STATE AGENCY ACTION REPORT

ON APPLICATION FOR CERTIFICATE OF NEED

A. PROJECT IDENTIFICATION

1. Applicant/CON Action Number

Sacred Heart Hospital /CON #9700
5151 North Ninth Avenue
Pensacola, Florida 32504

Authorized Representative: Steven A. van Gogh
(850) 474-7000

2. Service District/Subdistrict/County

District 1, Escambia County

B. PUBLIC HEARING

No public hearing was requested or held regarding the proposed project to add eight Level III neonatal intensive care unit (NICU) beds at Sacred Heart Hospital in Pensacola. The applicant submitted two letters of support regarding the proposed project. One of the letters was from Dr. Rex Northup who is the Regional CMS Medical Director, Director of Pediatric Critical Care at Sacred Heart Children's Hospital, and Chief of Pediatric Care at Nemours Children Clinic in Pensacola. His letter indicated that Sacred Heart Hospital (SHH) provides excellent quality of care and its NICU fills a need for the entire region including Southeast Alabama and a large portion of the Florida Panhandle. Dr. Northup is concerned that with the growth in regional population along with occupancy rates exceeding the current number of beds, the need for services will out pace Sacred Heart's ability to meet it.

A letter of support written by Dr. Paul S. Berger, RPICC Medical Director for Sacred Heart Children's Hospital NICU, stated that due to its geographic location, SHH's NICU serves as a large catchment area and that the next closest RPICC NICU is located in Gainesville, Florida. He stated that in CY 2002, SHH's Level III NICU beds had an occupancy rate of 115.9 percent. Furthermore, the Level III NICU beds have compiled a census of 5,585 patient days, representing an occupancy rate of 145.8 percent for the first eight months of 2003. According to Dr. Berger, the

regional demographics support an anticipated six percent growth rate in women of childbearing age, no significant reduction in very low birth weights, and no new regional perinatal centers.

C. PROJECT SUMMARY

Sacred Heart Hospital of Pensacola (SHH) proposes to add eight Level III Neonatal Intensive Care Unit (NICU) beds to Sacred Heart Hospital's existing 18-bed Level III NICU, creating a 26-bed unit. The applicant is the sole provider of neonatal services in District 1. The hospital, located in District 1, Escambia County, is a 431-bed Class I General Hospital licensed for 368 acute care beds, 17 hospital-based skilled nursing beds, 28 Level II and 18 Level III NICU beds.

According to the *Certificate of Need Predicated on Conditions* page, the applicant claims that as a not-for-profit entity, it continues to address the needs of patients who are traditionally undeserved, including Medicaid and indigent patients and is not proposing to condition award of the CON upon serving any specific population or providing any special programs. This mission is further extended specifically into the Regional Perinatal Intensive Care Center (RPICC) Program. The total project cost is estimated at $590,234. Renovation costs are projected at $224,441 and the project will involve 2,523 GSF of renovated space.

D. REVIEW PROCEDURE

The evaluation process is structured by the certificate of need review criteria found in Section 408.035, Florida Statutes. These criteria form the basis for the goals of the review process. The goals represent desirable outcomes to be attained by successful applicants who demonstrate an overall compliance with the criteria. Analysis of an applicant's capability to undertake the proposed project successfully is conducted by assessing the responses provided in the application, and independent information gathered by the reviewer.

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

Section 59C-1.010(2)(b), Florida Administrative Code, allows no application amendment information subsequent to the application being deemed complete. The burden of proof to entitlement of a certificate rests with the applicant. As such, the applicant is responsible for the representations in the application. This is attested to as part of the application in the Certification of the applicant.

As part of the fact-finding, the consultant, Jennifer Benghuzzi, analyzed the application in its entirety with consultation from the Financial Analyst, John Williamson, who evaluated the financial data, and the Architect, Joel Hill, who evaluated the architectural and the schematic drawings.

E. CONFORMITY OF PROJECT WITH REVIEW CRITERIA

The following indicate the level of conformity of the proposed project(s) with the criteria and application content requirements found in Florida Statutes, 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? Ch. 59C-1.008 and Ch. 59C-1.042, Florida Administrative Code.

The fixed need bed pool published in Volume 29, Number 30 of the Florida Administrative Weekly dated July 25, 2003, shows a need for four additional Level III NICU beds in District 1.

District 1 has 18 licensed Level III neonatal intensive care beds and four approved (CON #9418) Level III beds as of July 25, 2003. All of the licensed and approved Level III NICU beds are located at Sacred Heart Hospital. The net need of four additional Level III NICU beds was calculated based on there being 22 beds available by the planning horizon for this batching cycle, which includes the 18 licensed beds and the four approved beds. In other words, there is a gross net need for 26 Level III NICU beds for the January 2006 Planning Horizon. The applicant explains that due to hospital planning issues arising from the proposed project approved under CON #9418, as well as an exemption project to add acute care beds, the renovations as originally planned for the NICU are no longer feasible unless a larger addition to the Level III NICU can be implemented. Therefore, on August 4, 2003 SHH relinquished CON #9418 and simultaneously filed a letter of intent to add eight Level III NICU beds, which include the four it just relinquished

plus the four published as needed for this planning horizon. The Level III NICU beds in District 1 experienced an occupancy rate of 115.94 percent during the period January 2002 through December 2002.

