

STATE AGENCY ACTION REPORT
ON APPLICATION FOR CERTIFICATE OF NEED

A. PROJECT IDENTIFICATION

1. Applicant/CON Action Number

Villa Maria Nursing & Rehabilitation Center, Inc./CON #9722
d/b/a St. Catherine's Rehabilitation Hospital
c/o Elizabeth McArthur
Rady, Thomas, Yon, Clark
Post Office Box 10967
Tallahassee, Florida 32302

Authorized Representative: Elizabeth McArthur
(850) 425-6654

2. Service District/Subdistrict

District 11, Dade County

B. PUBLIC HEARING

Although no public hearing was requested, there were seven letters of support received via the mail. These were from the President of the City of Hialeah Council and six local physicians. The letters praised the applicant's quality of care and indicated that the new facility will enable St. Catherine's to better utilize presently unused beds. The applicant also submitted 23 letters (two of which were also received via the mail) of support for the project. These were from two local mayors, one HMO executive, two rehab case management company representatives, one occupational therapist, one physical therapist, and nine were from local medical doctors. The general consensus of these letters is that the transfer of 40 CMR beds from St. Catherine's Rehabilitation to the new facility will benefit patients and serve an area that presently does not have a rehabilitation hospital. There were two letters from Mercy

Hospital, two from Palmetto General Hospital and one from Mount Sinai & Miami Heart Institute in support of the project. The Mercy Hospital and Palmetto General Hospital letters indicate that the new hospital will be a benefit to a largely Spanish population that does not like to travel far from the neighborhood to receive medical care. The Mount Sinai & Miami Heart Institute letter indicates that the new facility would increase St. Catherine's utilization and be a state of the art facility. The applicant also includes a letter of support from the University of Miami School of Medicine which indicates that St. Catherine's West would provide a highly needed location which would be a magnet for institutions of higher education looking for high caliber clinical sites that can offer specialized training in a culturally diverse population. It is noted that of the local hospitals writing in support of the project, two have rehabilitation programs: Mt. Sinai Medical Center has 60 comprehensive medical rehabilitation (CMR) beds and Mercy Hospital has 20 CMR beds.

C. PROJECT SUMMARY

Villa Maria Nursing & Rehabilitation Center, Inc. (CON #9722) is a not-for-profit Florida corporation established under the sponsorship of the Archdiocese of Miami, which operates Villa Maria Nursing Center, a 212-bed skilled nursing facility and St. Catherine's Rehabilitation Hospital, a 60-bed rehabilitation hospital. The applicant is seeking to transfer 40 comprehensive medical rehabilitation (CMR) inpatient beds from St. Catherine's Rehabilitation Hospital to construct a new facility approximately five miles from the existing campus. The applicant contends the project will move underutilized beds to an area where there is demand for more accessible CMR services.

According to the *Certificate of Need Predicated on Conditions* page, the applicant agrees to condition the project upon providing a minimum of three percent of the new facility's patient days to Medicaid patients/charity care patients. St. Catherine's does not have an existing CON condition.

The total project cost is estimated at \$14,434,592. Construction costs are projected at \$9,255,000 and the project will involve new construction of 48,710 gross square feet (GSF).

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, applications are comparatively reviewed to determine which applicant best meets the review criteria.

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

As part of the fact-finding, the consultant, James McLemore, analyzed the application with consultation from the financial analyst, John Williamson, who reviewed the financial data and architect Joel Hill, who evaluated the architectural and the schematic drawings.

E. CONFORMITY OF PROJECT WITH REVIEW CRITERIA

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

1. Fixed Need Pool

a. Does the project proposed respond to need as published by a fixed need pool? Chapter 59C-1.008 and Rule 59C-1.039, Florida Administrative Code.

In Volume 29, Number 30, dated July 25, 2003 on page 3008 of the Florida Administrative Weekly, a fixed need pool of zero beds was published for comprehensive medical rehabilitation beds in District 11 for the January 2009 planning horizon.

District 11 has 421 licensed comprehensive medical rehabilitation beds and no CON approved beds¹. The comprehensive medical rehabilitation beds in District 11 experienced an occupancy rate of 72.19 percent during the CY 2002 reporting period. The applicant is applying outside the fixed need pool to transfer 40 existing CMR beds from St. Catherine’s Rehabilitation Hospital in order to construct a new 40-bed facility to be called St. Catherine’s Rehabilitation Hospital – West, approximately 11 miles from its existing facility².

Comprehensive Medical Rehabilitation Bed Utilization District 11 - Dade County – Calendar Year 2002 Reporting Period			
Facility	Number of CMR beds	S*	Occupancy %
Baptist Hospital of Miami	36		80.65%
HealthSouth Rehabilitation Hospital	60	S	114.76%
Jackson Memorial Hospital	80		48.14%
Meadowbrook Rehabilitation Hospital of West Gables	60	S	79.24%
Mercy Hospital	20		85.59%
Mount Sinai Medical Center	60		79.44%
Parkway Regional Medical Center	12		71.42%
St. Catherine’s Rehabilitation Hospital	60	S	44.40%
South Miami Hospital	33		75.33%
Total Beds/Average Utilization	**421		72.19%

Source: Florida Hospital Bed and Service Utilization by District July 2003.

