

STATE AGENCY ACTION REPORT

CON APPLICATION FOR CERTIFICATE OF NEED

A. PROJECT IDENTIFICATION

1. Applicant/CON Action Number

West Kendall Baptist Hospital, Inc./CON #9674

6855 Red Road, Suite 600
Coral Gables, Florida 33143

Authorized Representative: Ana Lopez-Blazquez, Vice President
(786) 662-7000

Kendall Healthcare Group, Ltd./CON #9675

d/b/a Kendall Regional Medical Center
11750 Bird Road
Miami, Florida 33175

Authorized Representative: Victor Maya, Chief Executive Officer
(305) 227-5500

2. Service District/Subdistrict

District 11/Subdistrict 1 (Dade County)

B. PUBLIC HEARING

A public hearing was not held or requested. However, both projects generated numerous letters of support and opposition from various physicians, provider organizations, governmental representatives and private citizens.

West Kendall Baptist Hospital, Inc. (CON #9674) submitted approximately 4,800 letters of support for the project. The Agency independently received one letter and one e-mail in opposition to the project. A Miami-Dade County Commissioner writes in support of the project, if it will increase the provision of quality services without regard for the patients(s) ability to pay for these services and if the project does not have negative implications for the neighboring safety net hospitals, Jackson South or Jackson Memorial Hospital. Among other letters of support are 21 letters from politicians at both the state and local levels.

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Dr. Barbara M. Carey-Shuler, Chairperson, Board of County Commissioners, Miami-Dade County, expresses the sentiment of many when she states that a new hospital will deliver needed healthcare services directly to the growing West Kendall community and will make it easier to access emergency care "when time is of the essence and will provide relief to the overcrowded emergency and inpatient services at Baptist Hospital." The applicant also provided 91 letters of support from area physicians. The physicians recognize the excellent services provided by the entire group of Baptist Health South facilities to the communities they serve. However as pointed out by one physician and echoed by others, the day-to-day load of services provided by the Baptist Hospital of Miami is already near the point of being dangerously overloaded. The population overload in the emergency room at all hours of the day and night causes critical delays in medical care for both the emergent and the urgent patient populations, according to one physician. The available number of beds for admission for these patients is so limited that some patients wait over 24 hours in the emergency room causing further delays in treating other ill patients. Elective surgical and diagnostic procedures are delayed weeks because of crowded facilities. The theme of the physicians support is the population expansion in West Kendall, the traffic jams on Kendall Drive, the heavy use of the Baptist Hospital emergency room and the commitment to quality care provided by the Baptist Hospital team, are the motivating force for a new Baptist Hospital facility in West Kendall.

The applicant also included approximately 99 letters from the business community reinforcing the support for a new Baptist hospital in West Kendall for the same reasons articulated by the physicians.

Seventy-six employees also provided letters of support. The remaining letters from the community reinforced the growth in West Kendall and the perceived need for a facility in this area. Many of the letters also endorsed the quality of care the Baptist Hospital System provides its patients. Traffic congestion and the long waits if the emergency department were among the most cited reasons for a new facility in West Kendall.

The two letters of opposition to this project cite past problems with emergency room services at Baptist Hospital facilities as the primary reason for their opposition to a new hospital by the Baptist organization. One of the two letters of opposition to this proposal did however support the construction of a facility for this area.

Kendall Healthcare Group, Ltd. (CON #9675) provided 69 letters of support for its project including eight letters from Florida legislators. The legislators recognize the rapid growth in the proposed service area and commented on the strained access this is causing for those seeking health care services. They also acknowledged the applicant as a responsible corporate citizen, respected by the community and a provider of quality health services. Forty-eight of the letters were from physicians, many representing group practices, expressing support for the project. Many of the points made by the physicians are similar to those of the legislators. Only a few of the doctors commented on problems associated with long waits for emergency room care but most of them expressed concern over the increased population and strained access to health care services. The remaining letters were from employees (ten) and educators. The applicant adopted a different approach to letters of support by soliciting a "Pledge of Support" for its project. Submitted with the omissions response, the applicant provided approximately 3,400 general pledges of support plus approximately 750 pledges from its employees for a total of about 4,150. These pledges included the persons name, address and signature. The text of the pledge is presented in both English and Spanish (on the same page) and contains the following: "I express my strong support for Kendall Regional Medical Center in its application for a Certificate of Need from the State of Florida. I understand the certificate will allow the construction of **Tamiami Hospital** - a much needed hospital facility in the West Kendall area of Miami-Dade County. Kendall Regional Medical Center is known for its quality healthcare, personal touch and community focus. This is the kind of community partner the residents of West Kendall would benefit in having."

C. PROJECT SUMMARY

West Kendall Baptist Hospital, Inc. (CON #9674) is a not-for-profit development stage entity (as of 02/28/03) and wholly owned subsidiary of Baptist Health South Florida, Inc., also a not-for-profit Florida corporation. The applicant proposes to construct an 80-bed Class I general acute care hospital through the transfer and delicensure of 80 acute care beds from South Miami Hospital (currently licensed for 341 acute care beds), both of Miami-Dade County. The licensed bed configuration of the proposed 80-bed satellite hospital will include 60 medical surgical beds, 12 obstetric beds, eight intensive care beds. Twelve non-licensed observation beds are also planned for the satellite facility. Because the licensed acute care beds for the satellite hospital will be transferred from South Miami Hospital the net result will not change the existing bed complement of acute care beds in District 11.

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The applicant has conditioned approval of the proposed 80-bed hospital to provide a minimum of 16.6 percent of patient days per year to combined Medicaid/Medicaid HMO/charity/indigent patients and to delicense 80 general acute care beds at South Miami Hospital, Inc. upon licensure of West Kendall Baptist Hospital. The total costs for the 318,040 gross square foot satellite facility are estimated to be \$147,402,994 with \$82,048,380 allocated to construction costs.

Kendall Healthcare Group, Ltd. (CON #9675) is an affiliate of HCA, Inc. and is a Florida limited partnership that owns and operates Kendall Regional Medical Center, a 412-bed acute care hospital in Miami, Dade County. The applicant proposes to construct a new 80-bed hospital in West Kendall maintaining the current licensed capacity within the district by transfer and delicensure of 80 acute care beds from Kendall Regional Medical Center. The bed compliment of the proposed new 80-bed facility will include 52 telemetry monitored acute care beds, 16 ICU beds, 12 LDRP beds plus 48 outpatient observation beds. The facility is referred to by the applicant as the Tamiami Hospital. As with co-batched applicant, West Kendal Baptist Hospital, because the licensed acute care beds for the satellite hospital will be transferred from Kendall Regional Medical Center, the net result will not change the existing bed complement of acute care beds in District 11.

The applicant proposes to condition the project for 10 percent Medicaid/charity care days as a percentage of total patient days. It further agrees to delicense 80 acute care beds at Kendall Regional Medical Center at such time as 80 acute care beds are ready to be licensed at Tamiami Hospital. A letter from Victor Maya, Chief Executive Officer of Kendall Regional Medical Center is included supporting the project and agreeing to delicense the 80 beds to be transferred. The total costs for the 261,718 gross square foot facility are estimated to be \$143,242,424 with \$56,888,987 allocated to construction costs.

Satellite Hospital Project Comparison

Hospital	# Beds	GSF	Construction Cost	Total Costs
West Kendall Baptist Hospital, Inc. (CON #9674)	80	318,040	\$82,048,380	\$147,404,994
Kendall Healthcare Group, Ltd. (CON #9675)	80	261, 718	\$56,888,987	\$143,242,424

Source: CON applications

D. REVIEW PROCEDURE

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

Applications are analyzed to identify strengths and weaknesses in each proposal. If more than one application is submitted for the same type of project in the same district (subdistrict), applications are comparatively reviewed to determine which applicant(s) best meet the review criteria.

Rule 59C-1.010(2) (b), Florida Administrative Code, prohibits any amendments once an application has been deemed complete. The burden of proof to entitlement of a certificate rests with the applicant. As such, the applicant is responsible for the representations in the application. This is attested to as part of the application in the Certification of the Applicant.

As part of the fact-finding, the consultant, Ed Carter, analyzed the application with consultation from the financial analyst, Douglas Pierce, 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.**

On January 24, 2003, AHCA published a fixed need pool (FNP) in Volume 29, Number 4, Florida Administrative Weekly (F.A.W.) of zero (0) for additional hospital acute care beds in District 11, Subdistrict 1, Dade County.

As of December 13, 2002, District 11, Subdistrict 1 had a total of 7,597 licensed and minus 54 approved beds. Average occupancy in the 7,550 acute care beds licensed for the reporting period July 2001 through June 2002 was 57.42 percent. The 341 acute care beds at South Miami Hospital reported an average occupancy of 57.72 percent for the reported timeframe. Kendall Medical Center's 412 acute care beds reported an average occupancy of 47.05 percent. At the desired average annual occupancy rate of 75 percent no net need for additional acute care beds was calculated for the subdistrict.

