

STATE AGENCY ACTION REPORT
ON APPLICATION FOR CERTIFICATE OF NEED

A. PROJECT IDENTIFICATION

1. Applicant/CON Action Number

Holmes Regional Medical Center, Inc./CON #9759

6450 US Highway 1
Rockledge, Florida 32955

Authorized Representative: Jerry Senne
(321) 434-5601

Wuesthoff Memorial Hospital, Inc./CON #9760

110 Longwood Avenue
Rockledge, Florida 32955

Authorized Representative: John Van Gorp
(321) 636-2211

Wuesthoff Memorial Hospital, Inc./CON #9761

110 Longwood Avenue
Rockledge, Florida 32955

Authorized Representative: John Van Gorp
(321) 636-2211

2. Service District/Subdistrict

District 7/Subdistrict 1 (Brevard County)

B. PUBLIC HEARING

A public hearing was not requested for the proposed projects.

Holmes Regional Medical Center, Inc. (CON #9759): Attachment C of the application contained letters of support for the project from Brevard political leaders, emergency medical services, emergency management and law enforcement officials, community/business leaders and the general community. The Brevard County Legislative Delegation letter states that the Viera/Suntree vicinity is the fastest growing area in Brevard County and will experience a 70 percent population increase between 2000 and 2010. State Senators Bill Posey and Mike Haridopolos, and State Representatives Bob Allen, Ralph Poppell, Thad Altman, Mitch Needleman, and Representative Stan Mayfield signed this letter. Representative Needleman also submitted an additional letter that indicated that hospital services in the Palm Bay area would not be reduced if this new facility is established as the Palm Bay area has a population exceeding 85,000. Mayor John A. Buckley of Melbourne and Brevard County Commissioner Sue Carlson (who also mailed in a copy of her letter) provided letters of support in which they indicate that the closest hospitals to the Viera/Suntree area are at least 20-30 minutes drive time. They also cite the population projected for the Viera/Suntree area, the influx of retirees who live in the area during the winter months, and contend that an acute care facility located further inland from the coastal areas is needed to serve the I-95 corridor in the event of a hurricane.

Letters were also submitted from emergency medical service professionals, emergency management and law enforcement officials and indicate the following: David L. Freeman, Health Co-Chair, Region 5 Regional Domestic Security Task Force, indicates that the proposed facility location will offer convenience and accessibility along a major Florida thoroughfare (I-95) and unlike most facilities in the area will have access to open land which can be used to support the community in the event of a natural or man made disaster. Mr. Freeman indicates that two acres have been designated for disaster management assistance teams and alternative treatment sites and will be used as a point of dispensing (POD) for the distribution of vaccines and medication. The location is also stated to be next to the Brevard County Government office complex and near the Office of Public Safety and would be ideal for use as a POD for local government, public health officials, EMS and law enforcement. Dr. John R. McPherson, Medical Director, Brevard County Fire Rescue indicates that on 34 occasions during 2003, hospitals in South Central Brevard placed the EMS system on diversion due to emergency department overcapacity status. He indicates that Brevard County EMS policy is that no two contiguously located hospitals can be on diversion at the same time. Therefore, due to multiple hospital emergency departments being at overcapacity status simultaneously, diversion status was denied nearly as many times as granted during CY 2003. The actual time these facilities were on diversion and the exact number of

times more than two contiguous facilities were overcapacity was not provided. Dr. Heidar Hesmati, Director, Brevard County Health Department also indicates that the site has been designated to support disaster management assistance teams and as alternative treatment sites and will be used as a point of dispensing for the distribution of vaccinations. The projected population growth and above concerns are also cited in letters from Philip B. Williams, Brevard County Sheriff, Lionel A Cote, President of the Brevard County Association of Chiefs of Police, Paul G. Rumbley, Palm Bay Chief of Police, and Mr. Robert S. Lay, Brevard County Director of Emergency Management.

Letters of support signed by 78 local physicians, 32 community/business leaders, and 42 local citizens cite the area's growth rate, 30 minute or more travel time for ER services and the perceived need for a hospital to serve the Viera/Suntree area and one that is located close to Interstate 95.

There were nine letters from area physicians and seven from members of the community received via the mail, which also describe the above factors in support of the project. In addition, F.S. Duda, CEO with the Duda Company and Joseph A. Duda, CEO of the Viera Company, submitted a letter of support, which states that Viera is currently home to over 12,000 residents and is projected to have over 40,000 residents by 2020. This letter also cites the Brevard County population growth and its population of well over a half a million. The planned hospital is stated to be necessary to provide a much-needed foundation of health care for the area and its location is cited as providing easy access for all residents in its service area.

Emil Miller, President and CEO of Wuesthoff Health Systems, submitted a letter in opposition to the Holmes Regional Medical Center project. Mr. Miller contends that approval of the Viera facility will have a negative impact on the Wuesthoff Health Systems hospitals; Wuesthoff – Rockledge and Wuesthoff – Melbourne by allowing Health First to gain a greater share of the market. The nursing shortage is also cited as grounds to not approve the project, as Mr. Miller contends that it is easier to staff nurses for additional beds than it is to staff for a new hospital. Mr. Miller also states that as a result of recently passed legislation allowing existing hospitals to increase bed counts without a certificate of need, Wuesthoff hospitals will be able to expand at its current location, which he believes will alleviate any need to approve a new hospital in Viera.

Wuesthoff Memorial Hospital, Inc. (CON #9760 & CON #9761):

Appendix A in CON #9760 and Appendix B in CON #9761 contained letters of support for the project from managed care and community leaders. The managed care letters included support from Aetna, United Healthcare USA Managed Care Organization and Amerigroup Corporation for both projects. These generally cite concern about having sufficient beds at the Wuesthoff facilities to meet the needs of Brevard County residents and contend that the projects will be good for competition.

State Senators Bill Posey and Mike Haridopolos (who also mailed in a copy of his letter), and State Representatives Thad Altman and Mitch Needleman submitted letters which cite Brevard County's population growth, Wuesthoff's quality of care, provision of care to the medically indigent and to managed care plans as reasons to support approval of both Wuesthoff projects. Approximately 40 letters each in CON #9760 and CON #9761 were submitted from local business leaders in support of the project and cite the above factors as reason for their support.

Mayor John A. Buckley of Melbourne provided a letter of support for Wuesthoff – Melbourne (CON #9760), in which he cites Wuesthoff's high quality of care, cost-effectiveness and the need for healthy competition as reasons to support this application. In reference to CON #9761, James P. McKnight, City Manager for the City of Rockledge, cites the same reasons for support of the Rockledge project. However, Mr. McKnight also indicates that approval of the Health First project (CON #9759) would adversely impact Wuesthoff and the Rockledge community through increased employer health care costs by duplicating existing services and limiting competition. Joe Matheny, Chairman of the Canaveral Port Authority, mailed in letter of support indicating that Port Canaveral hosts over two million tourists each year and it is critical in the event of an emergency of serious proportions, that there are enough beds to support resultant needs at local hospitals. He also cites Wuesthoff's quality care as a reason to support the additional beds at the Rockledge facility.

Letters of support were also submitted for both projects from Brevard County physicians (49 physicians in CON #9760 and 37 physicians in CON #9761). These letters express similar concern with regard to having sufficient beds at the Wuesthoff Melbourne & Rockledge facilities to meet the needs of the Brevard County population and contend the Wuesthoff projects will be good for competition. Several of these letters also question the need for a facility in Viera citing physician availability for another facility, nurse staffing issues, the new facility's proximity to the existing Wuesthoff Rockledge facility, and contend a new facility will result in a duplication of services at a higher cost to the community.

C. PROJECT SUMMARY

Holmes Regional Medical Center, Inc. (CON #9759) is the licenseholder for a 574-bed hospital system consisting of Holmes Regional Medical Center and Palm Bay Community Hospital. The applicant’s existing Holmes Regional Medical Center bed complement consists of 504 acute care and 10 Level II NICU beds. The Palm Bay Community Hospital facility consists of 60 acute care beds. The applicant proposes to establish an 84-bed acute care hospital in the City of Viera. The proposed facility site is immediately west of I-95 at the intersection of Lake Andrew Drive and Wickham Road. The applicant’s current and proposed acute care bed complement is presented in the chart below.

**Holmes Regional Medical Center
Current & Proposed Acute Care Bed Configuration**

Facility	Licensed Acute Care Beds	Proposed Beds
Holmes Regional Medical Center	504	504
Palm Bay Community Hospital	60	60
Viera Medical Center	0	84
Total Beds	564	*648

Source: CON #9759, page 2.

Note: * Total does not include Holmes Regional Medical Center’s 10 bed Level II NICU.

According to the applicant’s *Certificate of Need Predicated on Conditions* page, the applicant is proposing that a minimum of three percent of Viera Medical Center’s total annual patient days will be provided to Medicaid/Medicaid HMO patients and a minimum of 2.3 percent of the facility’s gross revenues will be provided to charity care patients.

The applicant projects total project cost at \$106,263,533. Construction costs are estimated at \$44,950,387 and involve 213,334 GSF of new construction.

Wuesthoff Memorial Hospital, Inc. (the applicant) is a Florida, not-for-profit organization that has been operating Wuesthoff Memorial Medical Center and other health related entities in Brevard County for over 60 years. Wuesthoff Medical Center - Rockledge, is a 245-bed facility, whose bed complement consists of 218 acute care, 10 Level II NICU and 17 adult psychiatric beds. The applicant also operates Wuesthoff Medical Center – Melbourne, which opened December 13, 2002 and consists of 65 acute care beds. The applicant indicates that the 35 beds approved via CON #9495 for the Melbourne facility will be operational by December 2004. The applicant proposes the following two projects in the subdistrict.

CON Numbers 9759, 9760 & 9761

CON #9760: The applicant proposes to add 34 acute care beds to the currently licensed 65 and 35 approved beds at Wuesthoff Medical Center - Melbourne. The facility is presently conditioned via CON #8740 to provide 15 percent of its total discharges to Medicaid and charity care patients on a combined basis. CON #9495 conditions the 100-bed facility to the provision of 7.5 percent of its total patient days to Medicaid and charity care on a combined basis. The applicant proposes to condition the 134-bed facility to the provision of nine percent of the facility's gross patient revenues to Medicaid and charity care/indigent patients.

