 300 area residents were also submitted by the applicant at the public hearing.

### C. PROJECT SUMMARY

**Bethesda Healthcare System, Inc. (CON #9659)** operates Bethesda Memorial Hospital, a 362-bed general acute care not for-profit hospital

## **CON Action Numbers: 9659 & 9660**

located in Palm Beach County. The hospital is licensed for 347 acute care beds, 12 Level II NICU beds and three Level III NICU beds. The applicant also has 28 comprehensive medical rehabilitation beds approved via CON #9507. The applicant's new facility, West Boynton Community Hospital, is proposed to be established by the relocation of 80 acute care beds from the highly utilized existing 347 acute care beds at Bethesda. These 80 beds are located within the same planning area and therefore, the applicant is not proposing to increase the number of acute care beds in District 9, Subdistrict 5.

The applicant proposes to condition the CON to the provision of at least five percent of West Boynton Community Hospital's total annual patient days to Medicaid, Medicaid HMO and charity care patients on a combined basis.

The total project cost is estimated at \$73,817,200. Construction costs are projected at \$34,233,400 and the project will involve 190,130 GSF of new construction.

**Columbia JFK Medical Center, L.P. (CON #9660)** proposes to construct a new 80-bed satellite facility in the West Boynton area of Palm Beach County. The applicant is part of the Hospital Corporation of America for profit hospital chain and operates JFK Medical Center, which is presently licensed for 387 acute care beds. The applicant has also been approved to add 37 acute care beds under exemption #0000275 and 36 beds via CON #9617.

The applicant indicates that 80 beds will be delicensed from Columbia Hospital which although located in Palm Beach County is within another planning area. Therefore, this project if approved will increase the net bed inventory in District 9 Subdistrict 5 by 80 acute care beds.

The applicant proposes to condition the CON to the provision of at least 10 percent of the 80 acute care bed hospital's total annual patient days to Medicaid and charity care patients on a combined basis.

The total project cost is estimated at \$109,789,090. Construction costs are projected at \$40,990,950 and the project will involve 195,195 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, rules of the State of

## **CON Action Numbers: 9659 & 9660**

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, James B. McLemore, analyzed the application with consultation from the financial analyst, John Williamson, who reviewed the financial data and architect Joel Hill who evaluated the architectural and the schematic drawings.

### **E. CONFORMITY OF PROJECT WITH REVIEW CRITERIA**

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

#### **1. Fixed Need Pool**

- a. Does the project proposed respond to need as published by a fixed need pool? Or does the project proposed seek beds or services in excess of the fixed need pool? Ch. 59C-1.008(2), 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 9, Subdistrict 5/South Palm Beach County for

**CON Action Numbers: 9659 & 9660**

the January 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 Ch. 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 Ch. 59C-1.038(5) are met.

District 9, Subdistrict 5 had a total of 1,626 licensed beds that experienced an occupancy rate of 77.08 percent for the reporting period July 1, 2001 through June 30, 2002. As of January 24, 2003, the subdistrict had a total of 1,673 licensed acute care beds and 102 CON approved acute care beds. JFK Medical Center is approved to add 37 acute care beds via CON exemption #0000275 and 36 via CON #9617, while the remaining 29 beds are approved for Delray Medical Center by exemption #0200012.

For the reporting timeframe, Bethesda Memorial Hospital averaged 73.25 percent occupancy and JFK Medical Center reported an average occupancy of 89.96 percent. JFK's occupancy represents the highest reported in both Subdistrict 5 and District 9. Bethesda Memorial's occupancy was third highest of the six acute care hospitals in the subdistrict. As noted above, the subdistrict average occupancy rate for the most recent reporting period was 77.08 percent.

The applicants' projects are not submitted in response to the fixed need pool, but rather, involves what the applicants contend are special circumstances.

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

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

This criterion does not apply because Bethesda and JFK are not requesting to add beds to existing facilities, rather both propose to establish new satellite hospitals.

**CON Action Numbers: 9659 & 9660**

**c. Other Special Circumstances:**

Although both applicants propose to establish new 80-bed satellite hospitals in western Palm Beach County, JFK has presented need calculations based on a larger service area than Bethesda. Bethesda's need projections are based on a six-zip code area, while JFK's are based on an 11-zip code area. Both applicants have proposed to serve residents in the following zip code areas: 33436, 33437, 33463, 33467, 33414, and 33446. In addition to those zip code areas, JFK has proposed to serve residents in the following areas: primarily in zip code 33484 and secondarily in zip codes 33413, 33445, 33496 and 33498. Following is a charting of each applicant's proposed primary and secondary service areas to illustrate overlap and differences:

**Co-batched Applicant Proposed Service Areas**

<b>Zip Code</b>	<b>Bethesda</b>	<b>JFK</b>
33436	<b>PSA</b>	SSA
33437	<b>PSA</b>	<b>PSA</b>
33463	<b>PSA</b>	SSA
33467	<b>PSA</b>	<b>PSA</b>
33414	SSA	SSA
33446	SSA	<b>PSA</b>
33484		<b>PSA</b>
33413		SSA
33445		SSA
33496		SSA
33498		SSA

**Source: CON Applications**

**PSA= Primary Service Area**

**SSA= Secondary Service Area**

As the chart above illustrates, two of the zip code areas are expected to be primary service areas (PSAs) for both applicants, 33437 and 33467.

**Bethesda Healthcare System, Inc. (CON #9559)** states that it is a Medicaid disproportionate share provider with a long history of providing service to charity and Medicaid patients, and was classified as a disproportionate share provider in state fiscal years 2000-2001 and 2001-2002. However, Bethesda is not eligible to be a Disproportionate Share Provider for fiscal year 2002-2003. This is due to an amendment to section 409.911, Florida Statutes. However, while the classification system changed, Bethesda retains a high ratio of uncompensated indigent care. During fiscal year 2001, Bethesda's low income utilization rate ranked 51<sup>st</sup> among Florida's 209 Hospitals, excluding psychiatric and state hospitals. Bethesda is the highest volume Medicaid and charity care provider or the "safety net provider" of care to the medically needy in the subdistrict (south Palm Beach County area). Bethesda

**CON Action Numbers: 9659 & 9660**

indicates that this project is needed to address the financial realities of operating a “safety-net” hospital because it allow the applicant to enter an area with a higher income population than the present Bethesda facility’s primary service area, thus balancing insured patients with Medicaid/uncompensated care patients. The applicant also contends that this project will allow it to improve access to acute care inpatient services in one of the fastest growing areas in Palm Beach County.

The following table presents the population estimates for Bethesda’s new facility primary zip code area consisting of zip codes 33436, 33437, 33463 and 33467; the applicant’s secondary zip codes are 33414 and 33446, Palm Beach County, District 9 and the state from July 1, 2002, to July 1, 2007.

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

<b>Area</b>	<b>2002 Population</b>	<b>2007 Population</b>	<b>2002 Pop. 65+</b>	<b>2007 Pop. 65+</b>	<b>% Total Pop. Growth</b>	<b>Age 65+ as % of Total</b>
Primary SA	156,235	180,619	44,618	*35,512	15.6%	28.6%
Secondary SA	50,025	55,972	16,184	17,861	11.9%	32.4%
Total Sat. SA	206,260	236,591	60,802	53,373	14.7%	29.5%
Palm Bch. Co. Total	1,183,671	1,303,531	266,579	285,060	10.1%	22.5%
District 9 Total	1,674,779	1,838,722	388,596	416,190	9.8%	23.2%
State Total	16,711,988	18,060,443	2,917,854	3,182,865	8.1%	17.5%

Source: CON #9559 page 37, from Clarita and AHCA Population Estimates, October 2002. July is used as the basis for population estimate.

Note: \* The applicant’s table on page 37 of the application contains an obvious error which can be attributed to zip code 33436 because in CY 2002 the age 65+ population is shown as 13,810 but in CY 2007 is shown to have only 159 age 65+ residents. Yet the applicant calculates the resulting increase in zip code 33436 for age 65+ residents to be 42.3 percent of the total population by 2007. To reach this figure the zip code population would have to increase from CY 2002s 13,810 to 15,729.

As shown above, the primary, secondary and total proposed service areas are projected to grow at a higher rate than the subdistrict’s, Palm Beach County, District 9 and the state. The applicant also notes that 29.5 percent of the total population in the service area is aged 65 and over and this population is admitted to hospitals 4.5 times as frequently as the under age 65 population<sup>1</sup>. The new facility’s projected growth in the population age 65 and over is also greater than Palm Beach County, the district, and state. Bethesda contends that the age 65 and over population encounters greater access problems due to traffic congestion.

<sup>1</sup> CON #8659, page 37 from National Center for Health Statistics, Advanced Data Report, 2000 National Hospital Discharge Survey, No. 329, June 19, 2002.

## **CON Action Numbers: 9659 & 9660**

The applicant further contends that with the growth in the western corridor of southern Palm Beach County, the elderly will face an increasingly difficult challenge in assessing services. The satellite facility will respond to this need and builds upon the ambulatory care referral patterns already established at Bethesda Health City, which is located on Hagen Ranch Road near the Florida Turnpike in south Palm Beach County. The new facility will be located in the vicinity of the Heath City and the Florida Turnpike, according to the applicant. The applicant also indicates that Bethesda Health City will be in the heart of the new facility's service area.