*S = Specialty Rehabilitation Hospital

** HealthSouth Rehabilitation Hospital added 15 beds on October 7, 2002.

The proposed project is a transfer of existing beds from one campus to construct a new facility under the same licensee. Therefore there will be no change in the number of CMR beds in the district as a result of this project. The need for the project focuses on the applicant’s goal to provide care to the largely Hispanic population that resides in the neighborhood of the new location.

¹ It is noted that CON #9568 is approved for Mt. Sinai Medical Center to move 60 beds to its other campus located approximately one mile from the existing location. However, this does not increase the District’s CMR bed total.

² While not stated by the applicant, the distance estimate is based on the map contained on page 20 of the application and [FloridaHealthStat](#) Facility Locator using the address of Palmetto General Hospital, close to where the applicant’s new facility will be located compared to the existing St. Catherine’s facility address.

Although the applicant expects its proposed move to generate higher occupancy for its existing beds, it does not believe that it will negatively impact existing providers. As noted above in the chart, there are three specialty CMR hospitals in District 11: St. Catherine’s, HealthSouth Rehabilitation Hospital and Meadowbrook Rehabilitation Hospital of West Gables. The applicant’s map of its proposed service area (page 20 of the application) shows that it will be moving these 40 beds so that they are closer to the other two specialty hospitals. The applicant does not state why it believes this relocation will not negatively impact existing providers and yet increase use of its existing beds. However, the applicant did provide a chart illustrating the percentage of CMR patients from each zip code in its proposed service area (PSA) by the hospital currently providing the service. The applicant’s PSA includes zip codes: 33010, 33012, 33013, 33014, 33015, 33016, 33018, 33166, and 33178. This chart also provides a total percentage for the all zip codes as follows:

**2002 Total Percentage of District 11 CMR Providers
CMR Discharges in St. Catherine’s West’s PSA**

Hospital	% ZIP CODES: 33010, 33012, 33013, 33014, 33015, 33016, 33018, 33166, & 33178*	% Occupancy
St. Catherine’s East (60 beds)	13.6%	44.4%
Meadowbrook Rehabilitation Hospital (60 beds)	12.2%	79.2%
Jackson Memorial Hospital (80 beds)	11.2%	48.1%
South Miami Hospital (33 beds)	7.1%	75.3%
Baptist Hospital of Miami (36 beds)	5.1%	80.7%
HealthSouth Rehabilitation Hospital (60 beds)	3.7%	114.8%

Source: CON #9722, page 17 and Florida Hospital Bed and Service Utilization by District July 2003.

*NOTE: Percentage represents the percent of total CMR discharges from the facility

As shown above, Jackson Memorial Hospital is serving almost as high a percentage of this patient population as St. Catherine’s East and its 80 CMR beds are almost as underutilized as St. Catherine’s 60 CMR beds. The applicant also looked at expected population growth in this zip code area, which shows that it is expected to grow by 8.4 percent by 2007 and the Miami-Dade County is expected to grow by 5.2 percent. However, the applicant did not show that the population in this proposed new service area is expected to experience higher growth than the population in its existing service area. Jackson Memorial Hospital currently provides services to a high percentage of the Hispanic patient population throughout the district. In another chart used to illustrate where patients in the proposed service area are currently receiving services the applicant shows the actual number of patients from the proposed service area going to area hospitals. The three providers seeing the highest actual number of patients are the same three providers that had the highest percent of its total CMR patient days from the services area. The applicant shows that 77 patients from this area went to Jackson

Memorial, 122 went to Meadowbrook Rehabilitation Hospital of West Gables, and 98 went to St. Catherine's. Should St. Catherine's capture more of this Hispanic market, as it indicates it expects to, despite population increases, Jackson Memorial's CMR unit will most likely be impacted. The degree of that impact is not clear. It is also likely that Meadowbrook Rehabilitation Hospital of West Gables will be impacted assuming the applicant succeeds in capturing more of that zip code market. Again, the degree of impact is not clear.

The applicant contends that the project is expected to result in improved services to patients and enhanced efficiencies at both facilities. However, the applicant does not demonstrate efficiencies will occur. In reference to patient services, the applicant indicates that the present facility does not have piped oxygen in patient rooms for patients in need of pulmonary rehabilitation, wall suction capabilities for patients requiring respiratory therapy and an aquatic center offering rehabilitation techniques. The new facility will include these improvements. However, the applicant does not address why these can't be provided at the existing facility. In addition, the applicant does not document the cost savings expected by providing these services at the new facility compared to providing these services at the existing facility.