Schedule 7A shows that the applicant projects Medicaid and Medicaid HMO at 8.29 percent and charity care at 2.03 percent of the facility's year two (ending December 31, 2006) gross revenue. Medicaid and Medicaid HMO patient days are projected to account for 8.7 percent and charity care at 1.7 percent of the facility's total patient days during year two.

The applicant projects the total project cost to be \$2,537,378. Construction costs are estimated at \$1,639,075 and involve a total of 9,740 GSF, with 1,700 GSF consisting of new construction and 8,040 GSF of renovation.

CON #9761: The applicant proposes to add 44 acute care beds to Wuesthoff Medical Center - Rockledge.

According to the *Certificate of Need Predicated on Conditions* page, the applicant only commits to the specific site for the proposed project; 110 Longwood Avenue, Rockledge, Florida. Presently, there are no conditions on acute care beds at the Rockledge facility. According to Schedule 7A, the applicant expects that Medicaid, including Medicaid HMO, will represent 11.2 percent and charity care 2.6 percent of the facility's total patient days in year two of operation.

Total project cost is estimated to be \$531,842. The applicant estimates the total project construction costs to be \$228,000 for renovation (the square footage area to be renovated was not provided). However, the architectural narrative provided by the applicant, indicates that the construction costs consist of renovating several semi-private rooms to their previous configuration and keeping 24 rooms semi-private that were to be converted to private rooms.

D. REVIEW PROCEDURE

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

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

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

As part of the fact-finding, the consultant, James B. McLemore, analyzed the applications with consultation from the financial analyst, Ryan Fitch, 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(s) with the review criteria and application content requirements found in Sections 408.035, and 408.037; applicable rules of the State of Florida, Chapters 59C-1 and 59C-2, Florida Administrative Code; and Local Health Plans.

1. Fixed Need Pool

- a. Does the project proposed respond to need as published by a fixed need pool? Or does the project proposed seek beds or services in excess of the fixed need pool? Ch. 59C-1.008(2), Florida Administrative Code.**

On January 23, 2004, AHCA published a fixed need pool (FNP) of zero in Volume 30, Number 4, of the Florida Administrative Weekly, for acute care beds in District 7, Subdistrict 1, for the January 2004 batching cycle. District 7, Subdistrict 1, has a total of 1,207 licensed and 35 approved acute care beds as of January 23, 2004¹. The 35 approved acute care beds are CON #9495 at Wuesthoff Medical Center – Melbourne, which is applying to add 34 more via CON #9760 in this review.

During the 12-month reporting period ending June 30, 2003, the subdistrict's 1,202 licensed acute care beds experienced an occupancy rate of 65.50 percent. The applicants' projects are not submitted in response to the fixed need pool, but rather, what the applicants consider to be special circumstances.

b. Chapter 59C-1.038(5): Approval Under Special Circumstances.

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

Holmes Regional Medical Center, Inc. (CON #9759): This criterion does not apply to Holmes Regional Medical Center, Inc., because its project is the construction of a new acute care hospital in Viera.

Wuesthoff Memorial Hospital, Inc. (CON #9760 and CON #9761): For the appropriate period as specified by rule, July 2002 - June 2003, Wuesthoff Medical Center – Melbourne's 65 acute care beds averaged 45.98 percent occupancy and Wuesthoff Memorial Hospital's (Rockledge) 218 acute care beds averaged 62.83 percent. Therefore, the applicant's facilities do not meet this rule requirement.

The applicants indicate that other special circumstances document the need for these projects.

¹ Holmes Regional Medical Center licensed five beds via Exemption #0200004A effective September 23, 2003.

c. Other Special Circumstances:

The following chart contains the average distance in miles and minutes to the Brevard County acute care facilities from the proposed Viera Hospital location.

Proposed Viera Hospital Lake Andrew Drive & Wickham Road Location's Distance from Brevard County District 7, Subdistrict 1 Acute Care Facilities		
Facility	Distance Miles	Distance Minutes
Wuesthoff Memorial Hospital	10.0	14
Wuesthoff Medical Center-Melbourne	11.0	14
Cape Canaveral Hospital	16.3	26
Holmes Regional Medical Center	17.3	21
Palm Bay Community Hospital	19.3	20
Parrish Medical Center	32.3	39

Source: <http://roktechnologies.com/flhealthstat> except Wuesthoff -Melbourne & Palm Bay Community Hospital <http://www.mapquest.com/>

Note: Mapquest used because flhealthstat unable to provide directions.

The above chart indicates that several facilities are located in a reasonably short distance to the proposed location with co-batched applicant facilities, Wuesthoff Memorial Hospital and Wuesthoff Medical Center – Melbourne the closest.-

AHCA discharge data for the 12-month period ending September 30, 2003 indicates the following for resident discharges from the Holmes Regional Medical Center's proposed primary service area zip codes: 32934, 32935, 32936, 32940, 32955 and 32956 in the acute care DRGs.

Proposed Viera Hospital Primary Service Area Resident Discharges from Brevard County, District 7, Subdistrict 1 Acute Care Facilities			
Facility	Number Discharges from PSA	Total Facility Discharges	Percentage of Total Facility discharges
Holmes Regional Medical Center	5,747	31,202	18.42%
Wuesthoff Memorial Hospital	3,721	14,710	25.30%
Wuesthoff Medical Center-Melbourne	1,331	3,416	38.97%
Cape Canaveral Hospital	592	8,474	6.99%
Palm Bay Community Hospital	83	2,458	3.38%
Parrish Medical Center	59	8,202	0.72%
Other facilities	695	N/A	N/A
Total	12,225	N/A	N/A

Source: AHCA hospital discharge data for October 1, 2002 - September 30, 2003

Note: Area Hospital Discharges in zip codes 32934, 32935, 32936, 32940, 32955 and 32956. No other hospital has more than one percent of the area's discharges during the reporting period.

CON Numbers 9759, 9760 & 9761

As the chart above illustrates, discharges from this area accounted for 64.27 percent of the two Wuesthoff facilities and 21.80 percent of the two Holmes Regional Medical Center hospitals. Residents of Holmes Regional Medical Center’s proposed primary service area (PSA) accounted for 12,225 acute care hospital discharges during the 12-month period ending September 30, 2003.² The charts above document that there are acute care facilities close to the proposed location and these residents are served by hospitals in the acute care planning subdistrict (Brevard County).

Utilization of the existing facilities for the 12-month period ending June 2003 follows:

**Utilization District 7/Subdistrict 1
July 2002 – June 2003**

Facility	# Acute Care Beds	% Occupancy
Holmes Regional Medical Center	499	81.22%
Wuesthoff Memorial Hospital	218	62.83%
Wuesthoff Medical Center-Melbourne	65	45.98%
Cape Canaveral Hospital	150	59.67%
Parrish Medical Center	210	44.59%
Palm Bay Community Hospital	60	51.52%
Total	1,202	65.50%

Source: Florida Hospital Bed & Service Utilization by District January 2004 Batching Cycle

The above table demonstrates that the three hospitals closest to the proposed facility have sufficient beds available to meet the perceived need and two of these facilities have also applied for additional beds in this batching cycle.

Holmes Regional Medical Center (CON #9759) indicates that the need for the acute care hospital in Viera is based on three reasons: the large population base and significant growth projected for the area, the need to improve access and reduce travel times for the area, and the projected need for additional beds at Holmes Regional Medical Center (HRMC) and the benefits of delivering non-tertiary services away from the HRMC campus. The applicant provided the population comparison chart for the proposed Viera Primary Service Area, Brevard County and the State of Florida.

² Source: AHCA Acute Care Inpatient Discharge data for the 12 months ending September 30, 2003, excluding NICU, Open Heart Surgery, Angioplasty and Transplant Surgery DRGs.

2003-2008 Population & Projected Growth Viera Primary Service Area, Brevard County, and the State of Florida			
Area	2003	2008	2003-2008 Growth
Viera PSA	108,436	122,759	13.2%
Brevard County	502,646	546,455	8.7%
State of Florida	16,983,033	18,352,121	8.1%

Source: CON #9759, Page 16. Brevard County & Viera data are from Claritas, State from AHCA Populations projections, June 2003 for July 1 of each year.

The applicant indicates that it extrapolates the Claritas, Inc. 13.2 percent growth from CY 2003 to CY 2008 to arrive at a projected growth rate to CY 2010 and projects a population in the PSA of 128,489 and an 18.5 percent growth rate. Basically, the applicant uses a growth rate of 2.33 percent per year from CY 2008 to CY 2010. The applicant contends this growth rate will allow the new facility to achieve its projected utilization levels without negatively impacting the existing providers. The applicant's Brevard County projections based on Claritas, Inc. projections are higher than those in the 'AHCA Population projections, June 2003', which show Brevard County has a population of 501,436 as of July 1, 2003 that is projected to increase to 535,261 or by 6.75 percent in 2008. AHCA population shows Brevard County population at 501,436 at July 1, 2003 projected to 549,991 persons in Brevard County at July 1, 2010 results in a rate of 9.68 percent. Claritas, Inc. projects Brevard County to grow by almost two percent (8.72 vs. 6.75 percent) more than the AHCA Population projections. The applicant projects the primary service area growth rate at twice the Brevard County rate 18.49 percent compared to 9.68 percent. When compared to the AHCA population projections for Brevard County, the applicant's projections may be overstated.

In reference to the need to improve access and reduce travel times for the area, the applicant presents selected comments from its letters of support basically stating that there is a long travel time and strong population growth in the Viera area. The applicant also states that the Brevard Metropolitan Planning Organization indicated that the daily traffic volume in the Wickham area increased from 23,100 a day in 1993-1994 to 37,140 in 2002-2003 and that that section of Wickham is designed to handle 41,200 cars a day. The applicant concludes its discussion of this section by indicating that during the nine months ending September 30, 2003, there were 10,656 discharges in age groups and DRGs expected to be treated at the Viera facility. This is consistent with analysis conducted by the Agency that included 12,225 for the 12 months ending September 30, 2003.

The applicant also contends that the project addresses the projected need for additional beds at Holmes Regional Medical Center (HRMC) and previously cited the benefits of delivering non-tertiary services away from the HRMC campus. Here, the applicant indicates that HRMC could have a total of 554 beds and be at 86.9 percent occupancy in 2008 and 81.9 percent occupancy in 2010. The applicant contends that rather than placing additional beds at the main campus, this project will allow it place additional beds in a location that is more accessible to a large and rapidly growing population. The applicant further indicates that the main campus is virtually built out and to add beds at the existing campus would cost more than the \$18 million projected for the 84-bed Viera Medical Center. However, the applicant also indicates that the largest expansion in the hospital's history has just begun and will add eight stories consisting of 377,000 GSF to include a new heart center, new ER and a trauma center. This could free-up existing space in the facility in addition to adding 154,000 GSF. The 84-bed project's projected total GSF is 213,334. The applicant contends that it will renovate existing semi-private rooms to private rooms, increasing the facility's 200 private rooms to 416. However, the contention that the existing facility at 504 acute care beds is built out appears questionable.