Sacred Heart Hospital proposes the expansion of its existing Level III neonatal intensive care program from 18 to 26 beds. Sacred Heart Hospital is the sole provider of neonatal services in District 1.

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

As stated above, the 18 Level III NICU beds in District 1 experienced an occupancy rate of 115.94 percent for the most recent reporting period.

c. Conversion of Underutilized Acute Care Beds. New Level II or Level III neonatal intensive care unit beds shall normally be approved only if the applicant converts a number of acute care beds as defined in Rule 59C-1.038, excluding specialty beds, which is equal to the number of Level II or Level III beds proposed, unless the applicant can reasonably project an occupancy rate of 75 percent for the applicable planning horizon, based on historical utilization patterns, for all acute care beds, excluding specialty beds. If the conversion of the number of acute care beds which equals the number of proposed Level II or Level III beds would result in an acute care occupancy exceeding 75 percent for the applicable planning horizon, the applicant shall only be required to convert the number of beds necessary to achieve a projected 75 percent acute care occupancy for the applicable planning horizon, excluding specialty beds.

The applicant's 368 acute beds experienced an occupancy rate of 80.13 percent for CY 2002. In addition, the applicant states that it is currently approved to add 36 acute care beds due to high occupancy. The applicant is not proposing to convert acute care beds. Current and historic occupancy indicate that the applicant's acute occupancy will reach 75 percent in the planning horizon.

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

Although the published need in the district is for four Level III NICU beds, the applicant is requesting eight beds. However, as explained in E.1.a, the applicant relinquished four approved (CON #9418) Level III NICU beds in August 2003. The applicant's Level III NICU experienced an occupancy rate of 115.94 percent for the most recent reporting period. The applicant does meet the "special circumstances" as defined in Rule.

Sacred Heart Hospital is the designated RPICC in District 1 and the sole provider of Level II and Level III NICU services in the district. The applicant discussed the fact that a proportionately high number of births occur at Sacred Heart Hospital compared to other hospitals in District 1 that perform deliveries. The table below illustrates the number of births and percent of market share, based on agency reporting data, occurring at each of the hospitals in District 1 that perform deliveries:

District 1 Hospital Births & Market Share
01/01/2002-12/31/2002

	Sacred Heart	Ft. Walton Bch. Med. Ctr.	Baptist Hospital	North Okaloosa Med. Ctr.	Santa Rosa M.C.	West Florida RMC	Total
# of Births	2,100	1,167	854	586	521	283	5,511
Market Share Percentage	38.1%	21.2%	15.5%	10.6%	9.5%	5.1%	100%

Source: AHCA Hospital Patient Discharge Data, 01/01/2002 – 12/31/2003.

The data above shows that Sacred Heart Hospital is performing 38.1 percent of all deliveries in the district. According to the applicant, Sacred Heart also treats a significant number of infants from counties outside the district. The birth figures shown in the table above, are different than those reported by the applicant. The applicant states that it experienced 2,251 births at its facility. However, data submitted to the State Center for Health Statistics by the applicant for CY 2002, indicate that there were 2,100 births at Sacred Heart Hospital as shown in the table above.

In projecting Level III NICU bed need, the applicant presented the projected utilization at Sacred Heart Hospital in the table below through the year 2007, the second year of operation for the proposed project:

Projected NICU Level III Utilization At Sacred Heart Hospital Through the First Two Years of Operation

	2003	2004	2005	2006 Year 1	2007 Year 2
Female Population, Ages 15-44	135,593	136,451	137,178	137,810	138,415
Use Rate for 2002, held constant	56,589	56,589	56,589	56,589	56,589
Projected Patient Days	7,673	7,722	7,763	7,799	7,733
Projected Occupancy	116.79%	117.53%	118.15%	82.18%	82.54%
Level III Licensed Beds	18	18	18	26	26
Projected Admissions	602	606	609	612	615
ALOS	12.7	12.7	12.7	12.7	12.7

Source: CON Application 9700 ; Section1, page 5.

As can be seen in the table above, by the year 2007, the applicant projects 615 total admissions and over 7,733 patient days of care in the Level III unit. As the above table shows, the addition of eight NICU Level III beds brings occupancy levels closer to the desired 80 percent threshold by the planning horizon. Without the bed addition, the average annual occupancy rate will continue to rise above 100 percent.

Need for eight additional Level III NICU beds in District 1 has been demonstrated.