The proposed projects are not submitted in response to the fixed need pool, as neither applicant is seeking to add beds to its respective hospital or the subdistrict. As noted in the project summary above, both applicants seek to transfer beds from existing facilities to construct new satellite hospitals in the West Kendall area of Miami-Dade County. Both also address need for the relocation of existing underutilized beds within the planning area to better serve subdistrict residents and several other factors in support of their respective proposals. These are presented in a summarized form below:

As previously noted, **West Kendall Baptist Hospital, Inc. (CON #9674)** is a wholly owned subsidiary of Baptist Health South Florida, Inc. which was created in 1990 from the foundation of Baptist Hospital of Miami which opened in 1960. The applicant states that over the years Baptist Hospital of Miami has continued to respond to the rapid growth of its "aligned patient base", especially in the Kendall area. After the creation of Baptist Health South Florida, Inc., its services continue to grow and now extends throughout Miami-Dade and Monroe Counties and includes five hospitals and seven outpatient Baptist Medical Plazas. To cope with what it characterizes as the ever-increasing demand for services Baptist Health South Florida, Inc. recently developed a "Master Plan". As part of this plan, a facilities assessment was performed concentrating capital

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resources on areas of the highest need to gain operational efficiencies. The proposed 80-bed acute care satellite hospital in West Kendall is one of the highest need issues identified in this Master Plan. To justify this objective the applicant identifies several elements it contends demonstrates need for this new facility through the transfer and delicensure of 80 acute care beds from South Miami Hospital.

The first element defines the strong and growing market presence within the West Kendall service area as demonstrated by historical utilization of Baptist Health South Florida facilities. The applicant states that the target service area population is projected to increase 11 percent from 177,278 persons in 2002 to 196,810 persons in 2007, surpassing the projected growth rates for both the county (six percent) and the state (eight percent).

West Kendall Service Area Population 2002 - 2007				
Zip Code	2002	2007	Net Change 2002 - 2007	Percent Change 2002 - 2007
33183	38,589	40,181	1,592	4.1%
33186	60,283	65,908	5,625	9.3%
33193	40,923	47,040	6,117	14.9%
33196	37,483	43,681	6,198	16.5%
Total Service Area	177,278	196,810	19,532	11.0%
Miami-Dade County	2,324,024	2,470,059	146,035	6.3%
State of Florida	16,711,988	18,060,443	1,348,455	8.1%

Source: AHCA Population Estimates publication & application 9674 (Astro-Sachs/Claritas Zip Code population)

During FY 2001 (12 months ending September 2001) the applicant states that it provided 24,775 inpatient days of care to residents of the proposed West Kendall Service area, which it states represents a 48.9 percent market share. In addition, in FY 02, 24,000 West Kendall Service Area patients sought services in the emergency departments of Baptist and South Miami Hospitals. This volume represents 22 percent, a significant portion of all Baptist Hospital of Miami and South Miami Hospital emergency departments visits. The applicant notes that a portion of these patients were in need of tertiary services which will not be offered at the proposed West Kendall Baptist Hospital, however many of these patients could have been treated in a local hospital with a primary/secondary care focus, such as the hospital proposed by the applicant.

The applicant also provided the following table to show that within age cohorts among the target population, even greater population growth is expected.

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West Kendall Baptist Hospital Service Area Age Mix Profile					
Population Age Group	2002 Population	2007 Population	2002 Percent of Total Pop.	2002-2007 Pop. Growth	2002-2007 Pop. Growth
0-14	40,875	44,180	23.1%	22.4%	8.1%
15-44	85,514	91,953	48.2%	46.7%	7.5%
45-64	37,326	45,554	21.1%	23.2%	22.0%
65+	13,563	15,123	7.7%	7.7%	11.5%
Total	177,278	196,810			11.0%

Source: Application 9674 (Astro-Sachs/Claritas)

As can be seen in the above table, the 45-64 age cohort has a projected increase of 22 percent, double the rate of the service area as a whole. The applicant observes that since this age cohort has a higher rate of inpatient utilization than younger age categories of the population as a whole, a large increase in this population will result in a much greater demand for inpatient services than would be expected if total service area percent growth in population were considered in isolation. Even though the 15-44 age cohort is growing at the lowest rate of all, it is significant to note that this segment of the target population represents the largest number of residents and includes the population most likely to require obstetric services. In a study of the female residents within the four zip-code target population, the applicant found (page 34 of application) the female population in this area to be growing at a greater rate (7.5 percent) than the female population of Miami-Dade County (0.5 percent) or the State as a whole (2.1 percent), further supporting its proposed need to move inpatient and obstetrical services to West Kendall.

Another factor in consideration of this project is the increasing population density currently experienced and underway in the Kendall area of Miami. The applicant quotes the Miami Herald, Sunday November 24, 2002, Section H, Pages 1 & 8; "Within two years, thousands of new residents will be living in the approximately 300 acres that has been designated as the downtown Kendall Urban Center District". The applicant states that the majority of these developments are located east of Baptist Hospital of Miami and will "further exacerbate the facility and capacity issues that face Baptist Hospital of Miami today." The proposed new West Kendall Baptist Hospital is expected to ameliorate these constraints and improve access to residents of Kendall and West Kendall by redirection of West Kendall residents to be served in a West Kendall facility, thereby creating capacity at Baptist Hospital of Miami to serve the growing population in its immediate vicinity.

The applicant states that traffic congestion on Kendall Drive and in and around Baptist Hospital of Miami is another reason for this proposal. Many of the letters of support, including letters from members of the medical staff, attest to this as a significant problem for residents of the

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area. The Metropolitan Planning Organization for the Miami Urbanized Area cites a 39 percent increase in population between 1999 and 2025 as a primary factor in the need for improved public transit. This plan identifies Kendall Drive as one of 12 priority corridors within the county, based on factors including importance to travel within Miami-Dade County and congestion level. The applicant notes that the resulting increase in drive time has become a serious issue when trying to access health care services, particularly emergency services and obstetric services, in a timely manner. The applicant authorized a preliminary travel time study in February 2003 in an effort to establish typical travel times between a control point (SW 137th Ave and Kendall Dr.) and the existing inpatient facilities and the proposed West Kendall Baptist Hospital. The control point is both the geographic and population center of the proposed service area. What the applicant discovered is that even though Baptist Hospital of Miami is only five miles away from the geographic/population center of the service area, off-peak travel time to Baptist is 12 1/2 minutes, increasing to 24 minutes during peak hours. Travel to the proposed new West Kendall Baptist Hospital from the same control point can be accomplished within five to six minutes, valuable time saved in an emergency situation.

The reason South Miami Hospital was chosen as the most appropriate facility to transfer/delicense the 80 beds needed to create the new 80 acute care bed facility in West Kendall centers around the age of the South Miami Hospital main building, which was constructed in 1960 and is not feasible to bring up to code for inpatient services sufficient to meet the needs of the community. This portion of South Miami Hospital will be renovated to accommodate outpatient and administrative services with inpatient care concentrated in the existing East Tower, Pavilion and North Tower. The applicant states that it explored many alternatives to achieve the most efficient use of its resources in response to the needs of the community and determined that the proposed 80-bed West Kendall Baptist Hospital being the most appropriate solution. The applicant believes that this project will benefits the residents of West Kendall by providing a new state of the art facility closer to the population and geographic center of their service area, will benefits-Baptist Hospital of Miami by shifting significant demand to the new facility thus creating more capacity for the anticipated growth in it's immediate service area and as just discussed, enables South Miami Hospital to enhance it's outpatient facilities and provide administrative space for the Baptist corporate entity. By the end of the second year of operations of the new facility, the applicant projects 70 percent utilization of the 80 beds, which exceeds the 57.72 percent utilization currently experienced at South Miami Hospital and represents a better use of the applicant's resources.

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Through this project, these service enhancements to the community can be realized without increasing the acute care bed capacity within the district. The applicant states that the project is basically a capital investment to better serve the existing and future Baptist Hospital South Florida aligned patient base. As such, there is expected to be minimal impact on existing providers, with the expectation that the financial performance of any existing local provider will not be materially impacted.

Kendall Healthcare Group, Ltd. (Tamiami Hospital) (CON #9675) contends that need for its proposed new 80-bed acute care hospital in West Kendall by transfer and delicensure of 80 acute care beds from Kendall Regional Medical Center is demonstrated for the following reasons.

The primary factor for seeking to relocate these beds is in response to unprecedented growth in the West Kendall area. In 1990, West Kendall's population included 135,436 residents. By April 2003, the same area was estimated to have 261,150 residents, a 93 percent increase in just 13 years. As a result of this dramatic growth in population, the Kendall area with no acute care hospital beds within it's immediate service area, is larger than 49 of Florida's 67 counties, including Alachua with 1,114 acute care beds, Lake with 529 acute care beds and Leon with 727 acute care beds. In determining future service area growth, the applicant focused on seven zip code areas as shown in the following table.