The applicant also states that there is an imbalance of CMR beds in Miami-Dade County with there being none in the northwest section. However, as noted earlier, this project is proposing to move beds approximately 11 miles and CMR services are defined in section 408.032 (17), Florida Statutes (F.S.) as tertiary care services and the service area is the district, which consists of Miami-Dade and Monroe Counties:

"Tertiary health service" means a health service which, due to its high level of intensity, complexity, specialized or limited applicability, and cost, should be limited to, and concentrated in, a limited number of hospitals to ensure the quality, availability, and cost-effectiveness of such service. Examples of such service include, but are not limited to, organ transplantation, specialty burn units, neonatal intensive care units, comprehensive rehabilitation, and medical or surgical services which are experimental or developmental in nature to the extent that the provision of such services is not yet contemplated within the commonly accepted course of diagnosis or treatment for the condition addressed by a given service. The agency shall establish by rule a list of all tertiary health services. (underlined for emphasis)

Additionally, the applicant indicates that it expects to serve patients from Broward County, though a number was not presented. Hollywood Medical Center, located near the county line in Broward County, experienced an average occupancy of 47.2 percent in its 33 CMR beds in calendar year (CY) 2002. The applicant failed to demonstrate that access and availability of CMR beds will improve if this project is implemented. Additionally, it is not clear that this is a more efficient use of resources.

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 Ch. 59C-1.039, Florida Administrative Code.

The District 11 July 2003 CON Allocation Factors Report provides the following preferences in the review of applications pertaining to comprehensive medical rehabilitation beds:

- 1. Preference shall be given to applicants who participate in community education and awareness efforts including education on prevention, and managing and overcoming physical disabilities. Activities may include support groups and community forums.**

The applicant states that as part of the Catholic Health Services system, it has implemented outreach programs including educational seminars and has relationships with approximately 50 community organizations for the purpose of education and awareness. The applicant cites articles in the publication of the quarterly Catholic Health Services newsletter called CHS Connections, which is published in English and Spanish. Titles include "Medication Education", "Brain Injury - Awareness and Hope", and "What Goes on in a Rehabilitation Hospital". The applicant included a copy of the publication in Attachment G and states that it will be distributed at the new facility. The facility also gives lectures in Spanish and English on such topics as "Stroke - Are You Are Risk". Attachment H contained a list of 50 community organizations the applicant presently has relationships with. The applicant indicates that its community outreach program and relationships with community organizations will be continued at St. Catherine's Hospital West (the new facility).

- 2. Preference shall be given to applicants who propose to convert underutilized acute care beds, excluding specialty beds, equal to the number of comprehensive medical rehabilitation inpatient beds.**

The applicant does not consider this preference applicable as it proposes to relocate CMR beds. The applicant does contend that the project will relocate underutilized CMR beds to a more appropriate location.

- 3. Preference shall be given to applicants who demonstrate that the transfer of beds will not adversely impact the Medicare and private pay markets of area hospitals providing disproportionate share of charity care and Medicaid patient days.**

The applicant indicates that its project will not adversely affect Jackson Memorial Hospital, the only District 11 CMR provider that provides a disproportionate share of charity care and Medicaid patient days, because only 11.2 percent (or 77) of Jackson's total CMR discharges originated from the new facility's proposed service area. The applicant contends that this project will improve CMR bed distribution in north Dade County by transferring beds from the east, where a surplus of beds exist, to the west, where no CMR beds are presently located. However, data presented by the applicant shows that Jackson Memorial Hospital currently services that area. The impact of this project in Jackson's already underutilized CMR unit is not known. Jackson Memorial is the largest provider of care to the medically indigent in the district.

3. Agency Rule Criteria

Please indicate how each applicable preference for the type of service proposed is met. Refer to Chapter 59C-1.039, Florida Administrative Code, for applicable preferences.

(3) General Provisions:

- (a) Service Location. The CMR inpatient services regulated under this rule may be provided in a hospital licensed as a general hospital or licensed as a specialty hospital.**

The applicant proposes to transfer 40 CMR beds from St. Catherine's Rehabilitation Hospital, a specialty care hospital, to construct St. Catherine's Rehabilitation Hospital West, which will also be a specialty hospital.

- (b) **Separately Organized Units. CMR inpatient services shall be provided in one or more separately organized units within a general hospital or specialty hospital.**

The applicant indicates that all of its beds at St. Catherine's West will be CMR beds and to the extent possible, patients with similar diagnoses are grouped together.

- (c) **Minimum Number of Beds. A general hospital providing comprehensive medical rehabilitation inpatient services should normally have a minimum of 20 comprehensive medical rehabilitation inpatient beds. A specialty hospital providing CMR inpatient services shall have a minimum of 60 CMR inpatient beds.**

The applicant is currently licensed for 60 CMR beds, 40 of which are to be transferred from the existing facility to new facility within approximately five miles of the existing one. Neither facility will meet this criterion. The applicant contends that the 20-bed unit will be similar to a general hospital in that it will remain on the campus of the 212-bed nursing home. Further, the applicant points out that St. Catherine's has operated below 45 percent occupancy each of the last three years and contends that the project will allow it to continue to operate the 20-bed unit at a better occupancy and improve occupancy in the 40 beds to be located at the new facility. The applicant indicates that it will convert the vacated space at St. Catherine's East from semi-private to private rooms at no capital cost. However, some cost would be incurred.