2. Local Health Plan Preferences

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

The District 1 July 2003 CON Allocation Factors Report provides the following preferences in the review of applications pertaining to neonatal intensive care services:

1. **Preference shall be given to a CON applicant who proposes to close or convert existing licensed unused beds.**

   The applicant is not proposing to close or convert any existing licensed beds. The applicant provided the following table illustrating its occupancy by bed type.

Sacred Heart Hospital
Occupancy by Bed Type
CY 2002

Bed Type	# Beds	Bed Days	Patient Days	Occupancy
Acute Care	368	134,320	107,635	80.13%
Skilled Nursing	17	6,205	5,968	96.18%
NICU Level II	28	10,220	6,689	65.45%
NICU Level III	18	6,570	7,617	115.94%
TOTAL	**431**	**157,315**	**127,909**	**81.31%**

Source: CON #9700, pg. 2-4. Data from AHCA's Hospital Bed Need Projection, 07/25/03; AHCA's Florida Hospital Based Skilled Nursing Unit Utilization by District and Subdistrict, 4/11/03.

As demonstrated above, the applicant experienced an average facility-wide occupancy rate of 81.31 percent. Furthermore, the combined Level II and Level III NICU had an overall occupancy rate of 85.21 percent. However, the average occupancy for the Level II NICU was 64.45 percent. Although the applicant maintains that given the fluctuation that can occur between levels of care, it would not be feasible to convert any of the Level II beds without affecting the functionality of the unit, this is not entirely clear due to the relatively low occupancy of this unit. Preference is not given.

If applicable, the District 1 neonatal intensive care unit bed preference is to be used in addition to any other CON preference applicable to acute care. Therefore, acute care bed preferences are addressed next.

1. **Preference shall be given to the CON applicant best demonstrating cost-efficiency, and least increase to patient charges.**

As previously stated, SHH is the sole provider of neonatal intensive care services in the district and is proposing this project to meet a published need for Level III beds. The applicant believes that operating nearer the occupancy standard will improve efficiency. However, it is more likely to improve quality and not really impact efficiency. Patient charges will not be affected by the implementation of this project according to applicant. The applicant did not demonstrate that efficiency will be approved upon implementation of its proposed project. Preference is not given.

2. **Preference shall be given to CON applicants proposing to acquire or consolidate facilities where it can be demonstrated that services will be improved and cost to the public will be reduced.**

   This preference is not applicable to the proposal.

3. **Preference shall be given to CON applications based on joint ventures and shared services that mutually increase existing resource efficiency and lower cost for patients over unilateral CON applications.**

   This preference is not applicable to the proposal.

4. **Preference shall be given to CON applications specifying the provision of services to the Medicaid and charity patients and specifying annual amount of Medicaid and charity care.**

   As noted in the project summary, the applicant has not agreed to condition award of the CON upon the provision of services to any specific population or for any special programs. The applicant did provide the following table to show its overall provision of Medicaid and charity care for its NICU.

Cases and Patient Days for SHH
For DRGs 385-389
CY 2002

Payer Source	Cases	Patient Days	Distribution of Days
Medicaid & Medicaid HMO	**387**	**7,993**	**58.53%**
HMO/PPO	229	3,463	25.36%
Commercial Insurance	38	990	7.25%
Self-Pay/Charity Care	**3**	**25**	**0.18%**
Other	69	1,185	8.68%
TOTAL	726	13,656	100.00%

Source: CON# 9700, pg. 2-7. Data from AHCA Hospital Patient Discharge Data, January-December 2002.

The data above shows that the applicant provided on average 58.5 percent of all NICU care, both Level II and Level III, to Medicaid recipients. Since most patients qualify for Medicaid through CMS, the charity care portion is low according to the applicant.

Refer to E.3.a. and E.4.i. below for further discussion. Preference is not given.

5. **Preference shall be given to CON applications proposing to convert bed types with low utilization to bed types of higher utilization within the facility.**

   The applicant is not proposing to convert any beds. Refer to E.2.1 above for discussion. Preference is not given.

6. **Preference shall be given to CON applications for bed expansion by existing facilities to have preference over applications for establishment and construction of new freestanding facilities.**

   This project proposes to add eight Level III NICU beds to an existing 18-bed Level III unit. Preference is given.

7. **Preference shall be given to CON applicants who commit to maximizing services to rural county residents and improving access to care in rural areas (if applicable).**

   As an RPICC, the proposed project would benefit residents of the entire district, including rural counties within the health-planning district. According to the applicant, SHH provides many programs to care for the poor and uninsured residing in outlying rural areas. Sacred Heart Mission Services are responsible for keeping the community healthy through a variety of programs, grants, and services funded entirely by Sacred Heart Health Systems. The applicant states that these programs continue to improve access to those in rural areas with limited income or insurance. However, the applicant did not agree to condition award of the CON upon providing services to reach county residents and improving access to care in rural areas. Preference is not given.