Bethesda next compares its existing service area "core" eight zip codes that represent 55.5 percent of inpatient activity by distribution of household income with the proposed hospital's six zip code area. The applicant presents data which show that presently, 76,463 or 18.6 percent of the households in Bethesda's eight zip code core area have incomes of less than \$20,000. The six main zip codes for Bethesda's satellite hospital has 11,389 or 12.5 percent of the households at income of less than \$20,000. The applicant contends that this proportion is substantially lower than the percentage it presently serves. In addition, the income category of \$60,000 and over constitutes 46.6 percent of the satellite hospital's service area and has 11,162 more of these households compared to Bethesda's core service area. The \$60,000 and over households make up 34.2 percent of Bethesda's present core service area. Bethesda also indicates that this income category has a 98 percent probability of having health insurance. In addition, the applicant provided an analysis by Claritas, Inc. of the six zip code West Boynton Community Hospital Median Household Incomes which shows the area has three zip codes in the \$50,000 area as of 2002, one at \$34,590, one at \$38,448 and one at \$86,777 income levels. These are projected to increase with only one at \$38,473, one at \$53,857, one at \$57,667, two in the \$60,000s and one at \$103,842 by 2007. Therefore, the demographics support the rationale that West Boynton Community Hospital will be an area with more insured patients than the current location. The applicant contends more insured patients are needed to balance the Medicaid/charity care burden at Bethesda.

**CON Action Numbers: 9659 & 9660**

The applicant next discusses projected utilization at West Boynton Community Hospital. AHCA discharge data were reviewed from CY 2001, which with the exclusion of DRGs for burn patients; C-sections; cardiac surgery patients, neonatology admissions, normal deliveries, obstetrical patients; psychiatric services, substance abuse services; transplant patients and major multi-systems trauma patients resulted in 25,314 inpatient admissions from the defined six zip code area. This is consistent with DRG information obtained by the financial reviewer. The applicant indicates that there were 126.2 admissions per 1,000 population in CY 2001. However, the applicant indicates that based on the scope of the programs the new facility will offer, the Palm Beach County actual medical surgical utilization rate of 115.1 admissions per 1,000 population was utilized for acute inpatient services.

Bethesda's Market share analysis is presented next. The applicant indicates that Bethesda presently has a 19.7 percent market penetration for the selected services within this proposed service area. On page 13, the applicant indicates that it draws 28.4 percent of its current patients from the four zip code primary service area of the new facility. This appears to be consistent with AHCA discharge data obtained by the reviewer for the 12 month period ending June 30, 2002. Bethesda contends that if this application is not approved, it is at risk of losing market share, particularly among the insured population, which would be devastating for Bethesda Healthcare System. The following chart shows the new facility's projected utilization for years one through four.

**West Boynton Community Hospital  
Bethesda Satellite Hospital  
Utilization Projections**

<b>Area</b>	<b>Year 1 2007</b>	<b>Year 2 2008</b>	<b>Year 3 2009</b>	<b>Year 4 2010</b>
Service Area Population	236,591	243,047	248,902	254,813
Service Area Discharges based on use rate constant at 115/1,000 pop.	27,208	27,950	28,624	29,303
Satellite Service Area Market Share	7.5%	10.2%	13.1%	13.5%
Satellite Hosp. Ser. Area Discharges	2,041	2,851	3,750	3,956
Satellite Out of Area Discharges	227	317	417	440
Satellite Hosp. Total Discharges	2,267	3,168	4,166	4,396
Satellite Hosp. Pat. Days (ALOS is constant at 4.6 days)	10,430	14,571	19,165	20,219
Satellite Hosp. Avg. Daily Census	28.6	39.9	52.5	55.4
Occupancy @ 80 beds	35.8%	49.9%	65.6%	69.2%

Source: CON #9659, Page 43.

Note: Service area growth based on Claritas, Inc. Analysis of historical trends for the six zip code area consisting of 33436, 33437, 33463, 33467, 33414, and 33446. Out of area discharges are estimated to be approximately 10 percent of total discharges.

Bethesda does not project 75 percent occupancy as the high of 69.2 percent occupancy is reached during year four, 2010. Need projections exceeding five years are considered highly speculative as history shows

## **CON Action Numbers: 9659 & 9660**

that advances made in medicine often reflect change in the type of and need for services. However, the applicant chose a relatively small service area of six zip codes with a projected population of 236,591 for year two, 2008. The applicant's market share is conservative based on its existing 19.7 percent market share in the area. Bethesda indicates that the average length of stay at 4.6 days is conservative based on the actual length of stay for medical surgical patients from these areas is 4.7 days and 4.8 days for all Palm Beach County residents. Even considering these factors, occupancy is not expected to approach the 75 percent acute care occupancy standard in the 80-bed facility within a five-year period, by July of 2008.

Bethesda also presents an analysis of the new facility's impact on its existing facility. The applicant indicates that during CY 2001, it had 4,990 patients admitted that could be treated at the satellite facility. During year one (2007), the applicant indicates 925 patients of the 2,267 or 41 percent projected for the satellite facility would otherwise have gone to Bethesda. During year two, this rises to 1,293 of the projected 3,168 patients for the satellite facility. However, the applicant indicates that as a result of increased population, the actual number of patients redistributed from Bethesda will be 660 in year one and 985 in year two of the project. Bethesda concludes that given its conservative market share assumptions and the anticipated redistribution of patients from the main facility, the satellite project should have minimal impact on existing providers. Using this conservative estimate, the redistributed 985 Bethesda patients would account for an occupancy of 15.5 percent in the 80-bed facility in 2008, based on an average length of stay of 4.6 days.

Bethesda also provided an assessment of alternatives to the project including continued development at the main facility, expanding Bethesda Health City, an ambulatory surgical center, and doing nothing. In reference to the main facility, the applicant indicates that Bethesda is located in a residential area, has limited expansion opportunities and presently has a deficit in parking requirements; it would not support referral patterns that have been established as a result of Bethesda Health City and it does not adequately retain the insured patients essential to balance the financial drain of Medicaid and uninsured patients. However, during CY 2002 Bethesda reported 82,366 patient days, which would have resulted in 84.52 percent utilization in 267 acute care beds (82,366/97,455). The relocation of 80 beds could result in lack of beds at the main facility, especially during the 1<sup>st</sup> quarter or peak season periods. Bethesda provided 22,770 acute care patient days during the first quarter of 2002, which with 267 instead of 347 beds would result in peak season occupancy of 94.76. While the facility would

## CON Action Numbers: 9659 & 9660

still have approximately 14 available acute care beds during the peak season, some constraint on its ability to provide quality care could be expected to occur during peak periods and the facility would be eligible to and probably need to add beds at the main facility. Therefore, the 80-bed relocation may not actually result in no additional beds being added to the subdistrict. Expanding Bethesda Health City, the ambulatory surgical center, is not an option because the existing site cannot be adequately expanded to accommodate inpatient capabilities and simply expanding the ambulatory diagnostic and treatment services leaves Bethesda at risk of losing insured patient market penetration in the service area. As indicated above, it appears reasonable to expect the hospital will need to expand due to high utilization. The applicant contends that the option of doing nothing fails to address patient access and fails to provide a not-for-profit provider in the western communities, risks loss of insured patient market share and places Bethesda, the safety net provider in south Palm Beach County, at financial risk.

**Columbia JFK Medical Center, L.P. (CON #9660)** states that population growth in the proposed hospital's primary and secondary service area in western Palm Beach County is the key theme that underscores the need for the project. The applicant indicates that the facility's primary service area consists of zip codes 33437, 33446, 33467, and 33484. The population in these zip codes is projected to increase from 126,487 in 2002 to 146,573 in 2007. The secondary service area consists of zip codes 33413, 33414, 33436, 33445, 33463, 33496, and 33498. The applicant indicates that the population in these zip codes is projected to increase from 192,752 in 2002 to 219,907 in 2007.

The following table presents the population estimates for the new facility's primary and secondary service area, Subdistricts 4 and 5, Palm Beach County, District 9 and the state, with the average annual compounded growth rate from 2002 to 2007.

**Population Estimates for JFK's Satellite Hospital's Primary and Secondary Service Areas, Subdistricts 4 & 5, Palm Beach County, District 9, and the State, Average Annual Compounded Growth Rate**

Area	2002	2007	Total Pop. Growth	Avg. Annual Growth
Primary Service Area (1)	126,487	146,573	15.88%	2.99%
Secondary Service Area (2)	192,752	219,907	14.09%	2.67%
Total Satellite Service Area	319,239	366,480	14.80%	2.80%
Subdistrict 9-5	770,734	855,270	10.97%	2.10%
Subdistrict 9-4	415,397	455,495	9.65%	1.86%
Total Palm Beach County	1,186,131	1,310,765	10.51%	2.02%
District 9 Total	1,451,529	1,641,516	11.00%	2.11%
State Total	14,701,520	16,410,669	9.79%	1.89%

Source: CON #9660 Page 9, from population estimates by Claritas, Ithaca, New York, 2002.

Notes: (1) The primary service area zip codes are 33437, 33446, 33467 and 33484.

(2) The secondary zip codes are 33413, 33414, 33436, 33445, 33463, 33496, and 33498.

## CON Action Numbers: 9659 & 9660

The applicant does not provide the month (January or July) that is used as the basis for the population estimates in the above table. A review of AHCA Population Estimates Published October 2002 indicates that as of January 1, 2002, Palm Beach County had a total population of 1,172,056, which increased to 1,183,671 as of July 1, 2002. As of January 1, 2007, Palm Beach County is projected to have a population of 1,291,415, this increases to 1,303,531 for July 1, 2007. The AHCA July 2002 population estimate is the closest to the applicant's projections; however, the district and state totals for January and July 2002 and 2007 are higher than in the applicant's projections. District and state total for 2002 are higher than the applicant's 2007 figures. Palm Beach County's population is projected to increase from 1,183,671 in July 2002 to 1,303,531 in July 2007 or by 10.13 percent.