- (d) **Conformance with Criteria for Approval. A CON for the establishment of new CMR inpatient services, the construction or addition of new CMR inpatient beds, or the conversion of licensed hospital acute care beds to CMR inpatient beds shall not normally be approved unless the applicant meets the applicable review criteria in Section 408.035, Florida Statutes, and the standards of need determination criteria set forth in this rule.**

The applicant is not proposing to establish a new CMR service but simply transfer 40 existing CMR beds to build a new 40-bed facility within approximately five miles of each other. Also see response to E.1.a., above and E.4.a., below.

- (e) **Medicare and Medicaid Participation. An applicant proposing to increase the number of licensed CMR inpatient beds at its facility shall participate in the Medicare and Medicaid programs.**

The applicant is a participating provider in the Medicare and Medicaid programs and intends to maintain this status once the 40 beds are transferred to the new facility. St. Catherine's provided 87.9 of its CY 2002 patient days to Medicare and 8.0 to Medicaid. AHCA financial data for FY 2001 indicates that the facility provided 85.1 percent of its patient days to Medicare and 10.8 percent to Medicaid patients. The applicant proposes to condition the CON to the provision of three percent of its total annual patient days to Medicaid/charity care patients.

(4) **Required Staffing and Services.**

- (a) **Director of Rehabilitation. CMR inpatient services must be provided under the medical director of rehabilitation who is a board-certified or board-eligible psychiatrist and has had at least two years of experience in the medical management of inpatients requiring rehabilitation services.**

The applicant states that the medical directors are Miriam Feliz, M.D., Bruce Rubin, M.D., and Pedro Cardich, M.D. Dr. Feliz is board-certified in physical medicine and rehabilitation. They will serve as initial medical directors for the new facility. Attachment L of the application contains Dr. Feliz's curriculum vitae. It states she has been the medical director at Villa Maria Nursing and Rehabilitation Center since February 1994. The response to the above indicates that Dr. Rubin has been the medical director of St. Catherine's East since October 2002. Dr. Rubin is stated to be "Board Certified" but Dr. Cardich's position as medical director is not confirmed in the narrative and both Dr. Rubin's and Dr. Cardich's resumes are not in the application.

(b) Other Required Services. In addition to the physician services, CMR inpatient services shall include at least the following services provided by qualified personnel:

- 1. Rehabilitation nursing**
- 2. Physical therapy**
- 3. Occupational therapy**
- 4. Speech therapy**
- 5. Social services**
- 6. Psychological services**
- 7. Orthotic and prosthetic services**

The applicant is an existing provider of CMR services and provides a range of services that equals or exceeds the minimum requirements. Schedule 6A indicates the applicant maintains qualified personnel to staff the various disciplines required to maintain a CMR program and that 99.96 FTEs will be added as a result of the project. Therapist FTEs make up 21.20 and nursing FTEs 35.96 of the new 99.96 FTEs anticipated in year two of the project.

(5) Criteria for Determination of Need:

(a) Bed Need. A favorable need determination for proposed new or expanded comprehensive medical rehabilitation inpatient services shall not normally be made unless a bed need exists according to the numeric need methodology in paragraph (5)(c) of this rule.

The applicant does not seek new or expanded CMR beds or services it simply seeks to transfer 40 existing CMR beds to construct a new facility in Northwest Dade County. Also please see response to E.1. fixed need pool, above.

(6) Access Standard. Comprehensive medical rehabilitation inpatient services should be available within a maximum ground travel time of two hours under average travel conditions for at least 90 percent of the district's total population.

The applicant contends that CMR access to the Hispanic population will increase as a result of the proposed project. However, inpatient CMR services in the district are available within a two hours drive time for at least 90 percent of the district's total population.

(7) **Quality of Care:**

- (a) **Compliance with Agency Standards. CMR inpatient services shall comply with the agency standards for program licensure described in Section 59A-3, Florida Administrative Code. Applicants who submit an application that is consistent with the agency licensure standards are deemed to be in compliance with this provision.**

The applicant states that it is in compliance with agency standards for program licensure and is JCAHO and CARF accredited. The applicant intends to remain compliant with these standards at both facilities following the proposed transfer of the 40 CMR beds.

- (b) **Accreditation. Applicants proposing new CMR inpatient services shall state how they will meet accreditation standards.**

The applicant is accredited by both JCAHO and CARF.

(8) **Service Description. An applicant for CMR inpatient services shall provide a detailed program description in its certificate of need application including:**

- (a) **Age groups to be served.**

The applicant states that nearly 70 percent of its patients were age 65 and over but the hospital did see an increasing percentage of younger patients from 2001 to 2002. The applicant indicated that during CY 2001, 23.9 percent of its patients were aged 15-64, which increased to 31.3 percent in CY 2002. A similar age mix is anticipated with the opening of the new facility.