Primary Service Area Population by Zip Code April 2003 and 2008				
Population			Change	
Zip	2003	2008	#	%
33177	50,025	57,377	7,352	14.7%
33183	38,907	40,499	1,592	4.1%
33185	13,975	15,503	1,528	10.9%
33186	61,408	67,033	5,625	9.2%
33187	15,966	19,036	3,070	19.2%
33193	42,146	48,263	6,117	14.5%
33196	38,723	44,921	6,198	16.0%
Totals/%	261,150	292,632	31,482	12.1%

Application: CON #9675 (Claritas, Inc.)

Note: ZIP codes 33183, 33186, 33193 and 33196 represent co-batch applicant West Kendall Baptist's proposed primary service area.

Utilizing data from Claritas, Inc. the applicant compares the growth in the West Kendall service area with growth in other Dade areas over the next five years. West Kendall is anticipated to have 292,632 residents by the year 2008, a 12.1 percent increase over 2003. This compares with the remainder of Miami-Dade County, which is expected to experience only 4.3 percent rate of growth. Therefore, while the West Kendall area

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represents only 11.2 percent (261,150/2,321,907) of the current county population, it is expected to provide 26.3 percent (31,482/119,543) of its growth in the next five years.

Population Growth in West Kendall compared to Other Dade Areas 2003 to 2008				
			Change	
Area	2003	2008	#	%
West Kendall	261,150	292,632	31,482	12.1%
Other Dade	2,060,756	2,148,817	88,061	4.3%
Total	2,321,907	2,441,450	119,543	5.15%

Source: Application CON #9675 (Claritas< Inc.)

In addition to this tremendous growth potential, the applicant examines the age breakdown of this population in the following table to determine any significant relevance this might have on the target service area.

Service Area Population by Age April 1, 2003 and 2008				
2003			2008	
Age	Number	Percent	Number	Percent
0-14	61,779	24%	67,644	23%
15-44	124,232	48%	134,962	46%
45-54	34,488	13%	40,659	14%
55-64	21,154	8%	27,435	9%
65-74	11,614	4%	13,185	5%
75+	7,883	3%	8,747	3%
Total	261,150	100%	292,632	100%

Source: Application: CON #9675 (Claritas, Inc.)

The most notable characteristic gleaned from this table is the current population contains a high proportion of young adults (48 percent) and a low proportion of residents age 65 and above (seven percent). This is not expected to change much over the next five years. Year 2000 census data indicate the median age of the West Kendall population was 32.6 years compared to the county median age of 35.6 years. The 15-44 age cohort represents residents of child bearing age and supports the need for obstetric beds as part of the proposed bed relocation.

The applicant declares this large and rapidly growing population a "Not Normal" circumstance in that there are no acute care hospitals within this highly populated service area. During the 12 months ending June 2002, residents of the seven zip code primary service area generated a total of 97,742 acute care patient days, sufficient to support 357 acute care beds based on the Agency occupancy standard of 75 percent. After discounting specialized tertiary services that are better treated at one of Miami's larger medical centers, the applicant estimates 80,263 patient days of care could have been rendered at a community hospital located

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within the West Kendall area, based on this same AHCA data source for the 12-month reporting period ending June 2002. This could support approximately 219 acute care beds at this time or 245 beds by 2008.

The applicant also commissioned a travel time study performed in the fall of 2002 to measure the travel times from the vicinity of its proposed site to Baptist Hospital Miami and Kendall Regional Medical Center. The study found peak hour drive times from Tamiami Hospital vicinity averaged 24.5 minutes to Baptist Hospital Miami and 17.9 minutes to Kendall Regional Medical Center.

Another issue raised by the applicant is the element of competition. Among the five hospitals in proximity of the West Kendall service area, three of the hospitals are part of the Baptist Health South Florida - network, which enjoys a 49 percent market share. The other hospitals are HCA affiliates including Kendall Regional Medical Center with approximately 13.6 percent market share and JMH-South with approximately 8.9 percent of the market share. The applicant contends that approval of the West Kendall Baptist Hospital application would "tilt the balance of competition within the service area even further". The applicant further states that providers with excessive market share may restrict the range of services available to consumers, reducing or eliminating less profitable services at some locations. Issues of price are also a concern expressed by the applicant, since the lack of alternative providers within the service area limits the ability of managed care organizations to negotiate emergency services and inpatient care charges. The applicant contends that approval of its project will move the market toward greater competitive balance. It is of interest to note in light of the above remarks, that HCA affiliated hospitals in the subdistrict identified on bottom of page two of the application; Kendall Regional Medical Center, Aventura Hospital and Medical Center, and Cedars Medical Center, have a combined acute care bed inventory of 1,194 beds, 237 beds more than the 957 beds licensed to the Baptist Health South Florida network; Baptist Hospital Miami, South Miami Hospital and Homestead Hospital, which affords HCA affiliated hospitals the potential to serve more patients in the subdistrict. However, financial pro formas submitted by the applicant support this contention. The Agency's analysis of managed care projections indicates that although projected managed care days appear somewhat optimistic, if achieved, the projected level is likely to have a significant positive impact on competition within the market area.

The applicant contends that its proposed project will not have an adverse impact on any individual hospital however it expects the project to have a positive benefit in balancing market competition within the primary

service area. The population growth in the primary service area is sufficient according to the applicant to entirely offset the expected primary service area resident patient volumes at its proposed facility. Furthermore, the applicant contends that the population growth in the secondary service area will generate additional patient days substantially exceeding the expected volumes ascribed to the proposed facility, affording existing providers opportunities for continued patient volume growth.

Concluding observations relative to need issues addressed by both applicants.

Both applicants address the current and existing growth in the West Kendall service area, even though they use slightly different zip code data to come to the same conclusion. And that is, there is sufficient inpatient utilization from this area to justify the relocation of existing acute care beds to West Kendall to meet the dynamic population growth now and in the immediate future.

While the West Kendall Baptist Hospital application stresses realigning resources to meet the needs of its current patient population, the Kendall Healthcare Group stresses the growth potential of the area and its perceived need to balance competition among the service providers of acute inpatient services. As noted above, HCA affiliated facilities have a combined acute care bed inventory of 1,194 beds, 237 beds more than the 957 beds licensed to the Baptist Health South Florida network.

Both applicants amply described the congestion surrounding the Kendall and West Kendall areas and the need to move its resources toward the growth areas to diminish congestion and travel time delays for residents seeking inpatient, outpatient and emergency health care services.

It becomes evident as these applications unfold, that this market could support the relocation 80 beds from each of the applicants to realign the service area, improve health care services to residents of West Kendall, and allow each applicant the flexibility to more efficiently manage its resources. There is also evidence that approval of both will foster competition to promote quality assurance and cost-effectiveness. (Refer to the financial review below in E. 4. g.). With depressed utilization at both Kendall Medical Center (47.05 percent) and South Miami Hospital (57.72 percent), transfer of 80 beds from each of these hospitals to new satellite facilities in a high growth area, will result in better use of their resources. According to MapQuest, the proposed sites identified by each of the applicants are approximately 3.89 miles apart with estimated travel time to be seven minutes.

2. Local Health Plan Preferences

Is need for the project proposed supported by the applicable district plan? ss. 408.035(1); 408.037(1), Florida Statutes.

The Health Council of South Florida, Inc. adopted acute care preferences in October 2000.

Preferences should be given to applicants for Acute Care services who:

Level One - Highest Priorities

- 1. Propose to initiate new services through conversion, acquisition and/or capital expenditures at facilities that meet the following general criteria:**
 - a. Applicants who had an average occupancy rate for licensed beds over the last two years of 80 percent.**
 - b. Applicants who provided the highest proportion of charity care and Medicaid days during the past fiscal year for which reimbursement was received through Florida's "Disproportionate Share Program" of the Public Medical Assistance Trust Fund. "Charity care" is that care provided to persons below 150 percent of the federal poverty level and for which there was no compensation exclusive of adjustment allowances.**
 - c. Applicants who demonstrate the highest ongoing commitment to serving Medicaid and indigent patients as well as those from diverse minority backgrounds; applicants who provide onsite interpreters for Creole. "Medically indigent" refers to persons below 150 percent of the poverty level, uninsured and/or underinsured, as defined by the Health Council of South Florida.**

While each applicant proposes to construct a new 80-bed acute care hospital, no new services are planned as the 80 beds will be transferred from a related facility where the vacated beds will be delicensed therefore this preference is not applicable.