While not stated to be directly supporting its need contention, the applicant also states that the new facility would enhance the area's disaster planning and preparedness and discusses the statements in its letters of support. The applicant also contends that the Viera Medical Center will enhance quality of care as a result of the design and information technology planned. However, there is no indication that this is an issue with the existing facilities in the area. The applicant also contends that since Holmes provides more care to the indigent than Wuesthoff, its project will increase assess for these patients. The applicant's proposed Medicaid condition is significantly below the subdistrict average and its charity care appears to be consistent with the subdistrict average. In addition, there is no indication that these patients are not presently being served nor that they will not be served by the existing facilities in the future.

In reference to the need for an acute care hospital, HRMC contends that the 84-bed Viera Medical Center facility is needed and presents the following analysis in six steps. Step one is to determine the service area. The service area will consist of the four area zip codes (two are embedded P.O. boxes): 34934 (Melbourne), 34935/36 (Melbourne), 34920 (Viera), and 34955/56 (Rockledge). The applicant's secondary zip codes total five plus five embedded and include two Melbourne (one with two embedded), two Cocoa (one with two and one with one embedded) and Satellite Beach.

The next step in HRMC's analysis is to determine the population for the projected period (see applicant's projections above). As previously stated, the applicant indicates that it extrapolates the Claritas, Inc. 13.2 percent growth from CY 2003 to CY 2008 to arrive at a projected growth rate to CY 2010 and projects a population in the PSA of 128,489 and an 18.5 percent growth rate. While the applicant indicates that the age 18 and over population is projected to increase it does not provide the projections by age cohort. As older people traditionally require more acute care services, it would have been beneficial to have these projections.

Step three is to develop specific use rates. One of the major contentions of the applicant is that the effect of medical and technological advances on adult medical/surgical discharge rates will increase the inpatient use rate attributable to population aging. However, as stated earlier the specific use rate by age cohort and growth in the older population cohorts is not documented. The applicant indicates that the base use rate for patients 18 and older during CY 2003 was 139.2 per thousand and states that it projected an annual increase of two percent. However, the applicant indicates that the use rate for CY 2008 will be 154.6, CY 2009 158.0 and CY 2010 will be 161.5 per thousand. Traditionally medical and technological advances have served to decrease acute care inpatient stays not increase them.

Step four is to project the number of Viera Medical Center discharges from the service area. The applicant indicates that medical/surgical admissions by zip code from the PSA totaled 11,882 discharges for the 12-month period ending September 30, 2003. These appear consistent with the data reviewed by the Agency showing 12,225 acute care discharges for the 12 months ending September 30, 2003. The applicant then projects an annual medical/surgical discharges at 15,162 in CY 2008, 15,892 in 2009, and 16,660 in CY 2010.

Step five is to project total discharges from Viera Medical Center. The applicant indicates that its review shows Health First Hospitals account for 51.2 percent of the medical/surgical discharges in the PSA. Agency data in the chart above verifies the applicant's current market share. The market share for Viera Medical Center (VMC) is projected based on the estimated 2003 share, projected growth of Wuesthoff-Melbourne and the proximity of VMC to other hospitals and the population within its service area. The applicant indicates that the projected market share at VMC will rise from 17.5 percent in the primary service area zip codes in CY 2008 to 24.2 percent in 2009 (year two) and 26.9 percent in 2010. VMC's projected market share for the secondary service area is projected to be 4.8 percent in CY 2008 increasing to 6.7 percent in 2009 (year two) and 7.4 percent in 2010.

The applicant's primary service area includes zip codes where two existing hospitals are located. Wuesthoff-Melbourne is located in zip code 32935 and Wuesthoff – Rockledge is located in zip code 32955. While the applicant indicates that the majority of residents in these zip codes currently use Health First facilities, and that its project will result in only a shift in the Health First percentage of the market. Holmes Regional notes that during CY 2003, in zip codes 32904, 32934 and 32935, the new Wuesthoff Melbourne facility achieved a market share of an estimated four to 21 percent in these three zip codes. The applicant notes that this occurred despite Holmes Regional having at least 85 percent of the market share in these zip codes during CY 2002. Two of these are proposed to be the PSA of VMC. One (32935) is the zip code where Wuesthoff Melbourne is located and it is difficult to see how another facility would not negatively impact this facility. Holmes contends that many of the residents in PSA zip codes will be closer to the VMC facility than any other. It is noted that the proposed facility location's zip code is 32940, the applicant's population projections show this zip code population is to increase from a population of 22,940 in CY 2003 to 31,892 in CY 2010. This is compared to the PSA's total population projected increase from 106,120 in CY 2003 to 114,248 in CY 2008.

Step six is to project the number of inpatient days at Viera Medical Center. The applicant indicates that it analyzed the length of stay patterns for the service area residents in the included DRGs who were discharged from area hospitals, particularly Cape Canaveral Hospital and Palm Bay Hospital. This method was also utilized to project the secondary service area patient's projected length of stay. The result was that the average length of stay (ALOS) was determined to be 3.69 days.

The following chart contains the applicant's projected population and utilization for the Viera Medical Center.

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Viera Medical Center Projected Utilization CY 2008-CY 2010				
	2003	2008	2009	2010
PSA Population (Age 18 & over)	85,382	98,068	100,605	103,142
PSA Use Rate Med/Surg per 1,000 pop.	139.2	154.6	158.0	161.5
Viera Med. Ctr. PSA Med/Surg Discharges	11,882	15,162	15,892	16,660
Viera Med. Center Projected Market Share	N/A	17.5%	24.2%	26.9%
Viera Medical Center Discharges (PSA)	N/A	2,648	3,843	4,476
SSA Population (Age 18 & over)	84,080	90,091	91,293	92,494
SSA Use Rate Med/Surg per 1,000 pop.	162.9	179.7	183.4	187.2
VMC Projected Market Share	N/A	4.8%	6.7%	7.4%
Viera Medical Center Discharges (SSA)	N/A	779	1,116	1,282
Total PSA & SSA Discharges	N/A	3,427	4,959	5,758
In-Migration from outside PSA & SSA	N/A	360	501	555
Total Viera Med. Center Discharges	N/A	3,787	5,460	6,313
ALOS	N/A	3.69	3.69	3.69
Viera Med. Center Total Patient Days	N/A	13,976	20,150	23,298
Average Daily Census	N/A	38.3	55.2	63.8
Occupancy @ 84 beds	N/A	45.6%	65.7%	76.0%

Source: CON #9759, pages 78 and 79 for CY 2003, Attachment H for Utilization CY 2008-2010.

Holmes Regional Medical Center also contends that the service area’s projected population growth is such that a new provider can achieve an efficient level of occupancy without adversely affecting the existing providers. The applicant also contends that the existing providers are located in growing market areas and would be expected to continue to expand their market position within their own primary markets. However, two of the applicant’s five PSA zip codes include two existing facilities, and while there is projected growth, it is not demonstrated that the existing providers will not have more than sufficient beds to meet any projected need.

In summary, the applicant's strongest argument for support of this project is the projected population growth. The project would allow for easier access for Viera/Suntree area residents. The applicant has used traditionally accepted population estimates but projected occupancy does not reach 76.0 percent until year three of operation (CY 2010) and this projection could adversely affect the two facilities within 10 and 11 miles of the facility’s proposed location. However, while the applicant contends that there could be emergency problems, no access issues were demonstrated and travel distances are not unreasonable. Existing facilities are currently underutilized. The project appears likely to negatively impact existing subdistrict providers.

Wuesthoff Memorial Hospital, Inc. (CON #9760): This application is not submitted in response to the fixed need pool, but rather is responding to what it characterizes as the calculation of projected demand in South Brevard County for additional beds at Wuesthoff - Melbourne.

The applicant presents the following information as a background to its contention that there is an increasing demand for services at Wuesthoff Medical Center – Melbourne. The applicant indicates that due to its length (approximately 72 miles), Brevard County is typically divided into three distinct socio-economic sub-areas; north Brevard, central Brevard and south Brevard. North Brevard has one hospital; Parrish Medical Center. Central Brevard has two hospitals; Wuesthoff and Cape Canaveral Hospital. In addition to Wuesthoff Medical Center – Melbourne, South Brevard has two other hospital facilities; Holmes Regional and Palm Bay Community Hospital. The latter two south Brevard facilities operate under a single hospital license and are part of the Health First system. According to the applicant, based on reasonably defined lines, south Brevard has approximately 253,719 residents. South Brevard is the most populated area in the county with over 50 percent of the county's total population residing there and is projected to have continued high growth in volume over the next five years, at 8.31 percent from the 253,719 residents in CY 2003 to 274,802 residents in CY 2008.

Wuesthoff also discusses businesses', managed care companies, physicians and community members support for the project's goal of maintaining adequate capacity at Wuesthoff Medical Center (Melbourne). These were discussed earlier in Section B, Public Hearing, and allude to the positive impact of Wuesthoff on hospital competition in Brevard County in the managed care market, contending that Wuesthoff's expansion could increase competition in the area. The letters of support from area physicians and local businesses expressed similar concern with regard to having sufficient beds at the Melbourne facility to meet the needs of the service area population.

The applicant also provides the following chart documenting the hospital's service area based on the facility's 4,573 Brevard County resident inpatient discharges during February 1, 2003 through January 31, 2004.

CON Numbers 9759, 9760 & 9761

Wuesthoff Medical Center – Melbourne Inpatient Discharges from Brevard County ZIP Codes February 1, 2003 through January 31, 2004			
Zip Code	Area	# Discharges	% Cases
32935*	Melbourne	1,230	26.9%
32904	Melbourne	482	10.5%
32934*	Melbourne	411	9.0%
32940*	Suntree/Viera	381	8.3%
32907	Palm Bay	353	2.5%
32901	Melbourne	324	2.4%
32905	Palm Bay	227	1.2%
32937	Satellite Beach	218	0.5%
32909	Palm Bay	175	5.0%
All Other Brevard County Zips		772	16.9%
Total		4,573	100.0%

Source: Wuesthoff Health Systems Finance & Strategic Planning Department, HBO Trendstar Data per CON #9760 page 33.