- (b) **Specialty inpatient rehabilitation services to be provided.**

The applicant is accredited by CARF for medical rehabilitation programs and indicates that its inpatient programs will include: Stroke rehabilitation, brain injury rehab, spinal cord, neuro-rehab programs for multiple sclerosis, muscular dystrophy, etc., among others.

- (c) **Proposed staffing, including qualifications of the medical director, a description of staffing appropriate for any specialty program, and a discussion of the training and experience requirements for all staff who will provide CMR inpatient services.**

The applicant states that the medical directors are Miriam Feliz, M.D., Bruce Rubin, M.D., and Pedro Cardich, M.D. Dr. Feliz is board-certified in physical medicine and rehabilitation. They will serve as initial medical directors for the new facility. Attachment L of the application contains Dr. Feliz's curriculum vitae. It states she has been the medical director at Villa Maria Nursing and Rehabilitation Center since February 1994.

Brief descriptions of some of the clinical professionals were included in pages 53 and 54 and resumes of these staff were included in Attachment L. Schedule 6A indicates the applicant maintains qualified personnel to staff the various disciplines required to maintain a CMR program and that 99.96 FTEs will be added as a result of the project. Therapist FTEs make up 21.20 and nursing FTEs 35.96 of the new 99.96 FTEs anticipated in year two of the project.

- (d) **A plan for recruiting staff, showing sources of staff.**

As indicated above, the applicant anticipates adding 99.96 new staff FTEs as a result of the project. The applicant indicates that Catholic Health Services, of which it is a part, received the third highest job satisfaction scores of the CY 2002 participants in HR Solutions' Employee Opinion survey. The applicant presented a discussion of its recruitment plans and indicated that the facilities will share certain staff. However, the applicant did not address the nursing shortage, although 35.96 nursing FTEs are involved in the project.

- (e) **Expected sources of patient referrals.**

The applicant has an established referral base and it does not anticipate much change in referral patterns as a result of the proposed transfer project. However, the applicant cites letters of support indicating that the large Spanish speaking population in the new facility's neighborhood prefers to stay within the neighborhood and therefore the new facility will be more readily available for their use.

- (f) **Projected number of CMR inpatient services patient days by payer type, including Medicare, Medicaid, private insurance, self-pay and charity care patient days for the first two years of operation after completion of the proposed project.**

Schedule 7A shows that based on the projected patient days, the applicant anticipates a patient mix with 87.6 percent Medicare/Medicare HMO, 7.8 percent Medicaid/Medicaid HMO, and 4.1 percent managed care, and 0.5 percent self-pay. No charity care and commercial insurance patient days are shown. However, the assumptions to Schedule 7A indicate that charity care is projected at 0.5 percent of gross revenues. The applicant's responses to (9) (b) & (c) below indicate that commercial pay patients accounted for 3.7 percent of the facility's patient days and 4.2 percent of gross revenues during CY 2002.

- (g) **Admission policies of the facility with regard to charity care patients.**

The applicant intends to condition the project to providing a minimum of three percent of its patient days to Medicaid and charity care patients combined. As stated above, the assumptions to Schedule 7A indicate that charity care is projected at 0.5 percent of gross revenues. The applicant provided its admission policy-related to charity care patients in Attachment K of the application.

- (9) **Applications from Licensed Providers of Comprehensive Medical Rehabilitation Inpatients Services. A facility providing licensed CMR inpatient services seeking CON approval for additional CMR beds shall provide the following information in its CON application in addition to the information required by subsection (8):**

- (a) **Number of CMR inpatient service admissions and patient days for the 12-month period ending six months prior to the beginning date of the quarter of the publication of the fixed bed need pool.**

The applicant indicates that St. Catherine's reported 713 admissions and 9,839 patient days during calendar year 2002³. The applicant is not proposing to add CMR beds but simply requesting approval to transfer its 40 existing CMR beds from the existing campus to construct another facility.

³ The Florida Hospital Bed and Service Utilization by District indicates that St. Catherine's had 9,723 patient days during CY 2002, the number of admissions are not included in the publication.

- (b) Number of comprehensive medical rehabilitation inpatient services patients days by payer type, including Medicare, Medicaid, private insurance, self-pay and charity care patient days, for the 12-month period ending six months prior to the beginning date of the quarter of the publication of the fixed bed need pool.**

The applicant indicates that during CY 2002, its patient days by payer were as follows: 87.9 percent Medicare, 8.0 percent Medicaid, 3.7 commercial, 0.3 charity care and 0.1 percent "other". As stated above, the applicant's total patient days were indicated to be 9,839.