2. **Implement payment procedures consistent with the patient's ability to pay, such as time payments, sliding fee scales, and other such mechanisms.**

West Kendall Baptist Hospital, Inc. (CON #9674) states that it offers, in addition to state and federally qualified charity care, a special needs financial assistance program and a financial hardship program to insure that patients with financial needs receive assistance.

Kendall Healthcare Group, Ltd. (CON #9675) states that it has policies and procedures in place to work with patients/families to pay for services rendered or if the patient is eligible for charity care assistance.

3. **Have a recognized cost efficient experience based on hospital financial cost reports submitted to AHCA.**

Both applicants responded with data from their existing facilities, however to assure parity, data from the Agency's Financial Review Unit was captured and is presented in the following table.

Cost Efficiency Comparisons

Hospital	Total Expenses	2001 Case Mix	Adjusted Admissions	Standardized Cost per Adjusted Admission
South Miami Hospital	\$197,598,722	1.3397	\$25,510	\$5,417
Baptist Hospital of Miami	\$337,950,376	1.3620	\$44,376	\$5,373
Homestead Hospital	\$ 49,621,663	0.9798	\$11,393	\$4,274
Kendall Medical Center	\$120,287,265	1.2732	\$20,702	\$4,256
Miami-Dade Average*	\$124,017,852	NA	\$16,011	\$7,122

Source: AHCA 2004 Comparative Groups, AHCA Financial Review Unit

* Arithmetic Average

4. **Document that they are accredited or are in the process of becoming accredited by an appropriate national accreditation organization.**

West Kendall Baptist Hospital, Inc. (CON #9674) is expected to be accredited by a number of organizations including the Joint Commission for the Accreditation of Health Care Organizations and the College of American Pathologists. These accreditations will have to be earned however, just as other Baptist Health South Florida hospitals have earned their accreditation standards.

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Kendall Healthcare Group, Ltd. (CON #9675) intends to seek accreditation for its Tamiami Hospital once it becomes operational and is eligible to be considered for accreditation by the Joint Commission for the Accreditation of Health Care Organizations.

5. Propose conversion of under-utilized beds for the development of needed inpatient services in Monroe County.

This preference is not applicable to either of the co-batched applicants as neither is proposing services in Monroe County as part of these applications.

6. Give preference to services that provide transportation, which is not otherwise available.

While neither co-batched applicant intends to provide transportation services, both are expected to be located in the West Kendall service area within approximately 2 1/2 mile of each other. These sites will improve access to routine and emergency services for the residents by shortening drive times to hospital services.

Level Two - Lower Priorities

1. Propose projects, which incorporate the integration of over-utilized facilities with under-utilized facilities through acquisition or joint venture or shared projects.

Neither of the co-batched applicants is seeking an acquisition, joint venture or shared project as part of these applications.

2. Propose projects in which the facility commits to the delicensing of beds that are not in service.

Both co-batched applicants proposed to delicense 80 underutilized beds after the completion of the transfer of existing beds are completed in the form of a new 80-bed acute care hospital in West Kendall.

- 3. Propose a new services project based on a valid marketing research effort and placed in the context of a long-range plan. "Valid" refers to the utilization of a recognized methodology for determination of an unmet need for the proposed program in the designated service area.**

No new services are being proposed by either of the co-batched applicants, however each is proposing to improve access to hospital inpatient and emergency services by relocating underutilized beds from existing facilities to West Kendall where it has been shown that high population growth has occurred and is expected to continue in the future.

- 4. Demonstrate a commitment to quality of care as evidenced by the existence of a mechanism to assess and publicly report on quality.**

Policies and procedures for performance improvement, quality assurance and utilization management will be implemented at each facility by its respective applicant. These disciplines will be patterned after proven programs used by each of the parent organizations. **West Kendall Baptist Hospital, Inc. (CON #9674)** expects to report all data required at both the state (AHCA) and the local levels (District 11 Health Council of South Florida, Inc.). In addition, the applicant reports that the results of JCAHO surveys will be published, once the facility is JCAHO accredited. **Kendall Healthcare Group, Ltd. (CON #9675)** also intends to comply with what it characterizes as the stringent quality assurance standards established by HCA. In addition to seeking JCAHO accreditation when eligible, the applicant states that the new facility "will probably participate in the Comparative Hospital Indicator System (CHOIS), a national patient outcome severity and risk-adjusted database which provides quarterly evaluations of clinical performance and patient outcomes for mortality and complications".

- 5. Demonstrate that a proposed transfer of beds will not adversely impact the Medicare and private pay markets of area hospitals providing a disproportionate share of charity care and Medicaid patient days.**

Neither of the co-batched applicants expects its proposed project to have an adverse impact on area hospitals providing a disproportionate share of charity care and Medicaid patient days.

6. Improve the physical plant of an existing facility as a result of a proposed bed transfer.

West Kendall Baptist Hospital, Inc. (CON #9674) intends to redirect 80 inpatient beds from South Miami Hospital to the new facility. This transfer of beds will allow the applicant to better utilize its existing resources and to better match those resources to the needs of its patients. The applicant acknowledges that relocating 80 beds to the new facility will not improve the physical plant of South Miami Hospital but it will allow a change of use within the facility to outpatient and administrative services that can be accomplished with out expensive renovations to meet code requirements.

Kendall Healthcare Group, Ltd. (CON #9675) states that relocation of 80 licensed acute care beds to the new facility will assist in the "decompression" of its main campus.

7. Demonstrate that a proposed transfer of beds is more cost-efficient than the renovation and expansion of the existing facility.

West Kendall Baptist Hospital, Inc. (CON #9674) conducted an assessment of physical plants and campuses to evaluate all possible planning options against the reality of travel time and the need to enhance access to health care services to the residents of West Kendall. Due to site and campus constraints and the extended construction schedules, each of the existing facility options had considerable costs associated with implementation, in addition to significant inconvenience to patients, physicians, staff and visitors. The chosen alternative, to construct a new 80 acute care hospital in West Kendall, was found to be the best course of action in that it provides better access to health care resources, inpatient and emergency care, and enables the applicant to resolve some of the current patient volume related facility and site limitations on two of its other campuses; Baptist Hospital Miami and South Miami Hospital. The applicant believes this chosen alternative to be the most cost-efficient and effective solution.

Kendall Healthcare Group, Ltd. (CON #9675) contends that even though the proposed project is not inexpensive, the costs associated with it are reasonable. The applicant further states that relocating these beds will greatly improve access to routine inpatient, outpatient, and emergency services for residents of the West Kendall primary service area, and represents an efficient use of existing bed capacity.

Level Three - Lower Priorities

- 1. Provide documentation of transfer agreements with other facilities for services not available within the applicant facility. For example, existing facilities as well as applicants for new or expanded services should demonstrate a willingness to enter into cooperative planning efforts directed at establishing a system whereby duplication of specialized services is avoided.**

West Kendall Baptist Hospital, Inc. (CON #9674): As part of Baptist Health South Florida, Inc., the applicant states that the proposed facility will have transfer agreements with all of its facilities prior to opening, as well as other non-Baptist facilities in the greater Miami-Dade area, in order to meet patient preference and clinical needs.

Kendall Healthcare Group, Ltd. (CON #9675) expects its new 80-bed satellite hospital to become a participant in the network of healthcare service providers in Miami-Dade County once it becomes operational. Beyond the basic inpatient services to be provided at Tamiami Hospital, the applicant intends to coordinate with nearby facilities for higher level and specialty services that might be required by its patients.

- 2. Demonstrate the feasibility of conversion of beds currently on line, but not in use, within the prescribed period of time.**

Both co-batched applicants intend to transfer underutilized acute care beds to a high growth area within Dade County to better serve primary service area residents of West Kendall. Both applicants intend to delicense a like number of beds at the facility from where the beds are being transferred, when the new beds become operational.

3. Commit to timely completion of CON projects that are approved.

Both of the co-batched applicants intend to complete their projects and initiate services to patients in 2007, within about 10-months of each other, barring unforeseen circumstances. Both applicants have a record of timely completion of CON approved projects.

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. Although neither proposed project involves a request for additional beds, a capital expenditure will be incurred as a result of building a satellite hospital.

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

The applicants' history of providing services to medically indigent patients or a commitment to do so is considered an important factor in examining access to quality health care. Both applicants assert a history of providing Medicaid and charity care and each has offered to condition their respective satellite projects for Medicaid and charity care.

West Kendall Baptist Hospital, Inc. (CON #9674) proposes to provide 16.6 percent of patient days per year to combined Medicaid/Medicaid HMO/charity/indigent patients as a condition of its proposed project. It states that this condition is consistent with the level of care provided to this patient pool in the current year.

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- b. Kendall Healthcare Group, Ltd. (CON #9675)** proposes to condition 10 percent Medicaid/charity care days as a percentage of total patient days for its project even though it is projecting 13.5 percent Medicaid patient days and 3.0 percent charity care days (16.5 percent total) among the total patient days to be provided on Schedules 7A & 8A.