8. **Preference shall be given to CON applicants demonstrating quality of care standards by achieving and maintaining the highest standard of the Joint Commission on Accreditation of Healthcare Organization (JCAHO), and/or the highest standard of the National Committee for Quality Assurance (NCQA) certification and accreditation, and/or the highest standard of a similar independent entity providing quality assurance certification/accreditation. These entities may include, but not limited to, American Osteopathic Association (AOA), Centers for Medicare and Medicaid Services (CMS) initiatives licensure groups, and/or a similar independent entity providing quality assurance certification/accreditation. (This preference applies only to existing facilities). When a facility does not exist, an applicant who commits to seeking the highest standard of quality performance of these independent entities.**

   The facility is accredited by the Joint Commission on Accreditation of Healthcare Organizations and is under contract with the Children's Medical Services (CMS)/Regional Perinatal Intensive Care Centers (RPICC) program. Refer to E.4.b. below for discussion on quality of care.

9. **Preference shall be given to an applicant who demonstrates a history of or a willingness to commit to provide health care services to patients with HIV/AIDS and specifies the annual volume of such cases.**

   The applicant provided the following table to show SHH's historical utilization for patients treated under DRG's 488-490 (MDC 25), Human Immunodeficiency Virus Infection, for the past three calendar years.

Sacred Heart Hospital
Historical Provision of Care to AIDS/HIV Patients (MDC 25)

	2000	2001	2002
Cases	62	96	69
Patient Days	482	803	629
Length of Stay (Days)	7.8	8.4	9.1

Source: CON #9700, Pg. 2-10. Data from AHCA's Hospital Patient Discharge Data Files for the years shown.

As demonstrated by the number of cases reported under MDC 25, SHH does have a history of providing care to patients with HIV/AIDS. Preference is given.

3. **Agency Rule Preferences**

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

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

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

Sacred Heart Hospital is the sole provider of Level II and III NICU services in District 1 and is under contract with the Children's Medical Services (CMS)/Regional Perinatal Intensive Care Centers (RPICC) program.

The applicant projects its payment mix for the eight additional NICU beds to be:

Projected Payer Distribution in the Eight-Bed Level III NICU

Payer Category	Percent of Patient Days
Charity	1.60%
Self Pay	0.00%
Other/Self Pay	10.06%
Medicaid	63.32%
Commercial Ins.	2.23%
Managed Care	22.80%
Total	**100.0%**

Source: CON Application 9700; Schedule 7A, Table 7A-1.

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

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

(1) **The establishment of Level III neonatal intensive care services shall not normally be approved unless the hospital also provides Level II neonatal intensive care services.**

The applicant has Level II and Level III NICU beds.

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

The applicant states that developmental evaluations and follow-ups have always been a component of the RPICC program in which it participates. The RPICC Developmental Evaluation and Intervention Program was transferred to CMS's Early Intervention Program in 1993 according to the applicant. The applicant states that it coordinates services with CMS, as appropriate, to ensure that infants with potential developmental and/or medical problems are identified early and proper referrals to support and training programs are established with the family.

c. **Ch. 59C-1.042(5), Florida Administrative Code - Minimum Unit Size. Hospitals proposing the establishment of new Level III neonatal intensive care services shall propose a Level III neonatal intensive care unit of at least 15 beds, and should have 15 or more Level II neonatal intensive care unit beds.**

The existing 28-bed Level II and 18-bed Level III NICU currently meets the 15-bed minimum unit size. Sacred Heart Hospital's proposal will bring the Level III unit to 26 beds if the project is approved.

d. **Ch. 59C-1.042(6) - Minimum Birth Volume Requirement. Hospitals applying for Level III neonatal intensive care services shall not normally be approved unless the hospital has a minimum service volume of 1,500 live births for the most recent 12-month period ending six months prior to the beginning date of the quarter of the publication of the fixed bed need pool. Specialty children's hospitals are exempt from these requirements.**

The hospital exceeds the minimum service volume of 1,500 live births.

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

Currently Level II and Level III NICU services are available and accessible within the two hours ground time to 90 percent of the residents of District 1.

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

(1) **Physician Staffing: Level III neonatal intensive care services shall be directed by a neonatologist or a group of neonatologists who are on active staff of the hospital with unlimited privileges and provide 24-hour coverage, and who are either board-certified or board-eligible in neonatal-perinatal medicine. In addition, facilities with Level III neonatal intensive care services shall be required to maintain a maternal fetal medical specialist on active staff of the hospital with unlimited staff privileges.**

Dr. Paul Stephen Berger is the Medical Director for SHH's NICU. He provides oversight of SHH's NICU and the RPICC. Dr. Berger is certified by the American Board of Pediatrics and its sub-board of Neonatal-Perinatal Medicines. The applicant states that there are two board-certified neonatologists and one board-eligible neonatologist serving the hospital's NICU programs. This group of physicians has unlimited privileges and provides 24-hour coverage for the Level II and Level III NICU programs. In addition to the neonatologists, SHH has three physicians specializing in maternal fetal medicine. This group of physicians also has unlimited privileges and provides 24-hour coverage for the Level II and Level III NICU programs. Curriculum vitas were provided for each physician.