Note: The applicant indicates that P.O. Box information is included within the relevant geographic Zip Codes. Discharges were for Brevard County only.

***ZIP codes in PSA of co-batched applicant Holmes Regional Medical Center CON # 9759, proposed new hospital.**

Wuesthoff Memorial Hospital, Inc. provides the current and projected Wuesthoff Medical Center market share in the service area zip codes.

Wuesthoff Medical Center – Melbourne Actual versus Projected Brevard County ZIP Code Market Share			
Zip Code	Actual Market Share	Projected Market Share	
	Jan – Sept. 2003	Year One CY 2005	Year Two CY 2006
32901	5.5%	12%	15%
32904	15.1%	22%	26%
32905	3.9%	7%	8%
32907	6.3%	12%	15%
32909	4.4%	8%	9%
32934	20.6%	25%	30%
32935	19.8%	25%	30%
32937	5.2%	12%	15%
32940	10.4%	15%	18%

Source: CON #9760 page 36, AHCA Database per applicant.

Wuesthoff indicates that expected market shares were multiplied by the total projected acute care admissions by age cohort and zip code to determine Wuesthoff-Melbourne’s expected acute care admissions.

The applicant contends that additional beds are needed at Wuesthoff Medical Center - Melbourne based on the service area population growth projected from CY 2003 to CY 2008. The applicant provides the following Wuesthoff – Melbourne’s service area zip codes and the projected CY 2008 population in the table below:

CON Numbers 9759, 9760 & 9761

Wuesthoff Medical Center – Melbourne Service Area Population Growth			
Zip Code	2003 Population	2008 Population	Annual % Change 2003-2008
32901	23,508	24,702	1.0%
32904	19,172	21,334	2.2%
32905	23,046	24,622	1.3%
32907	35,943	39,678	2.0%
32909	19,674	22,275	2.5%
32934	18,057	20,294	2.4%
32935	40,638	43,049	1.2%
32937	27,298	28,029	0.5%
32940	22,940	29,312	5.0%
Total	230,276	253,295	1.9%

Source: Claritas, Inc. per CON #9760 page 16.

While the applicant provides the annual percentage increase, the total population in the service area is projected to increase by 10.0 percent (230,276/253,295 (23,019)) between CY 2003 and 2008. Wuesthoff indicates that it reviewed the population of the service area by age as the first step in determining the need for project. The applicant provides the percentage of the above population for the age 75-84 population (7.8 percent in 2003 increasing to 8.0 percent in CY 2008) and the age 85+ population projected to increase from 2.4 percent of CY 2003 population to 2.8 percent of the CY 2008 population.

Wuesthoff also indicates that it utilized a county wide length of stay adjusted to reflect the ALOS at Wuesthoff - Melbourne and that this is 90 percent of the county-wide ALOS for the 12-month period ending September 30, 2003. Supporting data for these assumptions does not appear to be in the application.

The applicant also indicates that the ‘out of area’ factor of approximately eight percent based on current experience is used to account for additional patient days at the facility. The applicant concludes that this results in 31,941 acute care days at Wuesthoff Melbourne for CY 2009. Many of the applicant’s assumptions are not supported by documentation found in the application. The 2005 and 2006 market share projections, in the chart above, are among the unsupported projections. The applicant provides the following table based on these assumptions.

CON Numbers 9759, 9760 & 9761

Wuesthoff Medical Center – Melbourne Projected 2009 Acute Care Bed Need		
A	Patient Days from Brevard County using County ALOS as Baseline	28,485
B	Length of Stay Factor for WCMC	0.9
C	Adjusted Patient Days (A*B)	25,637
D	Factor for Patients Outside the Defined Service Area but within Brevard County	1.150
E	Out of County Factor	1.083
F	Total Patient Days (C*D*E)	31,941
G	Average Daily Census	87.5
H	Available Acute Care Beds	83
I	Projected Occupancy at Current Occupancy (G divided by H)	105.4%
J	Beds needed at 75% Occupancy (G divided by 0.75)	117
K	Additional Beds Needed (J – H)	34

Source: CON #9760, page 37.

The applicant stresses that the additional beds at Wuesthoff - Melbourne are necessary for it to compete with the Health First chain. The applicant offers much discussion on the need for and benefits of competition in Brevard County between the two hospital chains. A large part of this discussion is Wuesthoff's contention that the Viera/Suntree area is now split evenly between the chains and if Health First's project is approved it would gain advantage and be adverse to competition.

In summary: The applicant has not demonstrated the need for 34 additional beds at the Melbourne facility. As previously stated, the 65-bed facility averaged 45.98 percent occupancy during the 12 months ending June 30, 2003. In addition, there are 35 beds remaining to be licensed via CON #9495. While the applicant's projections appear to indicate a need for additional beds, there are assumptions to Wuesthoff's need projections that are not documented and cannot be accepted. Even if these assumptions were documented, the subdistrict for acute care services is Brevard County as a whole and there are currently six acute care facilities located within the subdistrict. These six facilities had 1,202 acute care beds and averaged 65.50 percent during the 12-month reporting period ending June 30, 2003. Therefore, the subdistrict has more than an adequate number of beds available for the applicant's projected need.

Wuesthoff Memorial Hospital, Inc.'s (CON #9761): The applicant's proposal is not submitted in response to the fixed need pool, but rather is responding to what it characterizes as the calculation of projected demand at Wuesthoff Medical Hospital in Rockledge merits the addition of 44 beds.

CON Numbers 9759, 9760 & 9761

Wuesthoff also restates the division of Brevard County for acute care purposes, discussed above. Wuesthoff also discusses businesses’, managed care companies, physicians and community members support for the project’s goal of maintaining adequate capacity at Wuesthoff Memorial Hospital Center (Rockledge). These issues were discussed earlier in Section B, Public Hearing, and allude to the positive impact of Wuesthoff on hospital competition in Brevard County in the managed care market, contending that Wuesthoff’s expansion could increase competition in the area. The letters of support from area physicians and local businesses expressed similar concern with regard to having sufficient beds at the Rockledge facility to meet the needs of the service area population.

The applicant also provides the following chart documenting the hospital’s service area based on the facility’s 13,575 Brevard County resident inpatient discharges during March 1, 2003 through February 29, 2004.

Wuesthoff Medical Center – Rockledge Inpatient Discharges from Brevard County ZIP Codes March 1, 2003 through February 29, 2004			
Zip Code	Area	# Discharges	% Cases
32955	Rockledge	2,692	19.8%
32922	Cocoa	2,240	16.5%
32926	Cocoa	1,749	12.9%
32953	Merritt Island	1,306	9.6%
32927	Port St. John	1,181	8.7%
32940	Suntree/Viera	1,165	8.6%
32952	Merritt Island	996	7.3%
All Other Brevard County Zips		2,246	16.5%
Total		13,575	100.0%

Source: Wuesthoff Health Systems Finance & Strategic Planning Department, HBO Trendstar Data per CON #9761 page 32.

Note: The applicant indicates that P.O. Box information is included within the relevant geographic Zip Codes. Discharges were for Brevard County only and numbers may not sum exactly due to rounding.

The applicant contends that additional beds are needed at Wuesthoff Medical Center – Rockledge based on the service area population growth projected from CY 2003 to CY 2008. The applicant provides the following Wuesthoff – Rockledge’s service area zip codes and the projected CY 2008 population in the table below:

CON Numbers 9759, 9760 & 9761

Wuesthoff Medical Center – Rockledge Service Area Population Growth			
Zip Code	2003 Population	2008 Population	Annual % Change 2003-2008
32922	15,012	15,377	0.5%
32926	21,130	22,485	1.3%
32927	29,001	32,320	2.2%
32940*	22,940	29,312	5.0%
32952	21,705	23,408	1.5%
32953	22,670	24,331	1.4%
32955*	26,801	30,104	2.4%
Total	159,259	177,337	2.2%

Source: Claritas, Inc. per CON #9761 page 33.

*ZIP codes in the PSA of co-batched applicant Holmes Regional Medical Center, proposed new hospital.

The applicant indicates that the total population in the service area is projected to increase by 11.0 percent (from 159, 259 persons in CY 2003 to 177,337 in CY 2008). Wuesthoff indicates that it reviewed the population of the service area by age as the first step in determining the need for project. The applicant provides the percentage of the above population for the age 75-84 population (6.3 percent in 2003 increasing to 6.7 percent in CY 2008) and the age 85+ population projected to increase from 1.9 percent of CY 2003 population to 2.4 percent of the CY 2008 population.

Wuesthoff Memorial Hospital, Inc. provides the current and projected Wuesthoff Medical Center Rockledge Market share in the service area zip codes.

Wuesthoff Medical Center – Rockledge Actual versus Projected Brevard County ZIP Code Market Share			
Zip Code	Actual Market Share	Projected Market Share	
	FY 2003	Year One CY 2005	Year Two CY 2006
32955	68.4%	69.4%	69.4%
32922	71.6%	71.6%	71.6%
32926	60.9%	60.9%	60.9%
32953	40.6%	41.6%	41.6%
32927	41.3%	41.3%	41.3%
32940	36.8%	36.6%	36.5%
32952	34.9%	35.9%	35.9%
32937	6.0%	5.8%	5.8%
32940	36.8%	36.6%	36.5%

Source: CON #9761 page 36, Richardson/Knapp & Associates per applicant.

Note: CON #9761 page 36, includes 37 zip codes, however, the reviewer chose the PSA Zip Codes to provide the market share information.

Wuesthoff indicates that expected market shares in zip codes projected to increase are those that are in close proximity to Wuesthoff – Rockledge, but are not immediately surrounding Health First Cape Canaveral Hospital. Zip codes projected to show Wuesthoff Rockledge’s market share to decrease are those served by both Wuesthoff Rockledge

and Wuesthoff Melbourne. The applicant indicates that the projected decrease was included so that no double counting or overstatement of volume would occur between Wuesthoff Memorial's two applications in this batching cycle. Wuesthoff Rockledge's market share is projected to remain the same in most zip codes.

The applicant indicates that the market share was multiplied by the total projected acute care admissions by age cohort and zip code to determine Wuesthoff-Rockledge's expected acute care admissions. Supporting data for this calculation does not appear to be in the application. Wuesthoff also indicates that it experienced a 4.71 ALOS at Wuesthoff - Rockledge for the year to date in 2004, so it utilizes a factor of 1.017 to represent this in its projections.