Neither applicant hospital is classified as a Disproportionate Share provider for FY 2002-2003. Because both of the proposed projects do not currently exist and there is no facility history of providing care to Medicaid/charity patients, the following table includes related entities located in Dade County. Inclusion of these related entities provides a global view of corporate experience regarding the provision of Medicaid/charity care to patients.

Comparison of Medicaid/Charity Care in Related Entities

Hospital	Medicaid Days Percentage FY 2001	Gross Charity Percentage FY 2001
Baptist Health South Florida , Inc. related facilities:		
Baptist Hospital of Miami	10.0%	1.5%
Homestead Hospital	25.0%	5.7%
South Miami Hospital	4.3%	0.7%
Kendall Healthcare Group, Ltd. & HCA related entities		
Aventura Hospital & Medical Center	8.4%	1.3%
Cedars Medical Center	23.6%	3.0%
Kendall Regional Medical Center	14.3%	1.5%

Source: AHCA Hospital Financial Data FY2001

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

Both applicants are proposing to transfer existing underutilized beds from related facilities to the West Kendall primary service area. Both applicants have demonstrated significant growth to the West Kendall service area and propose the reallocation of underutilized acute care beds to provide better access for patients to acute inpatient, outpatient and emergency services. Neither applicant proposed to add beds to the existing licensed pool of acute care beds in Dade County.

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.**

West Kendall Baptist Hospital, Inc. (CON #9674): Access and availability to basic inpatient, outpatient and emergency care services is the major goal of this project, according to the applicant. Baptist Health South Florida, Inc. expects to redirect 85 percent of the forecast volume for West Kendall Baptist Hospital from other Baptist facilities, especially Baptist Hospital of Miami and South Miami Hospital. The remaining 15 percent of projected volume for the new satellite facility is expected to come from growth within the West Kendall area as previously discussed. By redirecting this Baptist aligned patient base to the new 80-bed hospital in West Kendall, the applicant believes that it can better accommodate the expected growth around Baptist Hospital of Miami, as described in the November 24, 2002 Miami Herald story: "Within two years, thousands of new residents will be living in the approximately 300 acres that has been designated as the downtown Kendall Urban Center District". Baptist Hospital of Miami is currently experiencing capacity constraints in inpatient, emergency and outpatient services as well as a significant parking deficit at the facility.

By transferring 80 acute beds from South Miami Hospital to the West Kendall facility, the applicant can also implement recommendations based on findings from its recent Master Plan development. The main building was originally constructed in 1960 as the original South Miami Hospital. As a result of the Master Plan assessment a variety of infrastructure-related issues were identified such as; mechanical, electrical, plumbing, and miscellaneous other items. In order to renovate the main building to meet current code requirements for use as an inpatient facility, the applicant determined the best use of its resources is to provide outpatient and administrative services in the main building and concentrate inpatient care in the existing east tower, pavilion and north tower buildings on the South Miami campus.

West Kendall Baptist Hospital will be supported by and work in concert with other Baptist Health South Florida facilities, mainly through Baptist Hospital of Miami. Many administrative, business, patient and staff services at the satellite facility will be provided through the use of already existing Baptist Health South Florida resources.

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Another significant need issue identified by the applicant and confirmed by the many letters of support received by the Agency and provided in the application, is for quicker access to emergency department services. In Fiscal-Year 2002, 24,000 West Kendall Service Area patients sought services in the emergency departments of Baptist Hospital Miami and South Miami Hospitals. This volume represents approximately 22 percent of all Baptist and South Miami Hospitals emergency department visits, a significant portion of their overall emergency volume. A new acute care hospital in West Kendall will save time and possibly lives by positioning an emergency department in closer proximity to this fast growing section of Dade County.

Kendall Healthcare Group, Ltd. (CON #9675) sees multiple benefits in its proposal to relocate 80 acute care beds to the West Kendall area. One significant benefit will be the decompression of the Kendall Regional Medical Center facility. Kendall Regional Medical Center began operations in 1973 when hospital requirements were much different than they are today. Since construction of this facility, space and equipment requirements have grown dramatically in response to new diagnostic and treatment technologies with a greater emphasis on outpatient services, and patient needs for enhanced privacy and family visiting space. Thirty years ago outpatient services were quite limited and only limited space was initially allocated for such services. Since that time the population of Kendall Regional Medical Center's service area has almost tripled and both inpatient and outpatient volumes have increased greatly. As a result, the applicant states that outpatient spaces are now spread throughout the facility, occupying patient rooms in many cases. The same is true for the critical care beds according to the applicant. The applicant further explains that while the hospital is licensed for 412 acute care beds, it can only operate 300 beds efficiently. In addition, all non-critical care beds are housed in double occupancy rooms. Kendall Regional Medical Center has approximately 643 square feet per licensed bed, as compared to a range of 1,500 to 2,000 feet for hospitals currently being developed by HCA, Inc. The emergency department was last renovated in 1992 and emergency department visits have more than doubled since that time. The applicant is currently developing plans for a new 165,658 square foot three story building on its existing campus in conjunction with a renovation and expansion that will replace the existing emergency department, doubling the number of treatment rooms, consolidate most outpatient services and critical care units into distinct areas of the facility, expand the number of critical care and telemetry equipped beds, expand the size and number of operating suites, and upgrade diagnostic services, particularly Women's Diagnostic and Imaging, as well as providing numerous other design changes to enhance quality, efficiency, and patient convenience. Given the

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hospital's location, which according to the applicant, limits further expansion of the site, and the need for improved access to services within the Kendall area, the applicant concludes that it is more appropriate to reallocate 80 of its existing acute care beds to a new satellite hospital in West Kendall rather than attempting further on-site expansion at this time.

In summary: Both applicants propose to reallocate 80 acute care beds each, to an area within Dade County that is expected to improve access to inpatient acute care services for Kendall residents. At the same time each project will more efficiently utilize existing resources. Kendall Medical Center during the most recent reporting period (July 2001 - June 2002) experience utilization of 47.05 percent of its 412 acute care beds, while South Miami Hospital experienced 57.72 percent utilization of its 341 beds. As a consequence of the transfer of the proposed beds both applicants expect to increase utilization, access and efficiency of operations at their primary facility.

- 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.**

West Kendall Baptist Hospital, Inc. (CON #9674) is a development stage entity, however South Miami Hospital and Baptist Hospital of Miami are related entities through which this facility will draw operational and management resources. These facilities have many approvals and accreditations documenting the quality of care provided. In addition to being accredited by the Joint Commission for the Accreditation of Health Care Organizations (JCAHCO), the College of American Pathologists and the American College of Radiology Mammographic Imaging Services Accreditation, these facilities have been the recipient of numerous awards. The applicant states that Baptist Health South Florida, Inc., the parent organization of the applicant, and its other related entities have a documented history of providing quality care. All of these accreditations, approvals, and programs, as well as access to the resources supporting these quality initiatives will be available through its affiliation with Baptist Health South Florida, Inc. and will ultimately benefit the patients who will utilize the proposed West Kendall Baptist Hospital.

According to the most recent EMTALA/complaint reports provided by the hospital section, South Miami Hospital, one of the related entities, has had 31 allegations since 2000 with nine confirmed violations including two emergency access violation, five medication errors and two patients right issues. The other allegations were either not confirmed or not

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investigated. According to licensure records, there are no uncorrected life safety issues at South Miami Hospital for the most recent survey.

Baptist Hospital of Miami, the other entity related to the proposed project, has had 55 allegations since 2000 with 14 confirmed violations. The majority of the violations involved patient care issues. Many of the 55 allegations involved the hospital's emergency department, which is consistent with both letters of support and letters of opposition to the project.

Kendall Healthcare Group, Ltd. (CON #9675) d/b/a Kendall Regional Medical Center proposes to construct a new 80-bed acute care hospital to be known as Tamiami Hospital in the West Kendall service area by transfer/delicensure of 80 acute care beds from Kendall Regional Medical Center. The new facility obviously has no history to demonstrate quality of care, however the applicant intends to use Kendall Regional Medical Center as a role model for the new facility imparting the management and operational philosophy of this successful hospital to the new facility. Kendall Regional Medical Center was built and initially licensed in 1973 as American Hospital and was acquired by HCA in 1991. The facility has a current JCAHO accreditation through August 10, 2003, and is good standing with AHCA, Medicare, Medicaid, VNA, Workers Compensation, private insurance carriers and several HMS's and other managed care providers. The applicant expects that the new Tamiami Hospital will seek and obtain JCAHO accreditation in a timely manner, will be a participant in the same federal programs and many of the same HMO/managed care organizations as is Kendall Regional Medical Center, and will be built and maintained in compliance with state licensing standards.