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

The applicant states that the patient care manager for the Level III NICU is Clara Harris, R.N. A curriculum vitae was provided. Schedule 6 of the application indicates that the applicant intends to add 9.90 FTE registered nursing positions to the existing

registered nursing staff as a result of this project. The applicant did not quantify the percentage of registered nurses in its Level II and Level III NICU however; the applicant notes that nurse staffing providing direct care are registered nurses.

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

SHH states that its nursing staff already has the required competencies.

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

Sacred Heart Hospital has a respiratory care department dedicated to the NICU program. According to the applicant, each respiratory therapist is certified and supplemented by continuing education. The applicant states that it will have sufficient respiratory therapists to meet the need in the expanded Level III NICU by maintaining a staffing level of one RRT for every four ventilators.

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

The applicant states that its facility has blood gas determinations available on a 24-hour basis.

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

SHH states that it provides on site x-ray, obstetric ultrasound, and clinical laboratory services with the ability to perform microstudies,

24 hours a day, seven days a week. In addition, anesthesia is available within 30 minutes, 24 hours a day.

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

The pediatric dietician for SHH is Ellen G. Heriot, RD, LD. As part of the interdisciplinary team, Ms. Heriot participates in case planning while the neonate is in the hospital as well as provides information and instructions to the parents at the time of discharge. In addition, part of her responsibilities are to provide parents of neonates in the NICU with information on dietary needs and requirements and how best to meet them. This involves the presentation of information in written as well as oral format, answering questions, and providing seminars or training in small groups with either parents or the staff.

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

The applicant describes the duties of the social work services department in assisting the patient's family, including identification and referral to needed resources in the community. A curriculum vitae for SHH's NICU Social Worker, Katherine Rentz, BSW, was provided.

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

The applicant states that in-hospital intervention services are available for infants identified as being at high risk for

developmental disabilities and includes developmental assessment, intervention, and parental support and education.

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

According to the applicant, SHH has an interdisciplinary staff responsible for the discharge planning of its neonates. The patient care manager, Clara Harris, R.N., directs the preparation of the discharge plan and monitors its implementation.

h. Ch. 59C-1.042(10), Florida Administrative Code - Level III Neonatal Intensive Care Unit Standards: The following standards shall apply to Level III neonatal intensive care services:

(1) Pediatric Cardiologist. A facility providing Level III neonatal intensive care services shall have a pediatric cardiologist, who is either board-certified or board-eligible in pediatric cardiology, available for consultation at all times.

There are two board-certified pediatric cardiologists on staff according to the applicant.

(2) Nurse to Neonate Staffing Ratio. Hospitals shall have a nurse to neonate ratio of at least 1:2 in Level III NICUs at all times. At least 50 percent of the nurses shall be registered nurses.

The applicant indicates it meets this standard and will continue to do so in operating additional beds. The applicant did not address the percentage of registered nurses in its response to this element of the rule. Schedule 6A indicates that the applicant intends to hire an additional 9.90 RN FTEs to accommodate this project.

(3) Requirements for Level III NICU Patient Stations. Each patient station in a Level III NICU shall have, at a minimum:

a. Eighty square feet per infant;
b. Two wall mounted suction outlets preferably equipped with a unit alarm to signal loss of vacuum;
c. Twelve electrical outlets;
d. Two oxygen outlets and an equal number of compressed air outlets and adequate provisions for mixing these gases;
e. An incubator or radiant warmer;

f. **One heated humidifier and oxyhood;**
g. **One respiration or heart rate monitor;**
h. **One resuscitation bag and mask;**
i. **One infusion pump;**
j. **At least one non-invasive blood pressure monitoring device for every three beds;**
k. **At least one portable suction device; and**
l. **Availability of devices capable of measuring continuous arteria; oxygenation in the patient**

The applicant indicates that it is in compliance with all of the requirements above. Refer to the architectural review below in E.4.h.

(4) Equipment Required to be Available to Each Level III NICU on demand:

a. **An EKG machine with printout capacity;**
b. **Portable suction equipment; and**
c. **Not less than one ventilator for every three beds**

The applicant indicates its present Level III NICU has an EKG machine and additional suction equipment and ventilators will be added to meet the minimum requirements stated above.

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

(1) Provision of Emergency Transportation. Hospitals providing Level II or Level III neonatal intensive care services must operate a 24-hour emergency transportation system directly, or contract for this service, or participate through a written financial or non-financial agreement with a provider of emergency transportation services.
(2) Requirements for Emergency Transportation System. Emergency transportation system, as defined in paragraph (11)(a), shall conform to section 10D-66.52, Florida Administrative Code.

Sacred Heart Hospital holds an Advanced Life Support License for ambulance service and air transport. The vehicles are specially equipped for neonatal and pediatric transports. The transports are staffed with specially trained staff consisting of residents, neonatal

nurses, respiratory therapists, paramedics, and ambulance drivers. Emergency transportation services are available on a 24-hour basis.