The reviewer also reviewed AHCA Population Estimates Published December 2001, which indicates that as of January 1, 2002, Palm Beach County had a total population of 1,171,793, which increased to 1,184,108 as of July 1, 2002. As of January 1, 2007, Palm Beach County is projected to have a population of 1,303,539, this increases to 1,315,933 for July 1, 2007. The AHCA July 2002 population estimate is the closest to the applicant's projections; however, the district and state totals for January and July 2002 and 2007 are higher than in the applicant's projections. District and state totals for 2002 are higher than the applicant's 2007 figures. Palm Beach County's population was projected to increase from 1,184,108 in July 2002 to 1,315,993 in July 2007 or by 11.14 percent in the older population publication.

While the applicant's projections do not coincide with the AHCA population estimates for the county, district and state; the primary, secondary and total proposed service areas are projected to grow at a higher rate than the subdistricts, Palm Beach County, District 9 and the state.

JFK Medical Center has an existing market presence in the service area since 1996 consisting of medical offices and diagnostic testing, which are located about half way between the existing and proposed hospitals. The applicant indicates that based on AHCA discharge data for the 12 months ending June 30, 2002, JFK's market share for the primary zip code area is 17.3 percent and 17.2 percent in the secondary area. This is consistent with the reviewer's AHCA discharge data obtained for the same period.

## **CON Action Numbers: 9659 & 9660**

The applicant indicates that JFK's affiliation with HCA allows for under-utilized beds at Columbia Hospital to be reallocated within Palm Beach County to area where demand for health care services is strong. However, Columbia Hospital is located in the northern portion of Palm Beach County, which is in acute care hospital Subdistrict 4. The project is proposed to be located in Subdistrict 5 and the total bed capacity at JFK Medical Center will not be reduced if this CON is approved. This project therefore represents an 80 acute care bed increase in the subdistrict should it be approved. Additionally, during CY 2002, Columbia Hospital reported 21,884 patient days in 150 acute care beds for a utilization rate of 39.97 percent. This would have resulted in an average occupancy of 85.66 (21,884/25,550) percent and the facility would be eligible to add 10 beds via exemption. During the peak season first quarter of 2002, Columbia reported 6,428 patient days and 47.61 percent utilization. With only 70 beds, there would be only 6,300 bed days available, and the 6,428 patient days would result in 102.04 percent occupancy and overcrowded conditions. The applicant cites JFK's high utilization and correctly indicates that JFK does not have available beds to transfer. Regardless, Columbia Hospital's utilization is such that delicensing 80 of that facility's 150 beds would result in overcrowded conditions in the peak season and annual utilization over 85 percent. Therefore, in addition to being in a different subdistrict, Columbia Hospital does not appear to have 80 beds to delicense without facing immediate constraint on its provision of acute care services.

The applicant also indicates that the JFK facility has room for about only 62 more beds and expansion beyond that point would require land acquisition and infrastructure development. JFK indicates that this project will allow it to serve some of the 8,688 cases and 39,510 patient days it provided to residents of the proposed service area zip codes during the 12 months ending June 30, 2002, closer to the residents home by reducing travel distances and time. JFK also contends this will be more efficient, as less intensive medical and surgical services can be delivered at the satellite hospital with more intensive care provided at the current JFK facility. The proposed location is cited as accessible from the Florida Turnpike, on State Road 441 and State Road 804, which are major north-south and east-west thoroughfares. JFK's status as a taxpayer, including property taxes, sales taxes, and ad valorem taxes is cited as ensuring that the satellite hospital will become a partner vested in community growth and development.

**CON Action Numbers: 9659 & 9660**

Having presented the special circumstances the applicant contends support the need for the project, additional discussion is presented to quantify the number of beds needed at the new facility. The applicant indicates that the facility will be located within zip code 33437 within co-batched applicant's Bethesda's proposed PSA and located on major and secondary roadways, which enhance access. As stated earlier, 33437, 33467, 33446, and 33484 will make up the facility's primary zip code service area. The applicant indicates that the service area population's growth, from 319,239 in 2002 to 366,480 in 2007 or by 14.8 percent (2.8 percent compounded annual growth rate). The applicant indicates that the compounded annual growth rate of 2.8 percent was applied to interpolate the population estimates by zip code for each intervening year. The use rate of 929.4 days per 1,000 persons was held constant for each zip code and the total number of patient days was forecasted for subsequent years for each zip code.

**JFK Medical Center Satellite Hospital  
Utilization Projections**

Bed Type	# of beds	ALOS	7/06-6/07 Year One			7/07-6/08 Year Two		
			Admits	Days	Percent Occupancy	Admits	Days	Percent Occupancy
OB	10	2.8	772	2,161	59.21%	796	2,229	60.90%
Acute	70	4.3	4,347	18,690	73.15%	4,499	19,347	75.52%
<b>Total</b>	<b>80</b>	<b>4.1</b>	<b>5,118</b>	<b>20,851</b>	<b>71.41%</b>	<b>5,295</b>	<b>21,576</b>	<b>73.69%</b>

Source: CON #9660, Page 34.

Note: Primary service area is the four zip code area consisting of 33437, 33467, 33446, and 33484. The applicant projects that it will capture 27 percent of 33437 patients and 24 percent of 33467 patients. Out of area discharges are not estimated by the applicant.

While JFK provides the use per 1,000 persons for the zip codes in which it projects to have the highest volume in zip code 33437 was 864.668 days per thousand and zip code 33467 averaged 614.866 days per thousand. These zip codes are projected to account for 58 and 34.2 percent of the new facility's patient days. The other two primary service area zip codes; 33446 which is to account for two percent of the projected market share has 1,303.947 per patient days per thousand and 33484 which is to account for one percent has 1,326.565 days per 1,000 population. The applicant also projects that of the total discharges from the two top zip codes the new facility will capture 27 percent and 24 percent of the overall patient day market share. Presently, zip code 33437's largest health care provider in terms of market share is Bethesda with 27.4 percent of the zip code inpatient care and Delray Medical Center with 27.7 percent of total patient days. JFK presently has 18.1 percent of the patient days for 12-month period ending June 30, 2002.<sup>2</sup> Boca Raton Community Hospital has 9.5 percent of the patient days in this zip. In reference to zip code 33467, the current

<sup>2</sup> AHCA discharge data for this period with all long term care and psychiatric facilities eliminated.

**CON Action Numbers: 9659 & 9660**

market share is JFK 45.6 percent of 26,866 discharges. Wellington Regional is next highest with 12.7 percent of patient days. Bethesda has 6.8 percent of patient days for residents in this zip code.

The applicant also indicates that the new satellite facility will provide obstetrical services and that the satellite facility will capture 65 percent of the total OB days (MDC 14) projected from zip code 33437 and 60 percent in zip code 33467. JFK presently has an overall presence of 18 percent of the acute care facility patient days in zip code 33437, compared to Bethesda's 27.4 percent and Delray Medical Center's 27.7 percent. JFK is the largest provider of care in zip code 33467 at 45.6 percent compared to Wellington at 12.7 and Bethesda at 6.8 percent of the zip code's total acute care facility patient days provided in the 12 months ending June 30, 2002. It is noted that Bethesda anticipates this zip code to be within its PSA. However, JFK presently does not provide OB service (no child births at all during the reporting period per AHCA discharge data obtained by the reviewer) and there are providers with Level II and Level III NICUs with a presence in the service area, Bethesda Level II & III, Wellington Level II, and Boca Raton Community Hospital, Level II. The applicant's OB projections (page 34) appear to include mothers with conditions that would lead to childbirth problems and neonates that would be need care above Level I. JFK projects that the satellite facility will capture 57 percent of the total childbirths in the four zip primary service area and 19.2 percent of births in all 11 zip codes in the facility's primary and secondary zip codes in years one and two. Since, JFK does not presently provide any OB care and mothers with potential for problem childbirth are often detected early in the process, JFKs OB projections for the satellite could well be overstated.

The following table provides a breakdown of the patients from these zip codes during the July 2001 – June 2002 reporting period.

**Bethesda Healthcare System & JFK Medical Center  
Proposed 80 bed Facilities  
Acute Care Hospital Discharges  
Residents of Zip Codes in PSA and SSA**

Facility	Zip code											Hosp. Total	% Of Zip Codes
	33436	33437	33463	33467	33414	33446	33484	33413	33445	33496	33498		
Bethesda Memorial Hospital	2,434	2,331	787	505	66	372	609	52	1,311	52	26	8,545	17.11
JFK Medical Center	1,291	1,574	2,103	2,616	361	93	188	262	165	24	11	8,668	17.35
Delray Medical Center	633	1,968	161	165	57	2,526	3,895	24	1,857	396	144	11,826	23.67
Boca Raton Community Hospital	317	693	128	214	20	541	762	5	739	1,122	538	5,079	10.17
West Boca Medical Center	186	206	96	197	25	120	170	3	172	709	728	2,612	5.23
Wellington Regional Med. Center	114	104	670	941	745	5	9	261	12	1	2	2,864	5.74
<b>Subdistrict 5 Facilities</b>	4,975	6,876	3,945	4,638	1,274	3,657	5,633	607	4,256	2,304	1,449	39,594	79.24
<b>All Other Facilities</b>	824	1,115	1,689	1,506	2,523	353	459	620	477	510	297	10,373	20.76
<b>Total</b>	5,799	7,991	5,634	6,144	3,797	4,010	6,092	1,227	4,733	2,814	1,746	49,967	100.00

Source: AHCA Hospital Discharge Data July 2001 - June 2002.

The first four zip codes 33436, 33437, 33463, and 33467 are Bethesda's proposed facility's primary service area; zip codes 33414 and 33446 are the two zip code secondary service area.