According to the most recent EMTALA/complaint reports provided by the hospital section, Kendall Regional Medical Center has had 32 allegations since 2000 with 10 confirmed violations including two emergency access violation, seven nursing care violations and one medical records violation. The other allegations were either not confirmed or not investigated. According to licensure records, there are no uncorrected life safety issues at Kendall Regional Medical Center for the most recent survey.

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

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

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

Neither **West Kendall Baptist Hospital, Inc. (CON #9674)** or **Kendall Healthcare Group, Ltd. (CON #9675)** d/b/a Kendall Regional Medical Center are statutorily defined research or teaching hospitals. However, both applicants state that its current hospital and respective proposals are committed to ongoing education to improve the clinical competencies of its staff.

- 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.**

West Kendall Baptist Hospital, Inc. (CON #9674): The audited financial statements for the periods were reviewed to assess the financial position as of the balance sheet date and the financial strength of its operations for the period presented.

West Kendall Baptist Hospital, Inc. is a development stage enterprise incorporated for the purpose of developing and operating an acute care hospital. The total project cost is expected to be \$147,402,994 with operating costs estimated to be \$51,097,000 in the first year and \$65,801,000 in the second year. The applicant presented financial statements that consisted of a balance sheet with \$80 thousand in assets and \$80 thousand in liabilities. The financial statements reflect limited transactions normally associated with organizational activities, but contain no results from operations

Capital requirements:

The capital costs for this project are \$147.4 million. Schedule 2 indicates a total of \$147.4 million in capital needs through year two of the project.

Available capital:

The applicant is a wholly owned subsidiary of Baptist Health South Florida, Inc. Baptist Health South Florida's audited financial statements for 2002 disclosed that the Corporation had cash on hand of \$15.3 million, current assets of \$191.5 million, total assets of \$1.0 billion, revenues of \$925.8 million, net income from operations of \$114.2 million and cash flows from operations of \$168.9 million for the period ended September 30, 2002. Notes to the financial statements indicate funded

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depreciation of \$330.1 million, a portion of which could be used to help fund the West Kendall project. Baptist Health South Florida, Inc. provided a commitment letter for funding the project.

Conclusion:

Based on Baptist Health South Florida's audited financial statements, and their commitment and ability to fund this project, funding for this project should be available as needed.

Kendall Healthcare Group, Ltd. (CON #9675): The audited financial statements for the periods ending December 31, 2001 and 2000 were reviewed to assess the financial position and the financial strength of its operations for the period presented. Key financial account balances along with specific ratios are presented for this analysis.

Table One

	12/31/2000	12/31/2001
Current Assets	\$ 16,461,568	\$ 21,347,715
Cash and Current Investment	\$ 216,628	\$ 947,545
Assets Restricted for Capital Funding	\$ 0	\$ 0
Total Assets	\$ 62,330,006	\$ 77,825,931
Current Liabilities	\$ 16,435,231	\$ 12,136,816
Total Liabilities	\$ 19,067,692	\$ 16,030,233
Total Equity	\$ 43,262,314	\$ 61,795,698
Net Operating Revenues	\$ 134,952,583	\$ 159,701,159
Interest Expense	\$ 27,121	\$ 17,501
Net Profit – Operations	\$ 14,493,801	\$ 28,166,272
Net Income	\$ 14,980,317	\$ 29,273,921
Cash Flow Provided by Operating Activities	\$ 21,508,006	\$ 33,192,988
Working Capital	\$ 26,337	\$ 9,210,899
Current Ratio (CA/CL)	1.0	1.8
Long-Term Debt to Equity (TL-CL/TE)	0.1	0.1
Operating Cash Flow (CFO/CL)	1.3	2.7
Times Interest Earned (NPO+Int/Int)	2.0	2.0
Equity to Total Assets (TE/TA)	69.4%	79.4%
Operating Margin (NPO/NOR)	10.7%	17.6%
Total Margin (NI/NOR)	11.1%	18.3%
Return on Assets (NI/TA)	24.0%	37.6%
Operating Cash Flow to Assets (CFO/TA)	34.5%	42.7%

The applicant, **Kendall Healthcare Group, Ltd. (d/b/a Kendall Regional Medical Center)**, is a proprietary health care provider that operates the Kendall Regional Medical Center in Miami-Dade County, Florida. The applicant is requesting to construct an 80-bed acute care hospital, to be known as Tamiami Hospital, in Southeastern Miami-Dade County, Florida. The total project cost is expected to be \$143,242,424, with operating costs estimated to be \$49,833,143 in the first year and \$54,384,369 in the second year.

Short-term position:

The applicant's current ratio of 1.8 indicates current assets are almost two times that of short-term liabilities, a moderately strong position. The working capital (current assets less current liabilities) of \$9.2 million indicates a reasonable amount of short-term liquidity. The applicant has a fairly strong short-term position.

Long-term position:

The long-term debt to equity ratio of 0.1 is based on accrued expenses and other liabilities. The applicant has no outstanding long-term debt. Net income totaled \$29.3 million in 2001 or 18.3 percent, which is slightly greater than the 80th percentile for Florida hospitals of 10.8 percent. Net assets total \$61.8 million. The long-term position is adequate.

Capital requirements:

Schedule 2 indicates capital projects, including this project, totaling \$155.8 million. Since there are no maturities on long-term debt, the total capital requirement is estimated at \$155.8 million.

Available capital:

The applicant states that \$12.6 million of all funding capital will come from operating cash flows. The remainder of the funds will be provided through inter company loans from Hospital Corporation of America.

Conclusion:

Funding is likely to be available for this project as well as the entire capital budget.

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

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

Comparative data were derived from hospitals in peer groups that reported data in 2001. Based on the number of beds, the range of services offered, and the projected number of admissions and patient days; the applicant will be compared to the hospitals in-group 3. Per Diem rates are projected to increase by an average of 3.2 percent per year through 2009. Inflation adjustments were based on the 3rd Quarter New Centers for Medicare and Medicaid Services (CMS) Market Basket Index.

West Kendall Baptist Hospital, Inc. (CON #9674): Gross revenues, net revenues, and costs were obtained from Schedules 7 and 8 in the financial portion of the application. These were compared to the control group as a calculated amount per adjusted patient day. The adjustment is made to factor outpatient revenues into the per patient day computation.

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Net revenue per adjusted patient day (NRAPD) of \$2,059 in year one and \$2,102 in year two is between the control group median and highest values of \$1,285 and \$2,793 in year one and \$1,327 and \$ 2,882 in year two. The median is generally viewed as the best balance between financial feasibility and economies of operation. With net revenues per adjusted patient day falling between the median and the highest level, the hospital is expected to consume health care resources in a somewhat greater proportion to the services provided. (Comparative Table).

Projected cost per adjusted patient day of \$2,667 in year one is above the highest value of \$2,265 and \$2,029 in year two is between the group median and highest values of \$1,272 and \$2,337. Uncapitalized start up expenses and modest patient day projections increased costs per patient day to a significant degree in year one. However in year two, this applicant is considered cost-efficient when compared to the control group. (Comparative Table).

The year two operating profit for the hospital is estimated at \$2,378,765 which computes to an operating margin per adjusted patient day of \$73. This falls between the peer group median and highest values of \$40 and \$378. The operating margin computes to 3.5 percent, which is above the 50th percentile for all Florida hospitals of 2.1. Contingent on the continued financial support of the parent, the project is financially feasible.

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Kendall Healthcare Group, Ltd. (CON #9675): Gross revenues, net revenues, and costs were obtained from Schedules 7 and 8 in the financial portion of the application. These were compared to the control group as a calculated amount per adjusted patient day. The adjustment is made to factor outpatient revenues into the per patient day computation.

Net revenue per adjusted patient day (NRAPD) of \$1,867 in year one and \$1,922 in year two is between the control group median and highest values of \$1,322 and \$2,895 in year one and \$1,375 and \$ 2,988 in year two. The median is generally viewed as the best balance between financial feasibility and economies of operation. With net revenues per adjusted patient day falling between the median and the highest level, the hospital is expected to consume health care resources in a somewhat greater proportion to the services provided. (Comparative Table).

Projected cost per adjusted patient day of \$2,082 in year one and \$1,881 in year two is also between the group median and highest values of \$1,278 and \$2,347 in year one and \$1,319 and \$2,423 in year two. This applicant is considered cost-efficient when compared to the control group. (Comparative Table).

The year two operating profit for the hospital is estimated at \$1,164,224 which computes to an operating margin per adjusted patient day of \$40. This falls between the peer group median and lowest values of \$51 and -\$343. The operating margin computes to 2.1 percent, which is equal to the 50th percentile for Florida hospitals. It is however, considerably less than the 17.6 percent operating margin reported by Kendall Healthcare Group, Ltd in its 2001 financial statements. Contingent on the realization of projected outcomes, the project is financially feasible.