- (c) Gross revenue by payor source for the 12-month period ending six months prior to the beginning date of the quarter of the publication of the fixed bed need pool.**

The applicant indicates that during CY 2002, its gross revenues by payer type were as follows: 87.9 percent Medicare, 7.5 percent Medicaid, 4.2 commercial, 0.2 charity care and 0.2 percent "other". The applicant's gross revenue was indicated to \$10,079,689.

- (d) Current Staffing.**

Schedule 6A indicates the applicant maintains qualified personnel to staff the various disciplines required to maintain a CMR program with 62.70 FTEs on current staff.

- (e) Current specialty inpatient CMR services.**

See response to (8)(b) above.

- (10) Utilization Reports. Facilities providing licensed CMR inpatient services shall provide utilization reports to the agency or its designee.**

The applicant currently participates in the data collection activities of AHCA and the local health council and also participates in the data collection activities in accordance with Chapter 408 of the Florida Statutes. The applicant commits to continue participation in data collection activities at both facilities.

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.**

The proposed transfer of CMR beds from St. Catherine's Rehabilitation Hospital (East - the existing facility) to construct the new facility, St. Catherine's Rehabilitation Hospital - West is anticipated to increase the applicant's overall utilization and allow it to build a state of the art facility. The applicant contends that the new facility will enable it to improve its overall operational efficiency. However, this was not demonstrated. While this may occur, the project does not increase the district's number of CMR beds.

Need for the project is not based on lack of availability and the applicant's letters of support indicate choice not lack of access to be the concern. As previously discussed, the district's 421-licensed comprehensive medical rehabilitation beds experienced an occupancy rate of 72.19 percent during the CY 2002 reporting period. The quality of care provided by the existing facilities is not questioned.

- b. Does the applicant have a history of providing quality of care? Has the applicant demonstrated the ability to provide quality care? ss. 408.035(3), 408.035(12), Florida Statutes.**

The applicant has a history of providing quality care as demonstrated by the award of accreditation from both the JCAHO and CARF. In addition, the applicant states that it has been designated by the Uniform Data System for Medical Rehabilitation (UDSMR) as a UDSMR credentialed facility and that in order to be credentialed, St. Catherine's ensures that team members are knowledgeable and demonstrate competency with the Functional Independence Measure (FIM) instrument, a tool which is used as a means of functional outcome measurement. The applicant concludes that high patient and employee satisfaction scores support the facility's quality efforts.

The Agency has received no complaints on Villa Maria Rehabilitation Hospital/St. Catherine's Rehabilitation Hospital during the last three years.

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

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

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

St. Catherine's Rehabilitation Hospital is not a statutory teaching hospital nor is the proposed project's primary purpose research or physician education. However, the facility began a residency program with the University of Miami, School of Medicine, Division of Physical Therapy in January 2003. The applicant indicates that this is the first residency program in the nation in the field of physical therapy as no other university is known to have partnered with a residency program in which participants can count courses towards credit in both a residency and a Doctorate in physical therapy degree simultaneously. The applicant indicates that by the end of 2003, it expects to apply for full accreditation of the residency through the American Physical Therapy Association, another first in the field of physical therapy. A letter of support from the University of Miami School of Medicine indicates that St. Catherine's West would provide a highly needed location, which would be a magnet for institutions of higher education looking for high caliber clinical sites that can offer specialized training in a culturally diverse population.

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

The audited financial statements for the periods ending September 30, 2002 and 2001 were analyzed for the purpose of evaluating the applicant's ability to provide the capital and operational funding necessary to implement the project. The following is a list of accounts and ratios used in the analysis:

	09/30/2002	09/30/2001
Current Assets	\$ 4,952,453	\$ 4,414,363
Cash and Current Investment	\$ 590,907	\$ 499,122
Assets Restricted for Capital Projects	\$ 0	\$ 0
Total Assets	\$ 14,149,910	\$ 14,459,830
Current Liabilities	\$ 3,554,194	\$ 2,888,093
Total Liabilities	\$ 15,498,622	\$ 15,078,715
Net Assets	\$ -1,348,712	\$ -618,885
Net Operating Revenues	\$ 20,358,129	\$ 19,420,190
Interest Expense	\$ 530,952	\$ 748,735
Loss from Operations	\$ -820,656	\$ -84,140
Deficit of Revenues over Expenses	\$ -617,997	\$ -164,418
Cash Flow from Operations	\$ 309,946	\$ 239,020
Working Capital	\$ 1,398,259	\$ 1,526,270
Current Ratio (CA/CL)	1.4	1.5
Cash Flow to Current Liabilities (CFO/CL)	0.1	0.1
Long-Term Debt to Net Assets (TL-CL/NA)	-8.9	-19.7
Times Interest Earned (IO+Int/Int)	-0.5	0.9
Net Assets to Total Assets (NA/TA)	-9.5%	-4.3%
Operating Margin (IO/NOR)	-4.0%	-0.4%
Total Margin (ER/TR)	-3.0%	-0.8%
Return on Assets (ER/TA)	-4.4%	-1.1%
Operating Cash Flow to Assets (CFO/TA)	2.2%	1.7%

Villa Maria Nursing and Rehabilitation Center, Inc. is a not-for-profit Florida corporation established under the sponsorship of the Archdiocese of Miami. Villa Maria operates a 212-bed skilled nursing facility and a 60-bed rehabilitation hospital.