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

The applicant contends that as the only provider of Level III NICU services and the designated RPICC for District 1, it must accept all transfers, provided beds are available. SHH maintains a neonatal transport service to assist referral hospitals in transferring infants to the Level II and Level III NICU. A copy of the neonatal transport protocol for transfers appears in Exhibit 3-6 of the application.

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

1. **Utilization Data.**
2. **Patient Origin Data**

The applicant agreed to continue reporting all data as required by this provision.

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.

Concerning availability, the applicant is the only provider in the service area offering Level III NICU services. Additional beds at SHH will improve the availability of this service for district residents. The 18 Level III neonatal intensive care beds had an occupancy rate of 115.94 percent for CY 2002. Furthermore, the applicant is responding to a published fixed need. The net published need of four Level III NICU was calculated based on 18 licensed beds plus four approved beds. As was previously discussed in E.1.a, delays due to planning and construction issues thwarted the original plans to construct a four-bed Level III addition, previously approved under CON #9418. The applicant subsequently relinquished the CON in order to implement the current proposal. Therefore, the Agency's need methodology is based on there being a need for 26 Level III NICU beds for the January 2006 Planning Horizon. This proposal addresses that need.

Need for the project is 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.

The facility is accredited by the Joint Commission on Accreditation of Healthcare Organization, a RPICC center, and a quality of care provider. Refer to E.4.b. below for discussion on quality of care.

b. Does the applicant have a history of providing quality of care? Has the applicant demonstrated the ability to provide quality care? Please discuss your licensure history within and outside of Florida, and discuss any accreditation(s) held. ss. 408.035(3), 408.035(12), Florida Statutes.

The facility is accredited by the Joint Commission on Accreditation of Healthcare Organizations. A copy of the accreditation certificate appears as Exhibit 2-3, Section1 of the application. Further, the applicant was awarded the Governor's Sterling Award in 1994 and since 1996, has received the Consumer Choice Award by the National Research Corporation.

The applicant participates in both the Medicare and Medicaid program and is the designated Regional Perinatal Intensive Care Centers (RPICC) for the district. The applicant demonstrated its capacity for providing quality care to patients.

According to AHCA data, SHH had 11 confirmed complaints (four without deficiencies) during the past three years. Three of the confirmed complaints were related to patient care, five were billing/refund problems, one was related to medical records/charting, one was related to infection control, and one was an emergency access violation. The emergency access violation was not related to the NICU.

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

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

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

The proposed project will not be located in a statutorily defined teaching hospital nor will the primary purpose of the project involve research or physician education.

However, the applicant is affiliated with the University of Florida College of Medicine, providing residency programs in pediatrics, gynecology and obstetrics. Therefore, the neonatal program within the hospital plays a critical role as a research and teaching unit.

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

The audited financial statements of Sacred Heart Hospital of Pensacola and Member Entities for the periods ending June 30, 2002 and 2001 were analyzed for the purpose of evaluating the applicant's ability to provide the capital and operational funding necessary to implement the project.

	06/30/2002	06/30/2001
Current Assets	$ 84,658,000	$ 70,577,000
Cash and Current Investment	$ 18,913,000	$ 14,995,000
Assets Restricted for Capital Projects	$ -	$ -
Total Assets	$ 361,835,000	$ 342,763,000
Current Liabilities	$ 30,829,000	$ 25,548,000
Total Liabilities	$ 106,304,000	$ 97,845,000
Net Assets	$ 255,531,000	$ 244,918,000
Total Operating Revenues	$ 296,643,000	$ 262,382,000
Interest Expense	$ 2,860,000	$ 2,944,000
Income from Operations	$ 12,103,000	$ 11,224,000
Net Income	$ 13,936,000	$ 12,432,000
Cash Flow from Operations	$ 28,092,000	$ 35,731,000
Working Capital	$ 53,829,000	$ 45,029,000
Current Ratio (CA/CL)	2.7	2.8
Cash Flow to Current Liabilities (CFO/CL)	0.91	1.40
Long-Term Debt to Net Assets (TL-CL/TA)	0.3	0.3
Times Interest Earned (NPO+Int/Int)	5.2	4.8
Net Assets to Total Assets (NA/TA)	70.6%	71.5%
Operating Margin (NPO/NOR)	4.1%	4.3%
Total Margin (NI/NOR)	4.7%	4.7%
Return on Assets (NI/TA)	3.9%	3.6%
Operating Cash Flow to Assets (CFO/TA)	7.8%	10.4%

Short-term position:
The applicant's current ratio of 2.7 is below the 50th percentile for Florida hospitals. The working capital (current assets less current liabilities) of $53.8 million is a measure of excess liquidity that could be used to fund capital projects. The ratio of cash flow to current liabilities of 0.9 is above the 50th percentile for Florida hospitals. Overall, the applicant has a strong short-term position.