The applicant also indicates that the 'out of area' factor of approximately four percent based on current experience is used to account for additional patient days at the facility. The applicant concludes that this results in 67,321 acute care days at Wuesthoff Rockledge for CY 2009. The table above shows the market share projections for CY 2005 and CY 2006, but the applicant does provide these for CY 2009 and they are consistent with the CY 2006 projections. The applicant provides the following table based on its assumptions.

Wuesthoff Medical Center – Rockledge Projected 2009 Acute Care Bed Need		
A	Patient Days from Brevard County using County ALOS as Baseline	63,862
B	Length of Stay Factor for WCMC	1.017
C	Adjusted Patient Days (A*B)	64,948
D	Out of County Factor	1.037
E	Total Patient Days (C*D)	67,321
F	Average Daily Census	184.4
G	Available Acute Care Beds	202
H	Projected Occupancy at Current Occupancy (F divided by G)	91.3%
I	Beds needed at 75% Occupancy (F divided by 75%)	246
J	Additional Beds Needed (I – G)	44

Source: CON #9761, page 38.

The applicant stresses that the additional beds at Wuesthoff Rockledge are necessary for it to compete with the Health First chain. The applicant offers much discussion on the need for and benefits of competition in Brevard County between the two hospital chains. A large part of this discussion is Wuesthoff's contention that the Viera/Suntree area is now split evenly between the chains and if Health First's project is approved it would gain advantage and be adverse to competition.

In summary: The applicant has not demonstrated the need for 44 additional beds at the Rockledge facility. As previously stated, the 218-acute care beds at the facility averaged 62.83 percent occupancy during

the 12 months ending June 30, 2003. While the applicant's projections appear to indicate a need for additional beds, there are assumptions to Wuesthoff's need projections that are not documented. Even if these assumptions were documented, the subdistrict for acute care services is Brevard County as a whole and there are currently six acute care facilities located within the subdistrict. These six facilities had 1,202 acute care beds and averaged 65.50 percent during the 12-month reporting period ending June 30, 2003. Therefore, the subdistrict has more than an adequate number of beds available for the applicant's projected need.

2. Local Health Plan Preferences

Is need for the project supported by the applicable district plan? ss. 408.035(1) and 408.037(1), Florida Statutes, and Ch. 59C-1.030(2)(c), Florida Administrative Code.

The July 2003, District 7 Certificate of Need Allocation Factors Report lists the following preferences for applicants seeking to add acute care beds:

- a. Preference shall be given to applicants who propose to convert licensed unused beds or use existing space rather than new construction, including space created by previous voluntary delicensure of unused beds.**

Holmes Regional Medical Center (CON #9759) and Wuesthoff Medical Center Melbourne (CON #9760) projects involve the construction of new beds. Wuesthoff Medical Center Rockledge (CON #9761) does involve the use of existing space involving space created by previous voluntary delicensure of beds.

- b. Preference shall be given to applicants who demonstrate that they will provide a full array of acute care services including medical/surgical, intensive care, pediatric and obstetrical services within the market area for which they are applying.**

Holmes Regional Medical Center (CON #9759) states that it presently provides all of these services. The applicant indicates that pediatric and obstetrical services are not planned initially for Viera Medical Center and patients requiring obstetrical and pediatric services will continue to be served by existing providers. Holmes Regional indicates that it would consider adding obstetrics and providing dedicated pediatric services at the Viera facility should sufficient demand be demonstrated in the future.

Wuesthoff indicates that its projects (**CON #9760 and #9761**) will ensure that both facilities will be able continue to offer medical/surgical, intensive care, pediatric and obstetrical services to its market in a timely, cost-effective and efficient manner.

Neither applicant demonstrates that these projects are designed for the provision of pediatric and obstetrical services.

- c. Preference shall be given to applicants who propose to acquire or consolidate facilities where it can be demonstrated that services will be improved and cost to the public will be reduced.**

The proposed projects do not propose to acquire or consolidate facilities but the addition of new beds in the subdistrict. Therefore, this preference statement is not applicable to this project.

- d. Preference shall be given to applicants who demonstrate that the transfer of beds is necessary to maintain or improve access to care.**

None of the proposed projects involve the transfer of beds. Therefore, this preference statement is not applicable to these projects.

- e. Preference shall be given to applicants for the transfer of beds, if the applicant can demonstrate that the transfer of beds is more cost-efficient than the renovation and expansion of the existing facility.**

None of the proposed projects involve the transfer of beds. Therefore, this preference statement is not applicable to these projects.

- f. Preference shall be given to existing facilities when the number of beds to be awarded is 50 beds or less, unless a new provider can clearly demonstrate that the facility can provide cost-effective care.**

Holmes Regional Medical Center's project (CON #9759) is the construction of an 84-bed facility and the applicant projects its revenue and costs per day will be higher than the two Wuesthoff projects. The Wuesthoff projects are for 34 and 44-bed additions.

3. **Agency Rule Preferences**

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

The following criteria and standards found in Chapter 59C-1.038(6) of the Florida Administrative Code are applicable to a request for additional acute care beds:

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

Refer to E. 4. i. below for a comparison of the co-batched applicants' provision of care to Medicaid and charity patients.

Holmes Regional Medical Center, Inc. (CON #9759) is proposing that a minimum of three percent of Viera Medical Center's total annual patient days will be provided to Medicaid/Medicaid HMO patients and a minimum of 2.3 percent of the facility's gross revenues will be provided to charity care patients.

Wuesthoff Memorial Hospital, Inc. (CON #9760) proposes to condition the 134-bed Melbourne facility to the provision of nine percent of the facility's gross patient revenues to Medicaid and charity care/indigent patients.

Wuesthoff Memorial Hospital, Inc. (CON #9761) does not have any conditions on acute care beds at the Rockledge facility and does not propose to condition this CON on the provision of Medicaid and charity care. According to Schedule 7A, the applicant expects that Medicaid, including Medicaid HMO, will represent 11.2 percent and charity care 2.6 percent of the facility's total patient days in year two of operation.

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

There are competing applications for additional acute care beds in District 7, Subdistrict 1; but, two of the projects (Holmes CON #9759) and Wuesthoff (CON #9760) do not involve the conversion of existing underutilized beds. Wuesthoff – Rockledge (CON #9761) does involve the conversion of existing space formerly used for acute care beds. However, need for additional beds in the subdistrict was not demonstrated.

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) and 408.035(7), Florida Statutes.**

Holmes Regional Medical Center, Inc. (CON #9759) re-states its contention that the increasing population in the Viera area will increase the demand for emergency and acute care services. The applicant also contends that the project will improve assess and reduce travel times for a significant portion of the population. However, as discussed in Section E.1.c. above, perceived access restrictions to future emergency and acute care services were not clearly demonstrated. Although population in the area is rising, existing facilities are underutilized. Were this hospital to be established, existing subdistrict providers would most likely be negatively impacted.

Holmes Regional does not question quality of care at existing facilities, but discusses its provision of quality of care in item E. 4c.

In reference to efficiency, the applicant cites the new facility's proposed role in disaster planning and preparedness, the design and information innovations planned and contend that the facility will provide access to cost effective quality care for residents of the service area including the uninsured. Refer to the need discussion and discussion of letters of support above.

Holmes Regional Medical Center, Inc. is proposing that a minimum of three percent of Viera Medical Center's total annual patient days will be provided to Medicaid/Medicaid HMO patients and a minimum of 2.3 percent of the facility's gross revenues will be provided to charity care patients. Agency records indicate that in Fiscal Year (FY) 2002, the

applicant provided 6.6 percent of its patient days to Medicaid patients and 2.0 percent of its total patient days to charity care patients. Holmes Regional's provision of Medicaid at 6.6 is below the subdistrict average of 7.9 percent, while its charity care provision is at the 2.0 percent subdistrict average. The applicant proposes to condition the project to provide combined Medicaid and Medicaid HMO patient days at three percent of the new facility's total patient days. This is significantly below its current level and the subdistrict level for Medicaid. The applicant's proposed charity care condition cannot be compared to the subdistrict average.

As indicated above and below in E. 4.i., Wuesthoff Memorial Hospital is the subdistrict's high indigent provider and this project, if implemented, would most likely negatively impact Wuesthoff. Wuesthoff provided 12.1 percent of its patient days to Medicaid recipients in FY 2002 compared to Holmes 6.6 percent and the new project is proposed to be conditioned to three percent Medicaid/Medicaid HMO. Residents of the Viera facility's proposed primary service area accounted for 64.27 percent of the two Wuesthoff total facilities during the 12 months ending September 30, 2003. Therefore, it is likely that access to the medically indigent population in Brevard County will not be improved as a result of this project and that the subdistrict's largest provider of care to this population will be negatively impacted if this project is approved, thereby reducing or restricting care to the medically indigent population rather than improving it.

Wuesthoff Memorial Hospital Inc.'s response in both CON #9759 and CON #9760 is provided below:

Availability and Access to the Medically Indigent and Managed Care

The applicant contends that the proposed bed additions will increase the availability and access to acute care services in these areas through the provision of services to: (1) indigent and Medicaid patients; and (2) all central and south Brevard County residents.

Although the applicant contends that the projects will improve the availability of care to patients in central and south Brevard, thus improving the quality of care provided, particularly to the indigent and Medicaid patients, this was not fully demonstrated. As discussed above, Wuesthoff provides a high percentage of its patient days in its two facilities to the medically indigent population. The applicant's proposed provision of Medicaid and charity care at both facilities is discussed in item 4. i.

Wuesthoff Memorial Hospital, Inc. contends that the competitive environment will be enhanced with the additional beds at both Wuesthoff facilities, and that managed care companies, will proliferate. However, it was not demonstrated that additional beds are needed at this time and it is not clear how the addition of what will likely be underutilized beds would produce a more competitive market.

In general, competition does enhance the quality of care delivered, provides an incentive to serve patients more efficiently and can also lower the costs consumers' pay for hospital services. Commercial HMO inability to contract with HRMC was previously considered by the agency as the most important factor in approving the applicant for the new hospital in Melbourne. However, there was no evidence presented that persons in need of quality, general acute care services are not able to obtain those services at existing providers in Brevard County. The applicant has not shown that residents in any area of the subdistrict are unable to access acute care services for either geographic or financial reasons.