Short-term position:

The applicant's current ratio of 1.4 indicates current assets are more than one times short-term liabilities. This ratio is below average and a weak position. The working capital (current assets less current liabilities) of \$1.4 million is a measure of excess liquidity that could be used to fund capital projects. The ratio of cash flow to current liabilities (Operating Cash Flow) of 0.1 is below average. Overall, the applicant has a weak short-term position.

Long-term position:

The ratio of long-term debt to net assets is -8.9, indicating significant negative net assets. Total net assets are negative \$1.3 million; the ratio of net assets to assets is -9.5 percent. Operating margin was -4.0 percent, the result of a significant loss from operating activities. The loss from operations increased over the prior year. All indicators are below average and reveal a weak financial position. Overall, the applicant has a weak long-term position.

In the notes to the financial statements management states: "Villa Maria's continued existence is dependent upon several factors including primarily the guarantee by the Archbishop to the trustee of the full payment of the outstanding interest and principal of the obligated groups revenue bonds."

The applicant provided unaudited financial statements for the 11-month period ended August 31, 2003. Those statements disclosed significantly increased revenues with moderate increases in costs resulting in a profit for the period.

Capital requirements:

Schedule 2 indicates the applicant has \$15.2 million in capital projects. Schedule 2 did not include maturities of long-term debt. The audited financial statements show scheduled principal payment on long-term debt through 2005 of \$7.3 million, bringing the total funded need to \$22.5 million.

Available capital:

Funding for the proposed project is coming from bank notes with SunTrust bank, who provided a letter stating they would consider funding the project subject to certain conditions, including a guarantee by the Archdiocese of Miami. Financial information on the Archdiocese of Miami was not provided.

Conclusion:

Funding for this project and all capital projects is likely but not fully assured.

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 2002; the applicant will be compared to the hospitals in peer group 12. 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 \$1,005 in year one and \$1,031 in year two is between the control group median and highest values of \$829 and \$1,018 in year one and \$856 and \$1,050 in year two. The highest level is generally viewed as the practical upper limit on economies of operation. With net revenues falling between the median and highest level, the facility is expected to consume health care resources in proportion to the services provided. (See Comparative Table). The 2002 actual NRAPD for this hospital was \$630, the lowest value in the group.

Projected cost per adjusted patient day of \$1,003 in year one and \$848 in year two is above the control group highest values of \$817 in year one and \$843 in year two. (See Comparative Table). Compared to the control group these costs are not considered efficient. The 2002 actual costs per adjusted patient day reported for this hospital was \$655, between the group lowest and median values of \$576 and \$679.

The estimated operating profit for year two of \$3.4 million computes to an operating margin per adjusted patient day of \$183, which falls above the peer group highest value of \$180. The computed operating margin ratio is 17.7 percent.

The projections are significantly outside of the historic performance of the applicant and the control group values, giving concern about the reasonableness of the financial projections as a whole.

The financial feasibility of the project is in question.

Comparative Table

CON # 9722 Villa Maria Nursing & Rehabilitation 2002 DATA Peer Group12	2007	YEAR 2	VALUES ADJUSTED		
	YEAR 2	ACTIVITY	FOR INFLATION		
	ACTIVITY	PER DAY	Highest	Median	Lowest
ROUTINE SERVICES	23,728,922	1,266	717	515	451
INPATIENT AMBULATORY	0	0	0	0	0
INPATIENT ANCILLARY SERVICES	0	0	1,228	701	678
OUTPATIENT SERVICES	0	0	417	223	58
OTHER OPERATING REVENUE	1,130,239	60	13	3	1
TOTAL REVENUE	24,859,161	1,326	2,280	1,347	1,265
DEDUCTIONS FROM REVENUE	5,529,862	295	*	*	*
NET REVENUES	19,329,299	1,031	1,050	856	803
EXPENSES					
ROUTINE	3,812,237	203	215	182	149
ANCILLARY	4,246,367	227	217	204	167
AMBULATORY	31,514	2			
OVERHEAD	7,816,866	417	423	383	335
OTHER		0			
TOTAL EXPENSES	15,906,984	848	843	755	731
OPERATING INCOME	3,422,315	183	180	129	-25
		17.7%			
PATIENT DAYS	17,895		VALUES NOT ADJUSTED		
ADJUSTED PATIENT DAYS	18,747		FOR INFLATION		
TOTAL BED DAYS AVAILABLE	21,900				
ADJ. FACTOR	0.9545				
TOTAL NUMBER OF BEDS	60				
PERCENT OCCUPANCY	81.7%		95.9%	79.2%	43.6%
PAYER TYPE	PATIENT DAYS	% TOTAL			
MEDICARE	12,757	71.3%	81.1%	70.9%	57.5%
COMMERCIAL	0	0.0%			
MEDICAID	1,394	7.8%	12.1%	6.5%	0.5%
PRIVATE	101	0.6%			
HMO/PPO	3,643	20.4%	23.3%	20.4%	13.6%
OTHER	0	0.0%			
TOTAL	17,895	100.0%			

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

The applicant projects managed care days, including Medicare and Medicaid managed care days, to represent 20.4 percent of its patient days. This is at the control group median value of 20.4 percent. The 2002 actual data reported for this hospital was 20.4 percent. The projected level, if realized, is not likely to significantly increase competition to promote quality assurance and cost-effectiveness.