JFK's proposed facility's primary service area consists of zip codes 33437, 33467, 33446, and 33484. Zip codes 33436, 33463, 33414, 33413, 33445, 33496 and 33498 are proposed secondary zip code areas for JFK.

Data above includes all tertiary and non-tertiary services provided to residents of these Zip Codes. As the chart demonstrates, there were 49,967 acute care facility discharges of residents of the above Zip Codes for the 12 months ending June 30, 2002. Delray Medical Center is shown to have 11,826 or 23.67 percent of the discharges from 11 zip code area. While these are the Zip Codes included in JFKs application, Bethesda chose only six Zip Codes, four primary and two secondary. The above Zip Code area residents 49,967 discharges accounted for 235,072 acute care facility patient days during the 12-month period ending June 30, 2002. Capture of 10 percent of the total Zip Code area's patient days reported for the 12 months ending June 2002, would yield 23,507 patient days or 80.51 percent occupancy for an 80 (265 x 80=29,200) bed facility. While there will be some impact on market share, the area's projected population growth from 319,239 persons in 2002 to 366,480 in 2007<sup>3</sup>, will negate some of the impact on existing providers.

In summary: Both providers have shown that they currently serve the market. Data does indicate that the area can support a satellite hospital.

## 2. Local Health Plan Preferences

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

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

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

**Medicaid and Charity Care of the Applicants  
Compared to the District for FY 2001**

<b>Applicant</b>	<b>FY 01 Medicaid &amp; Medicaid HMO Days</b>	<b>FY 01 Gross Charity Percentage of Charges</b>
Bethesda Memorial	16.1%	3.7%
JFK Medical Center	7.3%	0.4%
Subdistrict 5 Average	6.3%	1.4%
District 9 Average	8.9%	1.5%

**Source: Fiscal Year 2001 Actual Data/AHCA.**

<sup>3</sup> Population projections for the 11 zip code area from CON #9660 page 26.

## CON Action Numbers: 9659 & 9660

As shown in the table above, Bethesda is the safety net provider for the subdistrict and exceeds the subdistrict and district averages for both Medicaid and charity care. JFK Medical Center does not meet the subdistrict and District 9 average for charity care. JFK Medical Center's provision of service to Medicaid patients exceeds the subdistrict average but is below the district average. During fiscal year 2001, Bethesda's low income utilization rate ranked 51<sup>st</sup> and JFK's 173<sup>rd</sup> among Florida's 209 Hospitals, excluding psychiatric and state hospitals.

**Bethesda Healthcare System, Inc. (CON #9659)** is willing to condition the CON to provide a minimum of five percent of total annual patient days for Medicaid, Medicaid HMO and/or charity care days for the total 80-bed facility. According to Schedule 7A, the applicant projects that Medicaid will comprise 3.1 percent of the new facility's total days. Charity care inpatient days are not provided in the assumptions to the project's Schedule 7A; however, the applicant's overall Bethesda Healthcare Schedule 7A assumptions indicate that the Bethesda Healthcare System (including the satellite facility, comprehensive rehabilitation beds that were recently approved via CON and the main hospital) are estimated at 2.8 percent of total patient revenue.

**Columbia JFK Medical Center, L.P. (CON #9660)** is willing to condition the CON to provide a minimum of 10 percent of total annual patient days for Medicaid and/or charity care days for the total facility. However, the applicant's Schedule 7A projects that 9.51 percent of the facility's total annual patient days will be provided to Medicaid and charity care patients while the applicant proposes to condition the CON to 10 percent.

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

**Bethesda Healthcare System, Inc. (CON #9659)** indicates that it is the founding member of a joint purchasing alliance that includes Boca Raton Community Hospital and Martin Memorial Health System. The applicant states that Bethesda has been able to document savings in excess of \$2 million in fiscal year 2002.

## **CON Action Numbers: 9659 & 9660**

Bethesda also discusses its productivity improvement program and clinical guideline development. The applicant states that all Bethesda Healthcare System cost containment activities will be incorporated into the satellite hospital. The applicant did not document specific cost containment practices that will be a result of the new facility.

**Columbia JFK Medical Center, L.P. (CON #9660)** indicates that economies of scale will be reached through the central administration at JFK Medical Center, billing and central supply will be administrated through JFKs main facility. The applicant also provided a listing of the facilities that comprise the HCA Healthcare System, East Florida Region as well as a total list of all HCA Florida hospitals and ambulatory surgery centers in Florida. JFK Medical Center is one of three hospital comprising the Palm Beach County Network. The other hospitals are Palms West Hospital and Columbia Hospital. The applicant provided a listing of the services offered by these three hospitals and states that they work closely together to provide an integrated health care delivery system. The applicant states that critically ill pediatric patients who present at JFK Medical Center or Columbia Hospital are transported to Palms West Hospital for care. Patients within the system who are diagnosed as requiring open heart surgery or complicated cardiovascular work are treated at JFK Medical Center. Similarly, mental health patients are referred to Columbia Hospital.

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

The applicant did not document specific cost containment practices resulted in the new facility. However, operating losses are shown for both years one and two and projected occupancy for the new facility appears optimistic.

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

**Bethesda Healthcare System, Inc. (CON #9659)** indicates that it continues to use existing space at Bethesda Memorial for the development of new programs such as the rehabilitation center and the renovation of existing space to accommodate the increasing demands for ambulatory surgical services. The applicant's project will transfer 80 beds from the main facility to an area with high population growth and relatively high income levels. In its response here, the applicant only indicates that as a result of the new hospital, existing space will be reallocated for the expansion of services as well as the development of new programs. However, in its response Item 4. g., Bethesda indicates that it will reallocate 68 semi-private rooms to private rooms. As stated previously, relocating 80 from the main facility would leave Bethesda with only 14 beds during the 1<sup>st</sup> quarter of CY 2002 and eligible for a 10 percent increase in bed capacity through the exemption process based on CY 2002 performance. Therefore, if approved Bethesda would be able to add back some of the semi-private rooms they gave up to establish the satellite.

**Columbia JFK Medical Center (CON #9660)** indicates that while the 80 beds at Columbia Hospital are not in the same subdistrict, underutilized beds are being used for this project. The project does not involve use of existing space at JFK and as indicated earlier, Columbia Hospital does not appear to have 80 beds to delicense without facing immediate constraint on its provision of acute care services. As stated previously, during CY 2002, Columbia Hospital reported 21,884 patient days in 150 acute care beds for a utilization rate of 39.97 percent. This would have resulted in an average occupancy of 85.66 (21,884/25,550) percent and the facility would be eligible to add 10 beds via exemption. During the peak season first quarter of 2002, Columbia reported 6,428 patient days and 47.61 percent utilization. With only 70 beds, there would be only 6,300 bed days available, and the 6,428 patient days would result in 102.04 percent occupancy and overcrowded conditions. Therefore, Columbia would be eligible to get beds back through exemption if they delicense 80 beds.

Neither co-batched applicant receives this preference.

**3. Agency Rule Preferences**

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

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

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

**Medicaid and Charity Care of the Applicants  
Compared to the District for FY 2001**

<b>Applicant</b>	<b>FY 01 Medicaid &amp; Medicaid HMO Days</b>	<b>FY 01 Gross Charity Percentage of Charges</b>
Bethesda Memorial	16.1%	3.7%
JFK Medical Center	7.3%	0.4%
Subdistrict 5 Average	6.3%	1.4%
District 9 Average	8.9%	1.5%

**Source: Fiscal Year 2001 Actual Data/AHCA.**

As shown in the table above, Bethesda is the safety net provider for the subdistrict and exceeds the subdistrict and district averages for both Medicaid and charity care. JFK Medical Center does not meet the subdistrict and District 9 average for charity care. JFK Medical Center's provision of service to Medicaid patients exceeds the subdistrict average but is below the district average. During fiscal year 2001, Bethesda's low income utilization rate ranked 51<sup>st</sup> compared to JFK's 173<sup>rd</sup> among Florida's 209 Hospitals, excluding Psychiatric and State Hospitals.

**Bethesda Healthcare System, Inc. (CON #9659)** is willing to condition the CON to provide a minimum of five percent of total annual patient days for Medicaid, Medicaid HMO and/or charity care days for the total 80-bed facility. According to Schedule 7A, the applicant projects that Medicaid will comprise 3.1 percent of total days. Charity care inpatient days are not provided in the assumptions to the project's Schedule 7A; however, the applicant's overall Bethesda Healthcare Schedule 7A assumptions indicate that the Bethesda healthcare System (including the project, comprehensive rehabilitation beds (these were recently approved via CON) and the main hospital are estimated at 2.8 percent of total patient revenue.

## CON Action Numbers: 9659 & 9660

**Columbia JFK Medical Center, L.P. (CON #9660)** is willing to condition the CON to provide a minimum of 10 percent of total annual patient days for Medicaid and/or charity care days for the total facility. However, the applicant's Schedule 7A projects that 9.51 percent of the facility's total annual patient days will be provided to Medicaid and charity care patients while the applicant proposes to condition the CON to 10 percent.

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

**Bethesda Healthcare System, Inc. (CON #9659)** proposes to convert 80 beds from its existing facility for the project. However, during CY 2002 Bethesda reported 82,366 patient days, which would have resulted in 84.52 percent utilization in 267 acute care beds (82,366/97,455). The relocation of 80 beds could result in lack of beds at the main facility, especially during the 1<sup>st</sup> quarter or peak season periods. Bethesda provided 22,770 acute care patient days during the first quarter of 2002, which with 267 instead of 347 beds would result in a peak season occupancy of 94.76. While the facility would still have approximately 14 available acute care beds, some constraint on its ability to provide quality care could be expected to occur during peak periods and the facility would be eligible to and probably need to add beds at the main facility.