Quality of Care

The quality of care of providers in the district is not an issue as the applicant discusses Wuesthoff's provision of quality care (see item 4.b.).

It is not clear that quality of care will improve should these projects be approved as need for additional beds in the subdistrict has not been clearly demonstrated.

Efficiency

The applicant emphasizes its perception that the projects will have a positive impact on Wuesthoff's overall efficiency in that it will be able to achieve substantial efficiencies in the shared provision of services. However, the applicant does not demonstrate the actual savings as a result of shared provision of services.

Utilization of existing providers

The following table reflects the utilization of acute care facilities in the service area during 12 months ending June 30, 2003.

Utilization District 7/Subdistrict 1
July 2002 - June 2003

Facility	# Acute Care Beds	% Occupancy
Holmes Regional Medical Center	499	81.22%
Wuesthoff Memorial Hospital	218	62.83%
Wuesthoff Medical Center-Melbourne	65	45.98%
Cape Canaveral Hospital	150	59.67%
Parrish Medical Center	210	44.59%
Palm Bay Community Hospital	60	51.52%
Total	1,202	65.50%

Source: Florida Hospital Bed & Service Utilization by District January 2004 Batching Cycle

As shown in the table above, Holmes Regional Medical Center is the most highly utilized of the six subdistrict facilities and while it indicates it cannot add beds, it also discussed the building of a new heart center, which may free-up existing space in the facility in addition to adding 154,000 GSF more than the 84-bed project's projected 213,334 GSF. Therefore, the contention that the existing facility at 504 acute care beds is built out appears questionable.

Need for the projects are not 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.

- b. Does the applicant have a history of providing quality of care and has the applicant demonstrated the ability of providing quality care? ss. 408.035(1)(c), Florida Statutes and Rule 59C-1.031-044, Florida Administrative Code.**

Holmes Regional Medical Center (CON #9759) is an existing provider of acute care hospital services and is JCAHO accredited. The facility is currently Medicare and Medicaid certified. The applicant provides a discussion of Holmes Regional and Health First's awards for quality care and presents a brief discussion of Health First's strategic plan to ensure quality care.

A review of AHCA licensure records reveals Holmes Regional Medical Center did not have any confirmed emergency access violations during the previous 36 months. The applicant did have two patient care complaints, two medical services complaints, one nursing service, one medicine/problem/error, one infection control, one lack of assessment and one confirmed administrative compliant during the previous 36 months.

Wuesthoff Memorial Hospital contends that it has a history of providing quality of care, since Wuesthoff-Rockledge has been accredited by the JCAHO since 1958, and has never been cited for an emergency access violation. In 2003, both Wuesthoff facilities earned a 94 JCAHO score. According to the applicant, this score is in the top 10 percent of nationally with respect to quality. In addition, the applicant states that it has a number of programs in place, which demonstrate it has the ability to provide quality care.

As an example of specific quality initiatives undertaken by the applicant, the applicant cites its Performance Improvement Plan for 2004. The purpose of the plan is to ensure the delivery of quality health care to its patients. A copy of this plan was included in Appendix H in both CON #9760 and CON #9761.

CON #9760: A review of AHCA licensure records reveals Wuesthoff Medical Center – Melbourne had two patient care violations and one patient rights violation since its initial licensure in December 2002. The facility also had one emergency access violation cited without deficiency since beginning operation.

CON #9761: A review of AHCA licensure records reveals Wuesthoff Memorial Hospital (Rockledge) Holmes Regional Medical Center did not have any confirmed emergency access violations during the previous 36 months. The applicant did have two medicine/problems/error violations, two patient care violations, one confirmed death of a patient in restraints, one Chapter 394 Baker Act violation, one pressure sore, one nursing service, and one inappropriate discharge violation during the previous 36 months.

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

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

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

The applicants' existing and proposed hospitals are not teaching hospitals nor will the primary purpose of the projects involve research or physician education nor will they affect the clinical needs of health professional training programs in the service area. However, the projects

will enhance educational opportunities for area students in receiving hands-on training in health care.

Both applicants provided a listing of educational opportunities for students, staff and community.

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

Holmes Regional Medical Center, Inc.'s (CON #9759) project will include the project cost of \$106,263,533 and incremental operating costs in year two of \$45,969,000.

Staffing:

Holmes Regional Hospital, Inc. indicates that Health First presently has 327 employees who live in two of the VMC PSA zip codes (32940 and 32955) and of these, 73 are RNs, seven are physical therapists and three are case managers. The applicant states that while all of these people may not want to work at the new hospital, a significant number will prefer to work at a facility closer to their home. Health First's nurse vacancy rate is said to be four to five percent compared to the average RN vacancy rate of 15.6 to 9.9 percent. The applicant provides a detailed description of its recruitment and retention plan. Key management personnel and resources were also described.

Schedule 6A shows 314.1 FTEs for the hospital project by the end of year Two (December 31, 2009). These FTEs include: 55.0 administration FTEs, 123.7 RNs, 6.9 LPNs, 29.4 nurses aides, 1.5 physical therapists, 55.1 ancillary personnel FTEs, 1.0 dietary supervisor, 4.0 cooks, 1.3 dietary aides, 1.0 social service director, 3.0 patient education/case management, 1.0 housekeeping supervisor, 13.0 housekeeping, 1.0 laundry aide, 1.0 maintenance supervisor, 4.2 plant maintenance FTEs and 6.0 security FTEs. The applicant indicates that it expects some of its staff will transfer from the applicant's existing campuses and indicates that 114.6 of year one's 241.4 FTEs will be transfers. Schedule 6A indicates a high number of RNs and very few LPNs.

Audited Financial Statements:

The audited financial statements of Holmes Regional Medical Center, Inc. for the periods ending September 30, 2003 and 2002 were analyzed for the purpose of evaluating the applicant's ability to provide the capital and operational funding necessary to implement the project.

HOLMES REGIONAL MEDICAL CENTER, INC.

	9/30/2003	9/30/2002
Current Assets	\$ 219,167,000	\$ 227,939,000
Cash and Current Investment	\$ 159,342,000	\$ 168,196,000
Assets Restricted for Capital Projects	\$ -	\$ -
Total Assets	\$ 386,462,000	\$ 380,084,000
Current Liabilities	\$ 84,307,000	\$ 88,544,000
Total Liabilities	\$ 198,237,000	\$ 194,364,000
Net Assets	\$ 188,225,000	\$ 185,720,000
Total Revenues	\$ 400,036,000	\$ 374,637,000
Interest Expense	\$ 6,640,000	\$ 5,852,000
Excess of Revenues over Expenses	\$ 14,427,000	\$ 26,946,000
Cash Flow from Operations	\$ 24,565,000	\$ 48,694,000
Working Capital	\$ 134,860,000	\$ 139,395,000
Current Ratio (CA/CL)	2.6	2.6
Cash Flow to Current Liabilities (CFO/CL)	0.3	0.5
Long-Term Debt to Net Assets (TL-CL/NA)	0.6	0.6
Times Interest Earned (NPO+Int/Int)	3.2	5.6
Net Assets to Total Assets (TE/TA)	48.7%	48.9%
Total Margin (ER/TR)	3.6%	7.2%
Return on Assets (ER/TA)	3.7%	7.1%
Operating Cash Flow to Assets (CFO/TA)	6.4%	12.8%

Short-term position:

The applicant's current ratio of 2.6 indicates current assets are approximately two and one half times current liabilities, an adequate position. The ratio of cash flow to current liabilities of 0.3 is well below average and indicates the applicant does not have sufficient cash flow to cover current obligations, a weak position. The working capital (current assets less current liabilities) of \$134.9 million is a measure of excess liquidity that could be used to fund capital projects. Overall, the applicant has an adequate short-term position.

Long-term position:

The long-term debt to equity ratio of 0.6 indicates long-term debt is less than equity, an adequate position. The cash flow to assets ratio of 6.4 percent is slightly below average, a moderately weak position. The most recent year had excess revenues over expenses of \$14.4 million, which resulted in a total margin of 3.6 percent. According to the audit, the applicant is required to make annual contributions to the parent company of the greatest of 50 percent of excess revenues over expenses plus extraordinary items or six percent of unrestricted net assets. Overall, the applicant has an adequate long-term position.

Capital requirements:

Schedule 2 indicates the applicant has \$394.6 million in capital projects and maturities of long-term debt due through 2007.

Available capital:

Funding for this project will come from operations and tax-exempt bond financing. Cash flows for the most recent year were \$24.6 million. As discussed above working capital is \$134.9 million. The applicant provided a letter of interest from Bank of America Securities outlining the issuance of tax-exempt bonds in the amount of \$104.3 million. Health First, Inc., the parent company, is another source of potential funding. The parent company reported \$110 million in working capital and \$55.2 million in cash flows from operations.

Conclusion:

Based on the information provided, it appears likely that the applicant will have access to capital as needed to complete this project.

Wuesthoff Memorial Hospital, Inc. (CON #9760): The addition of 34 acute care beds to Wuesthoff Medical Center – Melbourne has a projected financial impact that includes the project cost of \$2,537,378 and incremental operating costs in year two of \$4,142,343.

Staffing:

Wuesthoff Memorial Hospital, Inc. provides a brief description of its recruitment and retention program in its discussion of the addition of 34 acute care beds to Wuesthoff Medical Center – Melbourne. Schedule 6 assumptions however add more detail to the applicant's recruiting and retention policies. Year two (2006) shows a total of 13.1 FTEs are stated to be needed for the medical/surgical portion of the project, 4.3 FTEs in the critical care division, and 2.3 FTEs in the surgical services division resulting in a total of 20.7 nursing FTEs needed. The project also requires 1.4 administrative FTEs, 6.5 ancillary, 3.2 dietary, 3.2 housekeeping, 0.5 security and 1.6 other maintenance FTEs for a total of 37.2 FTEs in year two ending December 31, 2006. The applicant does not anticipate any difficulty in staffing for the project.

Wuesthoff Memorial Hospital, Inc. (CON #9761): The addition of 44 acute care beds to Wuesthoff Medical Center – Rockledge (WMCR) has a projected financial impact that includes the project cost of \$531,842 and incremental operating costs in year two of \$3,179,253.