Long-term position:
The ratio of long-term debt to net assets of 0.3 and the ratio of cash flows to assets of 7.8 percent is below the 50th percentile. The most recent year had revenues in excess of expenses of $13.9 million, resulting in a margin ratio of 4.7 percent, which is above the 50th percentile for Florida hospitals. Total net assets are $255.5 million. The ratio of net assets to total assets is 70.6 percent, which is above the average level. Overall, the applicant has a strong long-term position.

Capital requirements:
Schedule 2 indicates the applicant has capital projects totaling $139.8 million. Maturities of long-term debt total $2.3 million though 2005.

Available capital:
These projects will be funded from $49.2 million in cash on hand and $90.6 million from operating cash flows. If annual cash flows of $28.0 million were to continue through 2005 the applicant would generate $84.0 million in cash. The applicant had $18.9 million in cash in hand and $39.0 million board-designated investments at June 30, 2002.

Conclusion:
Sacred Heart Health Systems, Inc. has the financial resources to fund this project and all capital projects.

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

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

Comparative data were derived from hospitals in peer groups that reported data in 2001; the applicant will be compared to the hospitals in peer group 7. Per Diem rates are projected to increase by an average of 3.6 percent per year. Inflation adjustments were based on the 3rd Quarter 2002 New CMS Hospital Market Basket Index.

Projected net revenue per adjusted patient day (NRAPD) of $1,402 in year one and $1,438 in year two is between the control group lowest and median values of $1,142 and $1,479 in year one and $1,179 and $1,526 in year two. The lowest value is generally viewed as the practical lower limit on economies of operation. With net revenues per adjusted patient day falling between the lowest and median the facility is expected to consume health care resources in proportion to the services provided. (See Comparative Table). Actual NPAPD reported for this hospital for 2001 was $1,212, between the control group lowest and median values of $992 and $1,289.

Projected cost per adjusted patient day (CAPD) of $1,304 in year one and $1,345 in year two is between the control group lowest and median values of $1,171 and $1,401 in year one and $1,208 and $1,446 in year two. Compared to the control group these costs are efficient. (See Comparative Table). Actual CAPD reported for this hospital for 2001 was $1,121, between the control group lowest and median values of $1,017 and $1,249.

The year two operating profit for the hospital of $17,882,291 computes to an operating margin per adjusted patient day of $92 which is between the control group median and highest of $59 and $315. The computed operating margin ratio is 6.4 percent.

This project is financially feasible.

Comparative Table

CON # 9700 **Sacred Heart Health System, Inc.** **2001 DATA Peer Group 7**	2007 YEAR 2 ACTIVITY	YEAR 2 ACTIVITY PER DAY	VALUES ADJUSTED FOR INFLATION Highest	 Median	 Lowest
ROUTINE SERVICES	707,574,471	3,657	974	618	395
INPATIENT AMBULATORY		0	133	55	29
INPATIENT ANCILLARY SERVICES		0	3,792	2,497	1,683
OUTPATIENT SERVICES		0	1,657	1,324	887
OTHER OPERATING REVENUE	3,662,785	19	39	11	0
TOTAL REVENUE	711,237,256	3,676	6,021	4,504	3,537
DEDUCTIONS FROM REVENUE	433,052,972	2,238	*	*	*
NET REVENUES	278,184,284	1,438	1,750	1,526	1,179
EXPENSES					
ROUTINE		0	342	234	162
ANCILLARY		0	561	512	438
AMBULATORY					
OVERHEAD		0	762	631	485
OTHER		0			
TOTAL EXPENSES	260,301,993	1,345	1,652	1,446	1,208
OPERATING INCOME	17,882,291	92	315	59	-54
		6.4%			
PATIENT DAYS	132,690		VALUES NOT ADJUSTED FOR INFLATION		
ADJUSTED PATIENT DAYS	193,481				
TOTAL BED DAYS AVAILABLE	160,235				
ADJ. FACTOR	0.6858				
TOTAL NUMBER OF BEDS	439				
PERCENT OCCUPANCY	82.8%		78.7%	54.9%	37.0%
PAYER TYPE	PATIENT DAYS	% TOTAL			
MEDICARE	59,016	44.5%	77.3%	58.9%	30.4%
COMMERCIAL	0	0.0%			
MEDICAID	30,828	23.2%	28.6%	10.8%	1.5%
PRIVATE	12,215	9.2%			
HMO/PPO	30,631	23.1%	54.7%	27.0%	10.6%
OTHER	0	0.0%			
TOTAL	132,690	100.0%			

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

The applicant forecasts managed care levels at 23.1 percent, between the lowest and median level of the control group of 10.8 and 27.0 percent. This level, if realized, will have no positive impact on competition to promote quality assurance and cost-effectiveness. Reported level for this hospital for 2001 was 35.8 percent.