**Columbia JFK Medical Center, L.P. (CON #9660)** does not propose to transfer beds from its existing facility because utilization is such that it does not have beds available to transfer. While it proposes that the 80 beds come from Columbia Hospital (Subdistrict 4), Columbia's utilization is such that with 70 remaining beds, the facility would be constrained in its ability to deliver quality care.

#### **4. Statutory Review Criteria**

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

**Bethesda Healthcare System, Inc. (CON #9659)** states its contention that the project will improve efficiency through the reuse of existing

## CON Action Numbers: 9659 & 9660

space at Bethesda while providing availability and access to acute inpatient services for residents in the fast growing western corridor of south Palm Beach County. The applicant indicates that persons age 65 and over represent 29.5 percent of the service population in the new facility's proposed six zip code service area. The Analysis of Traffic Volume and historical traffic counts in the Boynton Beach Boulevard area show population shifting to the western sections of the county is cited as support of Bethesda's project improving access. In terms of efficiency, the new project is supported by Bethesda's infrastructure systems, which include the main hospital and Bethesda Health City. The Bethesda System will provide business and support functions for the satellite facility. The applicant again states that the project is needed to balance the financial burden of providing healthcare services to the Medicaid and medically indigent population, responds to increasing demands of a growing population, improves access and enhances efficiency by economizing on the available resources of Bethesda Healthcare System.

The applicant indicates on page 19 of the application that while committed to serving the Medicaid population, Bethesda's Medicaid inpatient per diem in 2002 was \$878.49, which is nearly 22 percent below the total cost incurred per adjusted patient day. Bethesda states that even on a direct cost basis excluding expenses for bad debts, depreciation and amortization and system overhead costs, Bethesda loses \$60.06 per Medicaid inpatient day.

While the financial analyst indicates that both applicants have efficient projects, during fiscal year 2001, Bethesda's low income utilization rate ranked 51<sup>st</sup> among Florida's 209 Hospitals, excluding psychiatric and state hospitals. The project if approved would allow Bethesda to serve an area with a higher per household income than Bethesda's main facility currently serves and result in positive impact on Bethesda's retaining its financial viability to continue to serve the medically indigent population at its main campus. While there will be some impact on the existing providers, projected population growth should offset some of the impact.

**Columbia JFK Medical Center, L.P. (CON #9660)** indicates that its project will serve the aggregate demand of the service area and effectively manage growth at the parent facility. However, JFK states that the facility still has room for 62 additional beds even with the currently approved beds. Projections for the new 80-bed facility utilization appear optimistic. The applicant cites JFK's historical growth and states that many of the technologies utilized at JFK will be shared with the satellite facility. Geographic assess to the residents in the South Palm Beach, West Boynton area will result as the facility will be located approximately

## CON Action Numbers: 9659 & 9660

10 miles from the existing JFK. The applicant restates its population projections for the area and contends that with JFK's 90-100 percent utilization (regardless of number of beds), it is essential for JFK to plan for future demand.

As previously discussed, the average occupancy for acute care beds in District 9, Subdistrict 5, was 77.08 percent for the time period of July 2001-June 2002. The following table shows the occupancy rate for all facilities in District 9, Subdistrict 5, for the 12-month period July 2001-June 2002.

<b>District 9, Subdistrict 5 Acute Care Occupancy Rates July 2001-June 2002</b>		
Hospital	# of Acute Care Beds	Percent Occupancy
Bethesda Memorial Hospital	300	73.25%
Boca Raton Community Hospital	384	72.63%
Delray Medical Center	290	82.32%
JFK Medical Center	387	89.96%
Wellington Regional Medical Center	104	64.27%
West Boca Medical Center	161	63.48%
<b>TOTALS</b>	<b>1,626</b>	<b>77.08%</b>

Source: *AHCA Hospital Bed and Service Utilization by District, January 2003 Batching Cycle.*

Note: Bethesda Memorial Hospital added 27 acute care beds with CON exemption #0100027 and 20 acute care beds through the conversion of 20 adult psychiatric beds approved by CON #9472 on November 26, 2002. There are an additional 102 approved acute care beds in subdistrict 5; JFK Medical Center is approved to add 37 acute care beds via CON exemption #0000275 and 36 via CON #9617, while the remaining 29 beds are approved for Delray medical Center by exemption #0200012.

JFK Medical Center has the highest occupancy and Bethesda the third highest occupancy in the subdistrict.

**Both** hospitals appear to have the ability to provide quality of care, as demonstrated by its accreditations and quality assurance programs. The quality of care provided by other hospitals in the district is not questioned by the applicants. Refer to E. 4. b. below for additional discussion of quality of care.

The applicants do not demonstrate that any area residents had a problem accessing acute care services. However, Bethesda's project if approved would allow it to serve an area with a higher per household income than Bethesda's main facility currently serves and result in positive impact on Bethesda's retaining its financial viability to continue to serve the medically indigent population at its main campus. While there will be some impact on the existing providers, projected population growth should offset some of the impact.

**CON Action Numbers: 9659 & 9660**

- 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.**

**Bethesda Memorial Hospital (CON #9659)** is accredited by the Joint Commission on Accreditation of Health Care Organizations (JCAHO) and provides a detailed listing other accreditations, affiliations, certifications and memberships it has. The applicant indicates that it is the only Palm Beach County hospital that is affiliated with H. Lee Moffit Cancer Center and Research, Inc., which it states is an indication of its ability to provide quality care. Bethesda indicates it has a documented history of providing quality care and is committed to continue this tradition at the satellite facility. The applicant's Performance/Quality Improvement Plan was included as an attachment in Volume 2.

According to the most recent Complaint Summary Report provided by the Office of Quality Assurance-Hospital and dated March 25, 2003, Bethesda Memorial Hospital has had 40 complaints received by the Agency from January 1, 2000 to the above date, with two confirmed without deficiency and five confirmed violations involving an improper Baker Act documentation, medicine errors, lack of supervision, use of restraints and inappropriate patient discharge.

**Columbia JFK Medical Center, L.P. (CON #9660)** is accredited by the Joint Commission on Accreditation of Health Care Organizations (JCAHO), an indication that the hospital provides quality of care. JFK Medical Center has also received national recognition by the HCIA-Sachs Institute as one of the 100 Top Hospitals in America for 2000. The hospital was also recognized under the 100 Top Hospitals National Benchmarks for Success for 2000 and also received recognition as a 100 Top Cardiovascular Hospital for 1999, both for Cardiac Bypass Surgery and Cardiac Intervention. Also for four consecutive years, JFK Medical Center has been named one of the Top 100 Best Companies for Working Mothers by Working Mother magazine. The applicant also indicated that JFK was one of only 10 hospitals in South Florida and one of only two in Palm Beach County to rate favorably in the 2002 Consumer's Guide to Hospitals, a survey of more than 4,500 hospitals nationwide conducted by Center for the Study of Services, Washington D.C.

According to the most recent Complaint Summary Report provided by the Office of Quality Assurance-Hospital and dated March 25, 2003, JFK Medical Center has had 73 complaints received by the Agency from January 1, 2002, to the above date with four confirmed without deficiency and seven confirmed violations involving patient care, life safety code, pressure sores, surgery on wrong site, patient rights, infection control, and medical records/charting.

**CON Action Numbers: 9659 & 9660**

The applicant described the hospital's policies and procedures which include but are not limited to: utilization review, pre-admission screening, appropriateness review, patient care plans, discharge planning, quality improvement program, quality improvement plan, and copy of rights and responsibilities of patients. The hospital's performance improvement program, was also addressed by the applicant.

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

Neither of the proposed projects involve special health care services that are not reasonably or economically accessible in adjacent districts.

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

Both co-batched applicants discuss their own respective clinical training programs as well as a variety of in-service training for employees. However, Bethesda Medical Center (CON #9659) and JFK Medical Center (CON #9660) are not statutorily defined teaching hospitals, nor is their primary purpose research or physician education.

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

**Bethesda Healthcare System (CON #9659):** The audited financial statements of Bethesda Healthcare System, Inc. and subsidiaries 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.

**CON Action Numbers: 9659 & 9660**

	<u>09/30/2002</u>	<u>09/30/2001</u>
Current Assets	\$ 110,195,608	\$ 44,130,079
Cash and Current Investment	\$ 77,526,460	\$ 8,294,033
Assets Restricted for Capital Projects	\$ -	\$ -
Total Assets	\$ 280,627,759	\$ 233,199,834
Current Liabilities	\$ 19,751,430	\$ 26,959,472
Total Liabilities	\$ 106,026,773	\$ 62,013,263
Net Assets	\$ 174,600,986	\$ 171,186,571
Total Revenues	\$ 183,871,817	\$ 172,378,881
Interest Expense	\$ 1,874,000	\$ 1,380,000
Excess of Revenues over Expenses	\$ 2,349,013	\$ 7,781,146
Cash Flow from Operations	\$ 11,098,494	\$ 31,402,649
Working Capital	\$ 90,444,178	\$ 17,170,607
Current Ratio (CA/CL)	5.6	1.6
Cash Flow to Current Liabilities (CFO/CL)	0.6	1.2
Long-Term Debt to Net Assets (TL-CL/NA)	0.5	0.2
Times Interest Earned (NPO+Int/Int)	2.3	6.6
Net Assets to Total Assets (TE/TA)	62.2%	73.4%
Total Margin (ER/TR)	1.3%	4.5%
Return on Assets (ER/TA)	0.8%	3.3%
Operating Cash Flow to Assets (CFO/TA)	4.0%	13.5%

**Short-term position:**

The applicant's current ratio of 5.6 is above the 80<sup>th</sup> percentile for Florida hospitals. This ratio is the result of carrying the proceeds of the issuance of long-term debt on the books as cash. The prior year's current ratio of 1.6 is likely to be more typical of this hospital's performance. A current ratio of 1.6 is below average. The working capital (current assets less current liabilities) of \$90.4 million is a measure of excess liquidity that could be used to fund capital projects. The ratio of cash flow to current liabilities of 0.6 is below the median level of Florida hospitals. Overall, the applicant has an acceptable short-term position.