Staffing:

Wuesthoff Memorial Hospital, Inc. provides a brief description of its recruitment and retention program in its discussion of the addition of 44

CON Numbers 9759, 9760 & 9761

acute care beds to Wuesthoff Medical Center – Rockledge. Schedule 6 assumptions however add more detail to the applicant’s recruiting and retention policies. Year two (2006) shows a total of 6.6 FTEs are stated to be needed for the medical/surgical portion of the project, 6.2 FTEs in the critical care division, and 1.2 FTEs in the surgical services division resulting in a total of 15.7 nursing FTEs needed. The project also requires 1.3 administrative FTEs, 6.6 ancillary, 4.5 dietary, 2.4 housekeeping, 0.6 security and 1.1 other maintenance FTEs for a total of 32.3 FTEs in year two ending December 31, 2006. The applicant does not anticipate any difficulty in staffing for the project.

The following applies to **both CON #9760 and CON #9761**. The audit of the applicant was not submitted. The applicant submitted the audited financial statements of Wuesthoff Health Systems, Inc. (the applicant’s parent entity) for the periods ending September 30, 2003 and 2002. The supplemental information in the audit contained individual balance sheet and income statement schedules of the applicant and other entities of the parent for the period ending September 30, 2003. The supplemental information was analyzed for the purpose of evaluating the applicant’s ability to provide the capital and operational funding necessary to implement the project. Because the supplemental information did not contain the cash flow statement of the applicant, the typical ratios of cash flow could not be used in the analysis.

WUESTHOFF MEMORIAL HOSPITAL, INC.

	9/30/2003	9/30/2002
Current Assets	\$ 61,409,720	\$ 51,361,540
Cash and Current Investment	\$ 11,990,814	\$ 8,821,634
Assets Restricted for Capital Projects	\$ 37,102,755	\$ 32,409,402
Total Assets	\$ 156,379,010	\$ 146,034,908
Current Liabilities	\$ 46,451,173	\$ 40,872,051
Total Liabilities	\$ 93,742,028	\$ 87,325,790
Net Assets	\$ 62,636,982	\$ 58,709,118
Total Revenues	\$ 142,522,786	\$ 138,644,726
Interest Expense	\$ 2,443,714	\$ 2,025,927
Excess of Revenues over Expenses	\$ 4,468,955	\$ 5,847,523
Working Capital	\$ 14,958,547	\$ 10,489,489
Current Ratio (CA/CL)	1.3	1.3
Long-Term Debt to Net Assets (TL-CL/NA)	0.8	0.8
Times Interest Earned (NPO+Int/Int)	2.8	3.9
Net Assets to Total Assets (TE/TA)	40.1%	40.2%
Total Margin (ER/TR)	3.1%	4.2%
Return on Assets (ER/TA)	2.9%	4.0%

Short-term position:

The applicant's current ratio of 1.3 is below average and indicates current assets are slightly greater than current liabilities, a moderately weak position. The working capital (current assets less current liabilities) of \$15 million is a measure of excess liquidity that could be used to fund capital projects. Because the applicant's cash flow information was not provided an analysis of the applicant's ability to cover current obligations with cash flows from operations could not be determined. Overall, the applicant has an adequate short-term position.

Long-term position:

The long-term debt to equity ratio of 0.8 is above average and indicates long-term debt is slightly less than equity, an adequate position. The most recent year had excess revenues over expenses of \$4.5 million, which resulted in a total margin of 3.1 percent. Overall, the applicant has an adequate long-term position.

Capital requirements:

Schedule 2 indicates the applicant has \$33.6 million in capital projects and maturities of long-term debt due through 2004.

Available capital:

Funding for these projects will come from cash on hand. As discussed above working capital is \$15 million. In addition, the financial statements include \$37 million in assets for capital projects. The applicant indicated that tax-exempt bonds issued January 2004 would cover \$18 million of capital projects. However, the applicant did not provide any documentation supporting the amount of the bond issue.

Conclusion:

Even though the applicant did not support the \$18 million in tax-exempt bonds, it appears that the applicant has sufficient assets to cover its capital projects and maturities of long-term debt due through 2004 as described in Schedule 2 of the application. Therefore, funding for these projects and all capital projects should be available as needed.

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

The following applies to CON #9759, CON #9760 and CON #9761, except where otherwise indicated.

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 4. Per Diem rates are projected to increase by an average of 3.7 percent per year. Inflation adjustments were based on the new CMS Market Basket, 4th Quarter, 2003.

Gross revenues, net revenues, and costs were obtained from Schedules 7 and 8 in the financial portion of the application. These were compared to the control group as a calculated amount per adjusted patient day.

Holmes Regional Medical Center, Inc. (CON #9759): Projected net revenue per adjusted patient day (NRAPD) of \$1,661 in year one and \$1,698 in year two is between the control group median and highest values of \$1,531 and \$1,831 in year one and \$1,582 and \$1,891 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).

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Anticipated costs per adjusted patient day (CAPD) of \$1,955 in year one exceeds the highest value in the group of \$1,775. The highest level is generally viewed as the practical upper limit on economies of operation. Year one CAPD are not efficient when compared to the group. Anticipated CAPD of \$1,645 in year two is between the control group median and highest values of \$1,640 and \$1,834. The CAPD in year two approximates the median and balances the opposing forces of efficiency and feasibility. (See Comparative Table). It should be noted that this application is for a new acute care hospital. The first year of operation has a below average occupancy rate. The low occupancy rate decreases economies of scale and as the occupancy rate increases, CAPD would be expected to decrease.

The year one projected operating loss is \$5.7 million, which computes to an operating margin per adjusted patient day of a negative \$294. This is well below the lowest value in the group of a negative \$185. However, the group 4 data is derived from mature hospitals. As discussed above, this application is for a new acute care hospital and economies of scale will not likely be realized until year two when the projected occupancy rate increases dramatically. The year two operating profit for the hospital of \$1.5 million computes to an operating margin per adjusted patient day of \$53 which is between the control group median and highest values of a negative \$12 and a positive \$391. The projected operating margin of 3.1 percent indicates that net revenues are proportional to costs.

Based on the above, financial feasibility of this project appears likely.

CON Numbers 9759, 9760 & 9761

COMPARATIVE TABLE

HOLMES REGIONAL MEDICAL CENTER, INC.

CON # 9759 2002 DATA Peer Group 4	2009	YEAR 2	VALUES ADJUSTED		
	YEAR 2	ACTIVITY	FOR INFLATION		
	<u>ACTIVITY</u>	<u>PER DAY</u>	<u>Highest</u>	<u>Median</u>	<u>Lowest</u>
ROUTINE SERVICES	111,587,000	3,992	996	684	246
INPATIENT AMBULATORY	0	0	356	83	53
INPATIENT SURGERY	0	0	0	0	0
INPATIENT ANCILLARY SERVICES	0	0	4,873	2,408	1,535
OUTPATIENT SERVICES	42,081,000	1,505	2,882	1,823	1,085
TOTAL PATIENT SERVICES REV.	153,668,000	5,497	10,230	5,852	4,933
OTHER OPERATING REVENUE	1,113,000	40	47	10	4
TOTAL REVENUE	154,781,000	5,537	8,412	4,810	4,172
DEDUCTIONS FROM REVENUE	107,328,000	3,840	0	0	0
NET REVENUES	47,453,000	1,698	1,891	1,582	1,331
EXPENSES					
ROUTINE	11,039,000	395	358	259	188
ANCILLARY	10,336,000	370	672	539	380
AMBULATORY	2,726,000	98	0	0	0
TOTAL PATIENT CARE COST	24,101,000	862	0	0	0
ADMIN. AND OVERHEAD	9,167,000	328	938	726	571
PROPERTY	12,701,000	454	0	0	0
TOTAL HOSPITAL EXPENSE	21,868,000	782	0	0	0
OTHER OPERATING EXPENSE	0	0	0	0	0
TOTAL EXPENSES	45,969,000	1,645	1,834	1,640	1,293
OPERATING INCOME	1,484,000	53	391	-12	-185
		3.1%			
PATIENT DAYS	20,152				
ADJUSTED PATIENT DAYS	27,953				
TOTAL BED DAYS AVAILABLE	30,660				
ADJ. FACTOR	0.7209				
TOTAL NUMBER OF BEDS	84				
PERCENT OCCUPANCY	65.73%				
PAYER TYPE	<u>PATIENT DAYS</u>	<u>% TOTAL</u>			
SELF PAY	1,189	5.9%			
MEDICAID	605	3.0%	11.8%	5.2%	0.8%
MEDICAID HMO	222	1.1%			
MEDICARE	11,445	56.8%	80.1%	61.0%	32.4%
MEDICARE HMO	2,640	13.1%			
INSURANCE	746	3.7%			
HMO/POP	2,660	13.2%	50.0%	24.2%	9.5%
OTHER	645	3.2%			
TOTAL	20,152	100%			

Wuesthoff Memorial Hospital, Inc. (CON #9760): Projected net revenue per adjusted patient day (NRAPD) of \$1,434 in year one and \$1,419 is between the group median and highest values of \$1,240 and \$1,483 in year one and \$1,281 and \$1,532 in year two. With net revenues falling between the median and highest values, the facility is expected to consume health care resources in proportion to the services provided. (See Comparative Table). Wuesthoff Medical Center – Melbourne (WMCM) NRAPD in fiscal year 2003 was reported as \$1,435. The difference in the NRAPD reported in 2003 and the projected NRAPD of \$1,419 results in an average annual decrease of less than 1.0 percent.

Anticipated cost per adjusted patient day (CAPD) of \$1,508 in year one exceeds the highest value in the group of \$1,438. Anticipated CAPD of \$1,452 in year two is between the control group median and highest values of \$1,328 and \$1,485. The highest level is generally viewed as the practical upper limit on efficiency. Year one CAPD are not efficient when compared to the group. (See Comparative Table). WMRM's CAPD in fiscal year 2003 was reported as \$1,685 with an occupancy rate of 42.1 percent. The difference in the CAPD reported in 2003 and the projected CAPD of \$1,452 results in an average annual decrease of approximately 4.61 percent.

Fiscal year 2003 was the first year of operations of WMRM. The first year of operations experienced a below average occupancy rate. Occupancy rates at the hospital are not expected to exceed 50.0 percent until 2006. As the occupancy rate increases so should economies of scale thus reducing CAPD. The applicant is projecting a decreased CAPD in year two compared to fiscal 2003.

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The projected year two operating loss for the hospital of \$1.5 million, which computes to an operating margin per adjusted patient day of a negative \$33 is between the peer group median and lowest values of a negative \$12 and a negative \$185. The operating margin computes to a negative 2.3 percent, which indicates net revenues are not sufficient to cover costs. The hospital experienced an operating loss of \$4.1 million in 2003. Operations are not expected to generate surplus revenue until 2007 at the earliest.