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

West Kendall Baptist Hospital, Inc. (CON #9674): In year two, managed care patient days, including Medicare and Medicaid managed care days, are estimated at 57.8 percent of total patient days. The control group highest value is 65.4 percent and the median is 39.2 percent. Based on the level of occupancy (69.8 percent), the year two projection of managed care days appears to be somewhat optimistic. However, if achieved, this level of managed care is likely to have a significant positive impact on competition within the market area. It should also serve to enhance quality assurance and operational efficiency.

Kendall Healthcare Group, Ltd. (CON #9675): In its second year of operation, the applicant is projecting managed care patient days, including Medicare and Medicaid managed care days, at 53.5 percent of total patient days. In this market area the projection of managed care days appears to be consistent with group experience. However, if achieved, this level of managed care is likely to have a significant positive impact on competition within the market area. It should also have positive impact on the ability to enhance quality assurance and operational efficiency.

- 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.**

West Kendall Baptist Hospital, Inc. (CON #9674): New construction standards will be applied to the building if the application is granted and submitted to the AHCA Office of Plans and Construction for review. It is expected that the revised Florida Building Code and Chapter 59A-3 of the Florida Administrative Code will be in effect by the time this project could be submitted. There was no readily apparent list of applicable building codes in the application, but this is not a major issue. From the narrative, it is clear that the design professional is well aware of the significant code concerns.

The application included two site plans; floor plans of the proposed five-story building and larger scaled plans of patient rooms. All patient rooms will be private. The construction of the building will be concrete with cementitious stucco exterior. The building will be fully sprinklered. There are three separate public entrances to the facility and they are separated so that congestion is not likely to occur. There is also a service/delivery area and entrance near the back of the building and a separate central energy plant on site.

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As would be expected, the first floor is larger than the upper floors to allow for ease of expansion. The second floor is also larger than the other floors and the fifth floor is the smallest with only one wing and that is currently planned as shell space.

The building's layout is quite efficient. A mall concept that has been employed in a few other facilities is utilized. The main entrance opens up to a wide lateral corridor along the front of the building. Groups of clinically related departments that are easily recognized by the patient or visitor have their own entrances off this "mall". At one end of the mall is the dining room and gift shop. Near the front entry is a bank of four public elevators. Behind these, and not visible to the public, is a bank of staff/patient-dedicated elevators.

At the opposite end from the dining area is the admitting suite, which is adjacent to the spacious emergency department. This ED has both walk-in and ambulance entrances remote from each other as well as triage and exam functions served by a large central nurse station. There are separate areas for adult and pediatric treatment, and it could be assumed that each could expand into the other as needed.

The most patient-intensive areas are located off the front mall corridor whereas the more staff-oriented spaces and functions are toward the rear of the building. The application stated that provisions for future expansion were incorporated into the design, but there is no indication on the plans indicating how and where this might happen.

The second floor has most of the critical care spaces for all in-patients and outpatients. This floor houses the pre-op area, operating rooms, post-op, PACU, laboratories and a CCU area. The facility chapel is also on this floor as well as administrative and staff education spaces.

A minor item is that more privacy than is shown will be needed around the toilet in the CCU patient rooms.

The proposed building has extensive exterior walls, which may make the construction costs somewhat higher than other facilities. There are also various balconies and other spaces that make the design quite nice but somewhat less than straightforward, cost-wise. The floor footprints are not the same so that they do not always stack exactly on top of each other. This creates roofs at various levels and could increase the likelihood that costs could be somewhat higher than the R. S. Means Cost Data shows. Costs presented are high, but may be in the reasonable range. However, the costs are difficult to analyze since there

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are two wings of shell space on the fifth floor that are factored into the total project cost of Schedule 9. Also, there are two entire wings on the third floor devoted to mechanical equipment. These spaces serve several floors of the hospital and most likely frees up space on the other floors that would be used for mechanical equipment.

Time Schedules submitted seem to be adequate but a bit confusing

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.

Kendall Healthcare Group, Ltd. (CON #9675) d/b/a Kendall Regional Medical Center: New construction standards will be applied if the application is granted and the building submitted to the AHCA Office of Plans and Construction for review. It is expected that the revised Florida Building Code and Chapter 59A-3 of the Florida Administrative Code will be in effect by the time this project could be submitted. There is a list of applicable building codes in the application, but it is not quite up to date and is not an issue.

The application included floor plans of the proposed five-story building (four stories with penthouse) and larger scaled plans of patient rooms. All patient rooms will be private and all have wheelchair-accessible showers. The construction of the building will be will be a fully sprinklered steel frame with a synthetic stucco exterior. There are three separate public entrances to the facility and they are separated so that congestion is not likely to occur. There is also a service/delivery area and entrance near the back of the building and an attached powerhouse.

As is typical, the first floor is larger than the upper floors. The second floor is also larger than the floors above and the fifth floor is the smallest with only a penthouse and two equipment rooms on that level. The building gets progressively smaller with each floor.

The building is designed to be rather compact. Near the front entry is a bank of two public elevators. Remote from these, and not visible to the public, is a bank of four staff/patient-dedicated elevators. There is another patient elevator near the Imaging PACU area.

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The application states, "The first floor will contain mostly ancillary services such as public support functions". This is not exactly the case since this floor also houses the pre-op area, operating rooms, post-op, PACU and laboratory and pharmacy functions. The facility chapel is also on this floor as well as administrative and staff education spaces. There are large nurse stations serving the emergency department and the PACU/surgery areas. The second floor houses the obstetrics department and also has 30 medical/surgical beds.

It appears that future expansion of the surgical area, PACU and administration would be the easiest to accomplish because of their layout of the first floor. The emergency department (ED) could be somewhat constrained because of its location relative to driveways and parking. If this department were to need growth, greater expense would be incurred than with the other areas. Perhaps expansion of the ED is not a primary concern at this schematic stage. The ED has both walk-in and ambulance entrances remote from each other as well as triage and exam functions served by the central nurse station.

The second floor is devoted to the obstetrics department and also has 30 medical/surgical beds. There are two C-Section rooms in the obstetrics area as well as 12 LDRP rooms.

The third floor has a combination of 16 intensive care beds and 22 medical/surgical beds. The fourth floor houses 48 observation beds.

The application states that provisions for future expansion were incorporated into the design. Some of this expansion is in the form of two small shell spaces on the second and third floors. The application goes on to say that provisions for vertical expansion are being made in the structural design. There is no mention of how the fifth floor mechanical/electrical penthouses will be treated when this occurs. It would be costly to relocate them in the future.

The floor footprints are not the same so that they do not always stack exactly on top of each other. This creates roofs at various levels and could increase the likelihood that costs could be somewhat higher than the R. S. Means Cost Data shows. Costs presented are high, but may be in the reasonable range. However, the costs are difficult to analyze since there is an entire floor of observation beds whose costs are factored into the total project cost of Schedule 9.

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The time schedules submitted seem to be adequate except that only 110 days for the preparation of construction documents and their approval by the AHCA Office of Plans and Construction cannot be correct.

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

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

Both applicants assert a history of providing Medicaid and charity care and each has offered to condition their respective satellite projects for Medicaid and charity care.

West Kendall Baptist Hospital, Inc. (CON #9674) proposes to provide 16.6 percent of patient days per year to combined Medicaid/Medicaid HMO/charity/indigents patients as a condition of its proposed project. It states that this condition is consistent with the level of care provided to this patient pool in the current year.

Kendall Healthcare Group, Ltd. (CON #9675) proposes to condition 10 percent Medicaid/charity care days as a percentage of total patient days for its project even though it is projecting 13.5 percent Medicaid patient days and 3.0 percent charity care days (16.5 percent total) among the total patient days to be provided on Schedules 7A & 8A.

Neither applicant hospital is classified as a disproportionate share provider for FY 2002-2003. Because both of the proposed projects do not currently exist and therefore do not have a history of providing care to Medicaid/charity patients, the following table includes related entities located in Dade County. Inclusion of these related entities provides a global view of corporate/partnership experience regarding the provision of Medicaid/charity care to patients.

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Comparison of Medicaid/Charity Care in Related Entities

Hospital	Medicaid Days Percentage FY 2001	Gross Charity Percentage FY 2001
Baptist Health South Florida, Inc. related facilities:		
Baptist Hospital of Miami	10.0%	1.5%
Homestead Hospital	25.0%	5.7%
South Miami Hospital	4.3%	0.7%
Kendall Healthcare Group, Ltd. & HCA related entities		
Aventura Hospital & Medical Center	8.4%	1.3%
Cedars Medical Center	23.6%	3.0%
Kendall Regional Medical Center	14.3%	1.5%

Source: AHCA Hospital Financial Data FY2001

F. SUMMARY

West Kendall Baptist Hospital, Inc. (CON #9674) proposes to construct an 80-bed general acute care hospital through the transfer and delicensure of 80 acute care beds from South Miami Hospital.