**Long-term position:**

The ratio of long-term debt to net assets of 0.5 is average compared to other Florida hospitals, while the ratio of cash flows to assets of 4.0 percent is below average. The most recent year had revenues in excess of expenses of \$2.3 million, resulting in a margin ratio of 1.3 percent, which is at the average level. Total net assets are \$174.6 million. The ratio of net assets to total assets is 62.2 percent, which is above the average level. Overall, the applicant has an acceptable long-term position.

## CON Action Numbers: 9659 & 9660

### **Capital requirements:**

Schedule 2 indicates the applicant has capital projects totaling \$136.4 million. Schedule 2 did not include maturities of long-term debt which totals \$8.6 million through 2006, bringing the total funded need to \$145.0 million.

### **Available capital:**

Funding for this project will come from \$11.1 million in cash on hand and \$82.8 million from tax-exempt bond financing. The applicant had \$77.5 million in cash in hand and \$38.3 million in long-term investments at September 30, 2002 and provided a letter of support for the bond financing from SunTrust Capital Markets, Inc.

### **Staffing:**

According to Schedule 6A, the applicant anticipates that 294.5 FTE staff will be needed in the second year of operation of the new 80-bed facility. The applicant's Schedule 6A indicates that 65.9 RN, 9.2 LPNs, 38.7 nurses aides and 17.1 other nursing FTEs would be needed by year two ending September 30, 2008. No physician FTEs are shown on this schedule. Administration FTEs total 11.0, physical therapist 3.2, occupational therapist 2.0, 95.5 other ancillary therapy FTEs, 4.0 dietary supervisor, 10.5 cooks, 7.3 dietary aides, housekeeping 17.0, laundry 2.0 and 10.1 plant maintenance FTEs complete the projected personnel needed. The applicant indicates that Bethesda Healthcare System employs 619 registered nurses and enjoys a favorable 11 percent vacancy rate compared to the state average of 12.5 percent. The hospital's medical/surgical nursing vacancy of eight percent is also compared to the state average of 15.5 percent and the applicant states that Bethesda was voted the #1 Employer in Palm Beach County in the Palm Beach Reader's Poll. Bethesda also has the one of the lowest nurse to patient ratios in the country. The applicant provides a detailed description of its recruitment and retention policies and indicates that it is in one of the better employment situations in the county. Bethesda indicates that it does not anticipate a problem in staffing the new facility. The applicant does not provide the physician FTEs needed and does not specifically address the physician malpractice issue.

### **Conclusion:**

Bethesda Healthcare System, Inc. has the financial resources to fund this project and all capital projects.

## CON Action Numbers: 9659 & 9660

**Columbia JFK Medical Center, L.P. (CON #9660):** The audited financial statements of Columbia JFK Medical Center, L.P. for the periods ending December 31, 2001 and 2000 were analyzed for the purpose of evaluating the applicant's ability to provide the capital and operational funding necessary to implement the project. The following is a list of accounts and ratios used in the analysis:

### Financial Accounts and Ratios

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

### Short-term position:

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

### Long-term position:

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

## **CON Action Numbers: 9659 & 9660**

to assets of 42.2 percent is about average for Florida hospitals. The applicant has a good long-term position.

### **Capital requirements:**

Schedule 2 indicates the applicant had \$209.9 million in capital projects planned or underway. The long-term debt consists primarily of funds due to an affiliate and carries no specific maturity dates; therefore the \$209.9 million represents all capital funding needed.

### **Available capital:**

Schedule 2 indicates funding for these projects will come from cash flows of \$5.9 million with the balance coming from HCA. The applicant's audited financial statement for December 31, 2001 shows cash flows for that year of \$21 million, which if continued through 2006 would result in \$105 million available cash. A letter in the application from HCA states it will fund this project, other capital projects as needed, as well as any working capital needs. Audited financial statements of HCA, Inc. included in the application support its ability to provide this funding.

### **Staffing:**

According to Schedule 6, the applicant anticipates an 448.5 FTE staff will be needed in the second year of operation of the new 80-bed facility. The applicant's Schedule 6 does not allow for the determination of how many RN, LPNs and nurses aides would be needed for the facility as it is projected based on departments. For example, the medical/surgical department is projected to have 79.1 FTEs with a total salary of \$4,028,871, which computes to \$50,933.89 per FTE. The applicant indicates that 172 physicians and approximately 200 nurses presently working at JFK reside in the new hospital's proposed service area and many of these would be shift from the parent facility to the satellite facility once it opens. A discussion of JFK's recruiting and retention is also provided. Awards such as being named one of the Top 100 Best Companies for Working Mothers by Working Mother magazine for the last four consecutive years, the facility's provision of the JFK Charter School for students in kindergarten through fifth grade and JFK's being ranked number one among all HCA hospitals in employee satisfaction in 2002 are discussed. The applicant also indicates that HCA is in the process of developing its own HCA Malpractice Insurance product to retain superior physicians. JFK does not provide its nurse vacancy rate and does not specifically address the nursing shortage.

### **Conclusion:**

When the support of its parent, all capital funding 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 applicants 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.

**Bethesda Healthcare System (CON #9659):** Comparative data were derived from hospitals in peer groups that reported data in 2001; the applicant will be compared to the hospitals in peer group 3. Per Diem rates are projected to increase by an average of 3.6 percent per year. Inflation adjustments were based on the 3<sup>rd</sup> Quarter New CMS Hospital Market Basket Index.

Projected net revenue per adjusted patient day (NRAPD) of \$1,671 in year one and \$1,714 in year two is between the control group median and highest values of \$1,433 and \$3,113 in year one and \$1,479 and \$3,213 in year two. The highest level is generally viewed as the practical upper limit on economies of operation. With net revenues falling between the median and highest level, the facility is expected to consume health care resources in proportion to the services provided. (See Comparative Table).

Projected cost per adjusted patient day of \$1,879 in year one and \$1,645 in year two is between the group median and highest values of \$1,374 and \$2,524 in year one and \$1,418 and \$2,605 in year two. Compared to the control group these costs are efficient. (See Comparative Table).

**CON Action Numbers: 9659 & 9660**

The year two operating profit for the hospital of \$1,745,406 computes to an operating margin per adjusted patient day of \$69 which is between the control group median and highest of \$40 and \$378. The computed operating margin ratio is 4.0 percent.

This project is financially feasible.

**Comparative Table**

CON # 9659 Bethesda Healthcare, Inc. 2001 DATA Peer Group 3	2008	YEAR 2	VALUES ADJUSTED		
	YEAR 2	ACTIVITY	FOR INFLATION		
	ACTIVITY	PER DAY	Highest	Median	Lowest
ROUTINE SERVICES	90,882,434	3,575	1,697	694	370
INPATIENT AMBULATORY	0	0	246	71	7
INPATIENT ANCILLARY SERVICES	0	0	4,326	2,418	1,065
OUTPATIENT SERVICES	67,110,854	2,640	3,060	1,791	415
OTHER OPERATING REVENUE	576,472	23	43	8	3
TOTAL REVENUE	158,569,760	6,237	7,512	4,972	2,391
DEDUCTIONS FROM REVENUE	114,994,126	4,523	*	*	*
NET REVENUES	43,575,634	1,714	3,213	1,479	941
EXPENSES					
ROUTINE	7,123,905	280	350	236	143
ANCILLARY	15,574,812	613	771	429	190
AMBULATORY	0				
OVERHEAD	19,131,511	753	1,458	672	496
OTHER	0	0			
TOTAL EXPENSES	41,830,228	1,645	2,605	1,418	954
OPERATING INCOME	1,745,406	69	378	40	-458
		4.0%			
PATIENT DAYS	14,571		VALUES NOT ADJUSTED		
ADJUSTED PATIENT DAYS	25,423		FOR INFLATION		
TOTAL BED DAYS AVAILABLE	29,200				
ADJ. FACTOR	0.5731				
TOTAL NUMBER OF BEDS	80				
PERCENT OCCUPANCY	49.9%		87.5%	53.9%	27.6%
PAYER TYPE		PATIENT			
		DAYS			
		% TOTAL			
MEDICARE	7,344	50.4%	64.6%	34.9%	12.8%
COMMERCIAL	490	3.4%			
MEDICAID	393	2.7%	29.3%	12.2%	2.8%
PRIVATE	510	3.5%			
HMO/PPO	5,834	40.0%	65.4%	39.2%	5.0%
OTHER	0	0.0%			
TOTAL	14,571	100.0%			

## CON Action Numbers: 9659 & 9660

**Columbia JFK Medical Center, L.P. (CON #9660):** Comparative data were derived from hospitals in peer groups that reported data in 2001; the applicant will be compared to the hospitals in group 3. Per diem rates are projected to increase by an average of 3.6 percent per year. Inflation adjustments were based on the 3<sup>rd</sup> Quarter New CMS Hospital Market Basket Index. An analysis of the hospital's primary service area, excluding services not offered, generated a case mix score of 1.1585.

Projected net revenue per adjusted patient day (NRAPD) of \$1,981 in year one and \$2,056 in year two is between the control group median and highest values of \$1,404 and \$3,050 in year one and \$1,449 and \$3,148 in year two. The highest level is generally viewed as the practical upper limit on economies of operation. With net revenues falling between the median and highest level, the facility is expected to consume health care resources in proportion to the services provided. (See Comparative Table).