The proposed NICU III project was compared to all other hospitals in the state with approved NICU III programs. Schedule 7's total gross revenue for the project is only projected to be $4,793,921 for year two. With 2,410 patient days anticipated, the gross revenue (gross charges) per patient day computes to $1,989. This amount is between the control group lowest and median values of charges of $1,940 and $3,484. With the NICU III charges between the lowest and median, this project may foster positive competition to promote quality and cost-effectiveness.

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

The applicant seeks to add eight new Level III NICU beds to its existing 18 beds Level III unit. There will be four semi-private NICU rooms with ancillary spaces such as a central service and control area and a blood gas station located adjacent the new NICU. Since these beds are being added to an existing unit, many of the required ancillary spaces exist and satisfy the support space requirements.

This is not a major project in that it expands an existing program and for this situation, the time and financial information appear to be reasonable.

There is a list of applicable building codes on the drawings, but it is incorrect on several points. The standard building code is no longer used in Florida and there are 2003 revisions to the Florida Building Code that are not referenced on the documents. However, these revisions may not have been readily available to the applicant. It is apparent that the proposed spaces were designed to meet the requirements of the guidelines referenced by the Florida Building Code. Cubicle curtains will be needed as well as other privacy-related issues of the guidelines, Section 7.3.E.

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.**

The following table provides an indication of the applicant's commitment to charity and Medicaid, with comparison to the district, based on fiscal year (FY) 2001 actual data prepared by AHCA:

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

Applicant	FY 01 Conventional Medicaid Days	FY 01 Gross Charity Percentage of Charges
Sacred Heart Hospital	28.6%	2.4%
District 1 Average	17.3%	1.7%

Source: FY 2001 Actual Data/AHCA

As reflected in the table above, SHH's facility-wide provision of Medicaid and charity care exceeds the district average. The applicant is the designated RPICC in District 1 and the sole provider of Level II and Level III NICU services in the district.

Sacred Heart Hospital was classified as a Medicaid Disproportionate Share Provider in state fiscal years 2000-2001 and 2001-2002, but is not eligible to be a disproportionate share provider for fiscal year 2002-2003. This is due to an amendment to Section 409.911, Florida Statutes. Nevertheless, it is a high indigent care provider.

As noted in the project summary, the applicant has not agreed to condition award of the CON upon the provision of services to any specific population or for any special programs.

F. SUMMARY

The hospital located in District 1, Escambia County, is a 431-bed Class I General Hospital licensed for 368 acute care beds, 17 hospital-based skilled nursing beds, 28 Level II and 18 Level III NICU beds.

Sacred Heart Hospital of Pensacola proposes to add eight Level III NICU beds to its existing 18-bed Level III NICU, creating a 26-bed unit, in District 1, Escambia County. The applicant is the sole provider of neonatal services in the service area.

The total project cost is estimated at $590,234. Renovation costs are projected at $224,441 and the project will involve 2,523 GSF of renovated space.

Need/Other Special Circumstances:

A fixed need pool of four beds was published for Level III NICU services in District 1.

District 1 had 18 licensed Level III neonatal intensive care beds and four approved Level III beds at Sacred Heart Hospital as of July 25, 2003. However, on August 4, 2003, SHH relinquished its four approved Level III NICU beds (CON #9418) and simultaneously filed a letter of intent to add eight Level III NICU beds. The Level III NICU beds in District 1 experienced an occupancy rate of 115.94 percent during the period January 2002 through December 2002. The Agency's need methodology showed a gross need for 26 Level II NICU beds by the January 2006 planning horizon: 18 licensed, four approved and four needed. With the relinquishment of the four approved beds, this proposal addresses that need.

Quality of Care:

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

Medicaid/Indigent Care:

Sacred Heart Hospital is a designated Medicaid Regional Perinatal Intensive Care Center and has historically provided a high amount of indigent care.

Financial/Cost:

The applicant has a strong short-term and long-term position. The applicant should be able to fund all capital requirements as needed.

This project may foster positive competition to promote quality and cost-effectiveness.

Architectural:

The projected timetable appears to be reasonable given the scope of the project and cost data and schedules submitted seem to be reasonable for what is essentially minor renovation of an existing space. The list of applicable building codes on the drawings is incorrect on several points. The standard building code is no longer used in Florida and there are 2003 revisions to the Florida Building Code that are not referenced on the documents. It is apparent that the proposed spaces were designed to meet the requirements of the guidelines referenced by the Florida Building Code. Cubicle curtains will be needed as well as other privacy-related issues of the guidelines, Section 7.3.E.

G. RECOMMENDATION:

Approve CON #9700 to add eight Level III neonatal intensive care unit (NICU) beds to the existing 18 Level III NICU beds at Sacred Heart Hospital. The total project cost is $590,234. Renovation costs are $224,441 and the project will involve 2,523 GSF of renovated space.

CON Action Number: 9700

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: ______________________

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Karen Rivera
Health Services and Facilities Consultant Supervisor
Certificate of Need

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Jeffrey N. Gregg
Chief, Bureau of Health Facility Regulation