The total costs for the 318,040 gross square foot satellite hospital are estimated to be \$147,402,994 with \$82,048,380 allocated to construction costs.

The applicant is requesting that the CON be conditioned to provide 16.6 percent of patient days per year to combined Medicaid/Medicaid HMO/charity/indigent patients and to delicense 80 general acute care beds at South Miami Hospital, Inc., upon licensure of the new West Kendall Baptist Hospital.

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

Fixed Need Pool:

- The proposed project is not submitted in response to the fixed need pool, as the applicant is not seeking to add beds to the hospital or the subdistrict.
- The applicant's justification for the project is largely based on the need to create better access to inpatient, outpatient and emergency services from the heavily populated growth area of West Kendall where 48.9 percent of the applicant's market share resides. Congestion is significant in West Kendall where travel/time delays to receive basic hospital services has become problematic for this population. In addition to providing hospital based health care

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relief for this population, the project will enable the applicant to accomplish two other elements of its master plan to benefit other patient populations within the Kendall area. By relocating 80 acute care beds to West Kendall from South Miami Hospital, it will free up space at South Miami Hospital to expand its outpatient and administrative spaces to better serve its patient population. This project will also redirect sufficient Baptist aligned patients from Baptist Hospital of Miami to position this facility to accommodate anticipated population growth in its immediate service area. This realigned patient population is projected to account for 85 percent of the first year utilization at the new West Kendall Baptist Hospital.

- The applicant reasonably demonstrated that the transfer of 80 acute care beds from South Miami Hospital to the West Kendall area of Miami-Dade County will better meet the needs of subdistrict residents, continue to serve the medically indigent patient population, and not adversely impact existing safety net providers. The current Baptist aligned population has shifted significantly to West Kendall and this area is projected to continue to grow.
- The proposed location of the replacement hospital is approximately 11.8 miles from South Miami Hospital and approximately 8.3 miles from Baptist Hospital of Miami Hospital.

Quality of Care:

- The applicant reasonably demonstrates that it has a history of providing quality of care, an indication being the hospital's JCAHO accreditation.

Cost and Operational Efficiency/Managed Competition:

- The applicant is a development stage enterprise incorporated for the purpose of developing and operating an acute care hospital.
- Based on Baptist Health South Florida's audited financial statements, and their commitment and ability to fund this project, funding for this project should be available as needed.
- The operating margin computes to 3.5 percent, which is above the 50th percentile of 2.1 percent for all Florida hospitals. Contingent on the continued financial support of the parent, the project is financially feasible.

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- The applicant's projected managed care provision, if achieved, is likely to have a significant positive impact on competition within the market area. It should also serve to enhance quality assurance and operational efficiency.

Medicaid/Indigent Charity Care Commitment:

- The applicant's provision of 16.6 percent of total patient days for Medicaid/Medicaid HMO/charity/indigent care is less than the Subdistrict 11-1 average (19.62 percent combined).
- According to Financial Schedule 7A, the applicant projects that Medicaid/Medicaid HMO patient days will represent 15 percent of total patient days in the second year of operation of the proposed replacement facility. Charity care in year two is not specifically shown.

Architectural Analysis:

- The architectural review reveals that the building's layout is quite efficient however there are some design features that may make the construction costs somewhat higher than other facilities. Even though the cost presented are high, they may be in the reasonable range. It is difficult to analyze costs since there are two wings of shell space on the fifth floor that are factored into the total project cost. Time schedules submitted seem adequate but confusing.
- All patient rooms will be private rooms. The emergency room is spacious.
- There appear to be no substantive architectural concerns with the design of the project as submitted.

Kendall Healthcare Group, Ltd. (CON #9675) d/b/a Kendall Regional Medical Center proposes to construct an 80-bed general acute care hospital through the transfer and delicensure of 80 acute care beds from Kendall Regional Medical Center.

The total costs for the 261,718 gross square foot facility are estimated to be \$143,242,424 with \$56,888,987 allocated to construction costs.

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The applicant is requesting that the CON be conditioned to provide 10 percent Medicaid/charity care days as a percentage of total patient days. It further agrees to delicense 80 acute care beds at Kendall Regional Medical Center at such time as 80 acute care beds are ready to be licensed at Tamiami Hospital (the proposed name of the new hospital).

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

Fixed Need Pool:

- The proposed project is not submitted in response to the fixed need pool, as the applicant is not seeking to add beds to the hospital or the subdistrict.
- The applicant's justification for the satellite hospital largely stems from what appears to be severe spatial constraints that presently exist at Kendall Regional Medical Center, an attempt to stimulate competition for the large and growing West Kendall service area population and the need to create better access for residents of West Kendall who now experience time/travel delays reaching inpatient/outpatient and emergency services.
- The applicant reasonably demonstrates a need to "decompress" this 30 year old facility to enhance services to patients. Relocation of 80 existing acute care beds to the West Kendall area will enable the applicant to construct a new 165,658 GSF three story building on its existing campus in conjunction with renovation and expansion which will replace the existing emergency department, doubling the number of emergency department treatment rooms, consolidate most outpatient services and critical care units into distinct areas of the facility, expand the number of critical care and telemetry equipped beds, expand the size and number of operating suites, and upgrade diagnostic services, particularly Women's Diagnostics and Imaging, as well as providing numerous other design changes to enhance quality, efficiency and patient convenience. The applicant also demonstrated that the transfer of 80 acute care beds from Kendall Regional Medical Center to this new satellite hospital in the West Kendall area of Miami-Dade County will better meet the needs of subdistrict residents, continue to serve the medically indigent patient population, and not adversely impact existing safety net providers.

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- The proposed location of the new 80-bed acute care hospital is approximately 10 miles from the current location of Kendall Regional Medical Center, in what the applicant refers to as the geographic and population center of the West Kendall market area.

Quality of Care:

- The applicant reasonably demonstrates a history of providing quality of care, an indication being the hospital's JCAHO accreditation. The new satellite hospital will emulate the basic programmatic and management services offered by Kendall Regional Medical Center.

Cost and Operational Efficiency/Managed Competition:

- Based on cash-in-hand, cash flows from operations and a substantial intercompany loan from the parent HCA, the applicant should be in a position to fund this project as well as the entire capital budget.
- The operating margin computes to 2.1 percent, which is equal to the 50th percentile for Florida hospitals. It is however, considerably less than the 17.6 percent operating margin reported by Kendall Healthcare Group, Ltd. in its 2001 financial statements. Contingent on the realization of projected outcomes, the project is finally feasible.
- The applicant's projected managed care provision, if achieved, is likely to have a significant positive impact on competition within the market area. It should also have positive impact on the ability to enhance quality assurance and operational efficiency.

Medicaid/Indigent Charity Care Commitment:

- The applicant's provision of 10 percent of total patient days for Medicaid/charity care is less than the Subdistrict 11-1 average (19.62 percent combined). It is not a Medicaid Disproportionate Share Provider.
- According to Financial Schedule 7A, the applicant projects that Medicaid/Medicaid HMO patient days will represent 13.5 percent of total patient days in the second year of operation of the proposed replacement facility. Charity care in year two is not specifically shown.

Architectural Analysis:

- The architectural review reveals that the building is designed to be rather compact. There are some comments by the staff architect relative to potential cost issues relative to design. Costs presented are high, but may be in the reasonable range, however costs are difficult to analyze since an entire floor of observation beds are factored into the total cost of the project as shown on Schedule 9.
- All patient rooms will be private rooms. The emergency department could be somewhat constrained because of its location relative to driveways and parking.
- The time schedule appears adequate except that only 110 days for the preparation of construction documents and their approval by the AHCA Office of Plans and Construction cannot be correct according to the Agency's staff architect.

G. RECOMMENDATION

Approve CON #9674 to establish an 80-bed acute care hospital in the West Kendall area of Miami-Dade County through the delicensure of 80 acute care beds at South Miami Hospital. Total project cost is \$147,402,994. The project involves \$82,048,380 in construction costs and 318,040 GSF of new construction.

CONDITION: A minimum of 16.6 percent of the total annual patient days in the 80-bed facility shall be provided to Medicaid/Medicaid HMO/charity/indigent patients on a combined basis.

Approve CON #9675 to establish an 80-bed acute care hospital in the West Kendall area of Miami-Dade County through the delicensure of 80 acute care beds at Kendall Regional Medical Center. Total project cost is \$143,242,424. The project involves \$56,888,987 in construction costs and 261,718 GSF of new construction.

CONDITION: A minimum of 10 percent of the total annual patient days in the 80-bed facility shall be provided to Medicaid and charity patients on a combined basis.

AUTHORIZATION FOR AGENCY ACTION

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

DATE: _____

Karen Rivera
Health Services and Facilities Consultant Supervisor
Certificate of Need

Jeffrey N. Gregg
Chief, Bureau of Health Facility Regulation