Projected cost per adjusted patient day of \$2,042 in year one and \$2,075 in year two is between the group median and highest values of \$1,346 and \$2,473 in year one and \$1,389 and \$2,552 in year two. Compared to the control group these costs are efficient. (See Comparative Table).

Estimated occupancy is 71.4 percent in year one, in year two 73.9 percent. This is between the control group median and highest level of 53.9 and 87.5 percent. Given the occupancy rates in the control group, the level projected seems highly optimistic. At 73.9 percent the applicant is projecting an operating loss. A lower occupancy rate would have a material negative impact on revenues and costs.

The year two operating loss for the hospital of \$664,100 computes to an operating margin per adjusted patient day of -\$19 which is between the control group lowest and median of -\$458 and \$40. The computed operating margin ratio is -0.9 percent. Additional data submitted by the applicant for the third through the fifth years of operations estimated the hospital would reach profitability in the third year of operation, with a profit of \$863,224. The occupancy level required to reach profitability is not disclosed.

This project may be financially feasible in the long term if the hospital achieves the occupancy levels necessary for profitability.

**CON Action Numbers: 9659 & 9660**

**Comparative Table**

CON # 9660 Columbia/JFK Medical Center 2001 DATA Peer Group 3	2008	YEAR 2	VALUES ADJUSTED		
	YEAR 2 ACTIVITY	PER DAY	FOR INFLATION		
	ACTIVITY	PER DAY	Highest	Median	Lowest
ROUTINE SERVICES	146,259,778	4,232	1,663	680	363
INPATIENT AMBULATORY	0	0	241	70	7
INPATIENT ANCILLARY SERVICES	0	0	4,239	2,369	1,043
OUTPATIENT SERVICES	87,576,122	2,534	2,998	1,755	406
OTHER OPERATING REVENUE	439,637	13	42	8	3
TOTAL REVENUE	234,275,537	6,779	7,360	4,871	2,343
DEDUCTIONS FROM REVENUE	163,230,810	4,723	*	*	*
NET REVENUES	71,044,727	2,056	3,148	1,449	922
EXPENSES					
ROUTINE	11,599,624	336	342	231	140
ANCILLARY	14,226,123	412	755	420	186
AMBULATORY	2,478,368				
OVERHEAD	30,138,987	872	1,428	658	486
OTHER	13,265,725	384			
TOTAL EXPENSES	71,708,827	2,075	2,552	1,389	935
OPERATING INCOME	-664,100	-19	378	40	-458
		-0.9%			
PATIENT DAYS	21,577		VALUES NOT ADJUSTED		
ADJUSTED PATIENT DAYS	34,562		FOR INFLATION		
TOTAL BED DAYS AVAILABLE	29,200				
ADJ. FACTOR	0.6243				
TOTAL NUMBER OF BEDS	80				
PERCENT OCCUPANCY	73.9%		87.5%	53.9%	27.6%
PAYER TYPE		PATIENT			
		DAYS % TOTAL			
MEDICARE	6,262	29.0%	64.6%	34.9%	12.8%
COMMERCIAL	1,279	5.9%			
MEDICAID	2,216	10.3%	29.3%	12.2%	2.8%
PRIVATE	953	4.4%			
HMO/PPO	10,867	50.4%	65.4%	39.2%	5.0%
OTHER	0	0.0%			
TOTAL	21,577	100.0%			

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

**Bethesda Healthcare System, Inc. (CON #9659)** forecasts managed care levels at 40.0 percent, between the median and highest level of the control group of 39.2 and 65.4 percent. This level, if realized, will have a positive impact on competition to promote quality assurance and cost-effectiveness. The applicant is projecting Medicaid days at 2.7 percent of

**CON Action Numbers: 9659 & 9660**

total patient days at the proposed satellite hospital. Reported levels for this hospital for 2001 were 16.1 percent.

**Columbia JFK Medical Center, L.P. (CON #9660)** projects managed care to represent 50.5 percent, between the median and highest level of the control group of 38.2 and 64.5 percent. This level, if realized, will have a positive impact on competition to promote quality assurance and cost-effectiveness. The applicant projecting Medicaid days at 10.3 percent of total patient days at the proposed satellite hospital. Reported levels for JFK Medical Center for 2001 were 4.3 percent.

**Comparisons between applicants  
Year Two of Operation**

	<b>Net Rev. Per adj pt day</b>	<b>Total Cost per adj. Pt. day</b>	<b>Oper. Profit per day</b>	<b>Managed Care Percent</b>	<b>Medicaid Percent</b>
Bethesda	\$1,714	\$1,645	\$69	40.0	2.7
JFK	\$2,056	\$2,075	(\$19)	50.4	10.3

- 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.**

**Bethesda Healthcare System, Inc. (CON #9659)** seeks to establish a satellite hospital by transferring 80 beds from its main facility. The proposed new facility consists of 190,130 GSF at a total construction cost of \$34,233,400. The new site has not yet been chosen, and the applicant is aware of all the requirements for disaster preparedness in the codes that will govern this project, if it is approved. There are extensive lists of applicable codes in the application, but some of them will change before the project could be submitted to the AHCA Office of Plans and Construction. There should be no problems with either the flood plain elevation or the hurricane surge inundation according to the narrative.

The new three-story facility will be located on a 30-40 acre site within a reasonable distance from the existing facility. Accommodations for both vertical and horizontal expansion are being made, even though this will increase the original costs to establish the facility. Horizontal expansion on the first floor can take place in all directions.

The satellite, to be called West Boynton Community Hospital, will utilize the support and infrastructure of the main hospital. There will be 68 medical/surgical beds and 12 critical care beds. All patient rooms will be private and each will have a toilet/bath room. The required number of rooms to meet handicapped accessibility standards will be met.

## CON Action Numbers: 9659 & 9660

However, the large scale plan of a typical patient room does not indicate the wheelchair turning radius in the toilet/shower room although the space may be large enough. No showers appear to be large enough to accommodate a patient in a wheelchair, and it would be preferable that some of the showers be sized for this situation.

The facility is well-designed from a schematic standpoint. Public, patient functions and staff functions are separated as much as possible to provide efficiency and privacy. There is a central core with all the functions that one would expect. Major departments are located on the first floor and patient rooms are in the two towers of the “H” shaped building. Each of the two vertical legs of the “H” has patient rooms and a central core containing the common ancillary spaces.

From the placement of the two mechanical penthouses, it appears that the final number of floors has been determined. It would be quite expensive to relocate existing penthouses when vertical expansion takes place.

There is an architectural concern about the geometry of the proposed building. The two wings of the “H” have one façade that is curved on the exterior side. They are linked by a central core with elevators and other support spaces. Buildings with curvilinear design almost always cost more than rectangular construction. This is not always the case, but it is an item of consideration. The cost data, with this caveat, and schedules submitted seem to be reasonable.

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.

**Columbia JFK Medical Center, L.P. (CON #9660)** proposes to construct an 80-bed acute care facility consisting of 195,195 GSF at a total construction cost of \$40,990,950. The new site has not yet been chosen, and the applicant is aware of all the requirements for disaster preparedness in the codes that will govern this project, if it is approved. There are lists of building codes in the application, but some of them will change before the project could be submitted to the AHCA Office of Plans and Construction for review.

## **CON Action Numbers: 9659 & 9660**

The new three-story facility will be built on a strategically located 30-40 acre site. Accommodations for vertical expansion to add two new floors to one part of the facility and one floor to another part are being made, even though this will obviously increase the original costs of the facility. Horizontal expansion on the first floor appears to be possible in several areas, but this is not indicated in the narrative or on the plans.

The application included floor plans of all three floors and the penthouses as well as large scale plans of typical rooms. The first floor is larger than the tower-like floors above, which is fairly typical for hospital design. The power house is attached to the hospital building.

With the exception of the ICU rooms, which have cubicle toilets, the LDTP and typical medical/surgical bedrooms all have toilet rooms with showers large enough to accommodate a patient in a wheelchair. The location of the penthouses appears to be such that vertical expansion will not require any relocation of these spaces.

The satellite facility will be called West Boynton Hospital and will have 80 acute care beds and 12 observation beds. All patient rooms will be private and each will have a toilet/bath room with the exception of the ICU rooms as noted above. The required number of rooms to meet handicapped accessibility standards will be met. There is no indication in the architectural portions of the application to what extent, if any, the satellite hospital will utilize the support and infrastructure of the main hospital.

The facility is well-designed from a schematic standpoint. Public/patient functions and staff functions are separated as much as possible to provide efficiency and privacy. There is a central core with all the functions that one would expect. Laboratory space and patient pre-op and post-op areas are in this core. Patient rooms are located on the floors above. The ICU is located on the third floor and has 10 beds, including an isolation room.

The cost data appears to be fairly high, but less than some other applications indicate for construction in other locations in the state. Part of the reason for this is the provisions for the future vertical expansion. The schedule appears to be reasonable although it may be optimistic to only allow four months from design professional contract signing to the AHCA Office of Plans and Construction Plan approval.

**CON Action Numbers: 9659 & 9660**

It is required that schematic drawings be submitted as part of the CON application. The drawings presented 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.**

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

**Medicaid and Charity Care of the Applicants  
Compared to the District for FY 2001**

<b>Applicant</b>	<b>FY 01 Medicaid &amp; Medicaid HMO Days</b>	<b>FY 01 Gross Charity Percentage of Charges</b>
Bethesda Memorial	16.1%	3.7%
JFK Medical Center	7.3%	0.4%
Subdistrict 5 Average	6.3%	1.4%
District 9 Average	8.9%	1.5%

**Source: Fiscal Year 2001 Actual Data/AHCA.**

**Bethesda Memorial (CON #9559)** provided 16.1 percent of its total patient days to Medicaid patients and 3.7 percent to charity care patients. Bethesda exceeds both the Medicaid and charity care subdistrict and district averages, which supports its contention that it is the safety net provider for the medically indigent in the subdistrict.