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

The application included a cover sheet and floor plans, both of the existing facility and the proposed replacement hospital. No additional total licensed beds will be added at Villa Maria. A list of codes is included on the drawings and is fairly up to date.

The new building will be two stories high with the lower floor devoted to both inpatient and outpatient facilities including a clinic, kitchen, pharmacy and other required ancillary functions. There is an enclosed swimming pool on this floor.

All the patient rooms are located on the second floor along with the dining room, generous family-orientated spaces and some rehabilitation areas. All patient sleeping rooms are private and identical. There are two patient rooms, which are layed out in an “apartment” configuration, which includes a separate living/dining/kitchen room. All patient rooms have the requisite handicapped-accessible toilet/shower rooms. None of them have showers that will accommodate a stretcher, but there is one located off one of the main corridors, which should be adequate.

The information from Schedule 10 indicates that sufficient time has been allowed for construction. The projected cost for the construction appears to be reasonable for this type of space and the extent of the construction required.

Schematic drawings are required to 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 applicant indicates that St. Catherine's 8.0 of its CY 2002 patient days to Medicaid patients. AHCA financial data for FY 2001 indicates that the facility provided 10.8 percent of its patient days to Medicaid patients. The applicant states that it is part of the extensive CHS network, which provides a broad continuum of health care, residential, community support and advocacy services to the elderly, poor and needy throughout South Florida and will be guided by the CHS Mission and Vision to improve the health, independence and spiritual life of all those in need. The applicant restates its proposed condition of three percent of the new facility's total annual patient days being provided to Medicaid and charity care patients. Villa Maria expects to continue to provide services to Medicaid and medically indigent patients at these levels following the transfer of CMR beds from St. Catherine's East to St. Catherine's West.

F. SUMMARY

Villa Maria Nursing & Rehabilitation Center, Inc. (CON #9722) is a not-for-profit Florida corporation, which operates Villa Maria Nursing Center, a 212-bed skilled nursing facility and St. Catherine's Rehabilitation Hospital, a 60-bed rehabilitation hospital. The applicant is seeking to transfer 40 comprehensive medical rehabilitation (CMR) inpatient beds from St. Catherine's Rehabilitation Hospital to a construct a new facility approximately five miles from the existing campus.

The total project cost is estimated at \$14,434,592. Construction costs are projected at \$9,255,000 and the project will involve new construction of 48,710 gross square feet (GSF).

Need/Other Special Circumstances:

In Volume 29, Number 30, dated July 25, 2003 on page 3008 of the Florida Administrative Weekly, a fixed need pool of zero beds was published for comprehensive medical rehabilitation beds in District 11 for the January 2009 planning horizon.

The proposed project is a transfer of 40 of the 60 existing beds from one campus to construct a new facility under the same licensee. There will be no change in the number of CMR beds in the district as a result of this project. The applicant failed to demonstrate that access and availability of CMR care will improve in the district as a result of this project or that this is a more efficient use of resources.

Quality of Care:

St. Catherine's Rehabilitation has accreditation from both JCAHO and CARF. The Agency has received no complaints on Villa Maria Rehabilitation Hospital/St. Catherine's Rehabilitation Hospital during the last three years.

The applicant contends that the project is expected to result in improved services to patients because the new facility will have piped oxygen in patient rooms for patients in need of pulmonary rehabilitation, wall suction capabilities for patients requiring respiratory therapy and an aquatic center offering aquatic rehabilitation techniques. The current facility does not include these amenities.

Medicaid/Indigent Care:

AHCA Financial data for FY 2001 indicates that the applicant provided 10.8 percent of its patient days to Medicaid patients but no charity care.

The applicant agrees to condition the project to providing a minimum of three percent of the new facility's patient days to Medicaid/charity care patients.

Financial Feasibility:

Funding for this project and all capital projects is likely but not fully assured. The applicant's projections are significantly outside of the facility's historical performance and the control group values, giving concern about the reasonableness of the financial projections as a whole. The financial feasibility of the project is in question.

Architectural:

The project consists of a two-story building with 48,710 GSF at a total construction cost of \$9,255,000.

The applicant's Schedule 10 indicates that sufficient time has been allowed for construction. The projected cost for the construction appears to be reasonable for this type of space and the extent of the construction required.

G. RECOMMENDATION

Deny CON #9722.

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