Bethesda is willing to condition the certificate of need to provide a minimum of five percent of total annual patient days for Medicaid, Medicaid HMO and/or charity care days for the total 80-bed facility. According to Schedule 7A, the applicant projects that Medicaid will comprise 3.1 percent of total days. Charity care inpatient days are not provided in the assumptions to the project's Schedule 7A; however, the applicant's overall Bethesda Healthcare Schedule 7A assumptions indicate that the Bethesda healthcare System (including the project, comprehensive rehabilitation beds (these were recently approved via CON) and the main hospital are estimated at 2.8 percent of total patient revenue. The applicant's projected Medicaid and charity care for this project is below Bethesda's actual performance, which is consistent with its assertion that the facility will serve a higher income resident

## CON Action Numbers: 9659 & 9660

population that the main facility presently serves. The applicant has a significant history of providing health services to Medicaid patients and the medically indigent.

**Columbia JFK Medical Center, L.P. (CON #9660)** provided 7.3 percent of its annual patient days in FY 2001 to Medicaid patients and 0.4 percent to charity care patients. JFK's Medicaid percentage is greater than the subdistrict's 6.3 percent average but less than the District 9 average of 8.9 percent. JFK's charity care at 0.4 percent is less than the Subdistrict 5 averages of 1.4 and the district average of 1.5 percent.

The applicant is willing to condition the certificate of need to provide a minimum of 10 percent of 80-bed facility's total annual patient days to Medicaid and/or charity care patients. According to Schedule 7A, the applicant projects that Medicaid will comprise 8.7 percent of total annual patient days while charity care inpatient days are stated in Schedule 7A's assumptions to be 0.81 percent. The applicant's Schedule 7A projects that 9.51 percent of the facility's total annual patient days will be provided to Medicaid and charity care patients while the applicant proposes to condition the CON to 10 percent. The applicant's projected Medicaid and charity care for this project exceeds JFK's actual performance.

The applicant does not have a significant history of providing health services to Medicaid patients and the medically indigent. Accordingly, the Medicaid condition proposed and projections for this project could be somewhat higher than JFK's actual performance at the new facility will be.

### F. SUMMARY

**Bethesda Healthcare System, Inc. (CON #9659)** operates Bethesda Memorial Hospital, a 362-bed general acute care not for-profit hospital located in Palm Beach County. The hospital is licensed for 347 acute care beds, 12 Level II NICU beds and three Level III NICU beds. The applicant has also 28 comprehensive medical rehabilitation beds approved via CON #9507. The applicant proposes to establish a new satellite hospital via the relocation of 80 acute care beds from the existing 347 acute care beds at Bethesda. Sixty-eight semi-private rooms at Bethesda will be converted to private rooms should the new facility, which will be called West Boynton Community Hospital be approved.

## **CON Action Numbers: 9659 & 9660**

The total project cost is estimated at \$73,817,200. Construction costs are projected at \$34,233,400 and the project will involve 190,130 GSF of new construction.

*After weighing and balancing all relevant criteria, the following issues are presented with regard to Bethesda Healthcare System, Inc./CON #9659:*

### **Need:**

- The proposed project is not submitted in response to the fixed need pool that indicates zero need for additional acute care beds in District 9, Subdistrict 5.
- The applicant presents the proposed project based on special circumstances including need to improve Bethesda's overall financial position and to ensure no loss of market share.
- The applicant did not reasonably demonstrate that population growth in the proposed service area shows a need for additional beds as there are facilities within a short drive time of the proposed new facility. However, based on household income statistics in the proposed area compared to Bethesda's present primary service area, approval of the project could improve Bethesda's financial ability to serve the subdistrict's medically indigent population.

### **Quality of Care:**

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

### **Cost/Financial Analysis:**

- Bethesda has the financial resources to fund this project.
- With net revenues falling between the median and the highest level, the facility is expected to consume health care resources in proportion to the services provided. The project is considered cost-efficient when compared to the hospital control group. The financial analyst concludes that the project is financially feasible in the immediate and long-term.

## **CON Action Numbers: 9659 & 9660**

- Managed care is expected to represent 40.0 percent of total patient days in year two and the financial analyst concludes that should this level be realized, the project should will have a positive impact on competition to promote quality and cost-effectiveness.

### **Medicaid/Indigent Charity Care Commitment:**

- The hospital has a significant history of providing Medicaid services and serving charity care patients. Bethesda is the safety net provider for the South Palm Beach County area. Bethesda has historically been a Medicaid disproportionate share provider but indicates that Medicaid reimbursement creates a loss of \$60.06 per adjusted patient day. The applicant indicates that Bethesda is at risk of losing market share in western sections of south Palm Beach County and this loss, particularly among the insured population would be financially devastating.
- During fiscal year 2001, Bethesda's low income utilization rate ranked 51<sup>st</sup> among Florida's 209 Hospitals, excluding psychiatric and state hospitals. Approval of this project should help Bethesda retain its financial viability to continue to serve this population at its main campus.
- The applicant proposes to condition the CON to the provision of at least five percent of West Boynton Community Hospital's total annual patient days to Medicaid, Medicaid HMO and charity care patients on a combined basis.

### **Architectural Analysis:**

- The proposed facility is well designed from a schematic standpoint. Public, patient and staff functions are separated as much as possible to provide efficiency and privacy.
- The hospital's curvilinear design almost always cost more than rectangular construction and with caveat, the cost data and construction schedules seem to be reasonable.

**Columbia JFK Medical Center, L.P. (CON #9660)** proposes to construct a new 80-bed satellite facility in the West Boynton area of Palm Beach County. The applicant is part of the Hospital Corporation of America for profit hospital chain and operates JFK Medical Center, which is presently licensed for 387 acute care beds. The applicant has also been approved to add 37 acute care beds under exemption #0000275 and 36 beds via CON #9617.

## CON Action Numbers: 9659 & 9660

The applicant indicates that 80 beds will be delicensed from Columbia Hospital, which is located in Palm Beach County, and there will not be an increase in the overall acute care bed complement in District 9. However, Columbia Hospital is located in the northern portion of Palm Beach County, which is in acute care hospital Subdistrict 4 and Columbia Hospital does not appear to have 80 beds to delicense without facing immediate constraint on its provision of acute care services. Since the project is proposed to be located in Subdistrict 5 and the total bed capacity at JFK Medical Center will not be reduced, the subdistrict would have an 80-bed increase should this project be approved.

The total project cost is estimated at \$109,789,090. Construction costs are projected at \$40,990,950 and the project will involve 195,195 GSF of new construction.

*After weighing and balancing all relevant criteria, the following issues are presented with regard to Columbia JFK Medical Center, L.P./CON 9660: :*

### **Need:**

- The proposed project is not submitted in response to the fixed need pool that indicates zero need for additional acute care beds in District 9, Subdistrict 5.
- The applicant presents the proposed project based on special circumstances. Specifically, the contends that population growth in the proposed hospital's primary and secondary service area in western Palm Beach County is the key theme that underscores the need for the project. The applicant did not reasonably demonstrate that population growth in the proposed service area shows a need for additional beds as there are facilities within a short drive time of the proposed new facility and the facility would have a negative impact on the South Palm County's safety net Medicaid and indigent care provider.

### **Quality of Care:**

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

## **CON Action Numbers: 9659 & 9660**

### **Cost/Financial Analysis:**

- Based on the applicant's financial position and the support of the parent company (HCA), funding for the proposed project and all other capital projects is assured.
- With net revenues falling between the median and the highest level, the facility is expected to consume health care resources in proportion to the services provided. The project is considered cost efficient when compared to the hospital control group. The financial analyst concludes that the project is financially feasible in the immediate and long-term.
- The applicant's projected utilization appears highly optimistic given the occupancy rates of the control group and at 73.9 percent occupancy the applicant is projecting an operating loss. This could get worse if the projected utilization is not attained.
- The project may be financially feasible in the long-term if the hospital achieves the occupancy levels necessary for profitability.
- Managed care is expected to represent 50.0 percent of total patient days in year two and the financial analyst concludes that should this level be realized, the project should will have a positive impact on competition to promote quality and cost-effectiveness.

### **Medicaid/Indigent Charity Care Commitment:**

- The hospital does not have a significant history of providing Medicaid services and serving charity care patients. The applicant has never been a Medicaid disproportionate share provider.
- The applicant proposes to condition the CON to the provision of at least 10 percent of the 80 acute care bed hospital's total annual patient days to Medicaid and charity care patients on a combined basis. However, JFK's financial projections show the Medicaid and charity care at 9.51 percent.

## CON Action Numbers: 9659 & 9660

### Architectural Analysis:

- The proposed project is well designed from a schematic standpoint. Public, patient and staff functions are separated as much as possible to provide efficiency and privacy.
- Cost data appears to be fairly high, but less than some other applications for other locations in the state. The construction schedule appear reasonable although it may be optimistic to allow only four months design professional contract signing to AHCA Plans and Construction Plan approval.

### G. RECOMMENDATION

Approve CON #9659 to establish an 80-bed satellite hospital through the delicensure of 80 acute care beds at Bethesda Memorial Hospital. The project costs total \$73,817,200 and involves 190,130 GSF of new construction and \$34,233,400 in construction costs.

CONDITION: A minimum of five percent of the total annual patient days in the 80-bed facility shall be provided to Medicaid/Medicaid HMO and charity on a combined basis.

Deny CON #9660.

**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**