The projected operating losses of the hospital raise concerns about the hospital's financial position going forward and therefore, the financial feasibility of this project is in question. The applicant is projecting WMCM will experience a loss of \$2.3 million at its currently licensed 100-bed level. This projection is in stark contrast to CON #9495 for this same 100-bed hospital, which projected operating income of \$2.3 million for the 2006 year. These projections and reported results cast doubt on WMCM's ability to become profitable. Although WMCM is affiliated with its parent Wuesthoff Health Systems, Inc., it is not clear from the application that the parent or any other entity would subsidize WMCM's operations through 2006. Considering the market constraints on increasing revenues, WMCM will have to experience greater economies of scale to reduce cost and obtain profitability.

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COMPARATIVE TABLE

WUESTHOFF MEMORIAL HOSPITAL, INC.

CON # 9760	2006	YEAR 2	VALUES ADJUSTED		
2002 DATA Peer Group 4	YEAR 2	ACTIVITY	FOR INFLATION		
	<u>ACTIVITY</u>	<u>PER DAY</u>	<u>Highest</u>	<u>Median</u>	<u>Lowest</u>
ROUTINE SERVICES	24,048,853	519	806	554	199
INPATIENT AMBULATORY	0	0	288	67	43
INPATIENT SURGERY	36,349,389	784	0	0	0
INPATIENT ANCILLARY SERVICES	70,314,062	1,516	3,947	1,950	1,243
OUTPATIENT SERVICES	64,402,227	1,389	2,334	1,476	879
TOTAL PATIENT SERVICES REV.	195,114,531	4,208	8,285	4,740	3,995
OTHER OPERATING REVENUE	200,000	4	38	8	3
TOTAL REVENUE	195,314,531	4,212	6,813	3,896	3,379
DEDUCTIONS FROM REVENUE	129,510,221	2,793	0	0	0
NET REVENUES	65,804,310	1,419	1,532	1,281	1,078
EXPENSES					
ROUTINE	12,282,325	265	290	210	153
ANCILLARY	18,129,096	391	544	437	308
AMBULATORY	1,223,956	26	0	0	0
TOTAL PATIENT CARE COST	31,635,377	682	0	0	0
ADMIN. AND OVERHEAD	16,614,992	358	760	588	462
PROPERTY	8,340,731	180	0	0	0
TOTAL HOSPITAL EXPENSE	24,955,723	538	0	0	0
OTHER OPERATING EXPENSE	10,731,299	231	0	0	0
TOTAL EXPENSES	67,322,399	1,452	1,485	1,328	1,047
OPERATING INCOME	-1,518,089	-33	391	-12	-185
		-2.3%			
PATIENT DAYS	31,034				
ADJUSTED PATIENT DAYS	46,372				
TOTAL BED DAYS AVAIL.	48,910				
ADJ. FACTOR	0.6692				
TOTAL NUMBER OF BEDS	134				
PERCENT OCCUPANCY	63.45%				
PAYER TYPE	<u>PATIENT DAYS</u>	<u>% TOTAL</u>	VALUES NOT ADJUSTED FOR INFLATION		
SELF PAY	1,766	5.7%			
MEDICAID	1,310	4.2%	11.8%	5.2%	0.8%
MEDICAID HMO	1,403	4.5%			
MEDICARE	15,759	50.8%	80.1%	61.0%	32.4%
MEDICARE HMO	317	1.0%			
INSURANCE	588	1.9%			
HMO/POP	8,085	26.1%	50.0%	24.2%	9.5%
OTHER	1,806	5.8%			
TOTAL	31,034	100%			

Wuesthoff Memorial Hospital, Inc. (CON #9761): Projected net revenue per adjusted patient day (NRAPD) of \$1,462 in year one and \$1,491 in year two is slightly above the control group median of \$1,447 in year one and slightly below the control group median of \$1,495 in year two respectively. With net revenues approximating the median, the facility is expected to consume health care resources in proportion to the services provided. (See Comparative Table). Wuesthoff Medical Center – Rockledge (WMCR) NRAPD in fiscal year 2002 was reported as \$1,265. The difference in the NRAPD reported in 2002 and the projected NRAPD of \$1,491 results in an average annual increase of approximately 4.5 percent. This level of increase is slightly higher than CMS Market Basket, 4th Quarter, 2003, rate of 3.7 percent.

Anticipated cost per adjusted patient day (CAPD) of \$1,410 in year one and \$1,428 in year two is between the group median and highest values of \$1,328 and \$1,479 in year one and \$1,371 and \$1,528 in year two. The highest level is generally viewed as the practical upper limit on economies of operation. (See Comparative Table). WMRC's CAPD in fiscal year 2002 was reported as \$1,285. The difference in the CAPD reported in 2002 and the projected CAPD of \$1,428 results in an average annual increase of approximately 2.8 percent. This level of increase is slightly lower than CMS Market Basket, 4th Quarter, 2003, rate of 3.7 percent.

The year two operating profit for the hospital of \$6.4 million computes to an operating margin per adjusted patient day of \$63 which is between the peer group median and lowest values \$100 and a negative \$42. The operating margin computes to 4.2 percent, which indicates net revenues are proportional to costs. The projected operating margin is greater than the WMRC's operating margin reported in 2002 of a negative \$1.7 million or a negative 1.6 percent. It should be noted that although the small variance in inflation levels of revenues and expenses from the historic data may not have been material alone, with a small projected margin, the combined effect of those variances could have a material impact on the operating margin. This project is estimated to add approximately \$906,843 to net profit from operations in year two.

Based on the above, financial feasibility of this project appears likely.

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COMPARATIVE TABLE

WUESTHOFF MEMORIAL HOSPITAL, INC.

CON # 9761	2006	YEAR 2	VALUES ADJUSTED		
2002 DATA Peer Group 7	YEAR 2	ACTIVITY	FOR INFLATION		
	<u>ACTIVITY</u>	<u>PER DAY</u>	<u>Highest</u>	<u>Median</u>	<u>Lowest</u>
ROUTINE SERVICES	58,921,156	577	890	577	277
INPATIENT AMBULATORY	0	0	134	63	17
INPATIENT SURGERY	92,451,670	905	0	0	0
INPATIENT ANCILLARY SERVICES	184,911,226	1,811	4,256	2,613	1,577
OUTPATIENT SERVICES	145,514,688	1,425	2,147	1,399	885
TOTAL PATIENT SERVICES REV.	481,798,740	4,718	9,366	6,587	4,577
OTHER OPERATING REVENUE	1,000,000	10	212	9	4
TOTAL REVENUE	482,798,740	4,727	6,740	4,792	3,116
DEDUCTIONS FROM REVENUE	330,565,773	3,237	0	0	0
NET REVENUES	152,232,967	1,491	1,744	1,495	1,146
EXPENSES					
ROUTINE	29,934,180	293	325	217	159
ANCILLARY	45,103,859	442	571	500	419
AMBULATORY	1,202,637	12	0	0	0
TOTAL PATIENT CARE COST	76,240,676	747	0	0	0
ADMIN. AND OVERHEAD	38,495,355	377	722	607	436
PROPERTY	17,295,350	169	0	0	0
TOTAL HOSPITAL EXPENSE	55,790,705	546	0	0	0
OTHER OPERATING EXPENSE	13,811,876	135	0	0	0
TOTAL EXPENSES	145,843,257	1,428	1,528	1,371	1,138
OPERATING INCOME	6,389,710	63	347	100	-42
		4.2%			
PATIENT DAYS	71,134				
ADJUSTED PATIENT DAYS	102,126				
TOTAL BED DAYS AVAILABLE	105,485				
ADJ. FACTOR	0.6965				
TOTAL NUMBER OF BEDS	289				
PERCENT OCCUPANCY	67.44%				
PAYER TYPE	<u>PATIENT DAYS</u>	<u>% TOTAL</u>			
SELF PAY	3,961	5.6%			
MEDICAID	2,940	4.1%	24.3%	7.0%	1.3%
MEDICAID HMO	5,021	7.1%			
MEDICARE	41,888	58.9%	77.9%	56.6%	26.2%
MEDICARE HMO	301	0.4%			
INSURANCE	1,120	1.6%			
HMO/POP	12,894	18.1%	51.0%	23.3%	5.5%
OTHER	3,009	4.2%			
TOTAL	71,134	100%			

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

Holmes Regional Medical Center, Inc. (CON #9759) forecasts managed care levels at 27.4 percent, which is between the control group median and highest level of 24.2 and 50.0 percent. With the projected managed care level approximating the median and the projected high population growth, these levels if realized are likely to have a positive impact on competition.

Wuesthoff Memorial Hospital, Inc. (CON #9760) reported managed care levels for Wuesthoff Medical Center – Melbourne at 25.1 percent during 2003. The applicant forecasts managed care levels at 31.6 percent, which is between control group median and highest level of 24.2 and 50.0 percent. With the projected managed care level approximating the median, these levels if realized are likely to have a positive impact on competition. However, the hospital is projecting a negative operating margin. Without a positive operating margin, the hospital's ability to negotiate a competitive managed care rate, while remaining a viable entity, will be constrained.

Wuesthoff Memorial Hospital, Inc. (CON #9761) reported managed care levels for Wuesthoff Medical Center – Rockledge at 21.2 percent during 2002. The applicant forecasts managed care levels at 25.6 percent, which is between control group median and highest level of 23.3 and 51.0 percent. With the projected managed care level approximating the median, these levels if realized are likely to have a positive impact on competition.

The following chart is a comparison of the applicants' projections for revenue, costs, profits, managed care and Medicaid in CY 2009 dollars.

CON Numbers 9759, 9760 & 9761

District 7 Acute Care Projects			
Projected in 2009 Dollars			
	Holmes Regional Medical Center, Inc.	Wuesthoff Memorial Hospital, Inc. Melbourne	Wuesthoff Memorial Hospital, Inc. Rockledge
CON Number	9759	9760	9761
Net Rev. per adj. patient day	\$1,698	\$1,582	\$1,662
Cost per adj. patient day	\$1,645	\$1,619	\$1,593
Operating profit per patient day	\$ 53	(\$37)	\$ 70
Estimated Managed Care level	27.4%	31.6%	25.6%
Estimated Medicaid level	3.0%	4.2%	4.1%

- 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.**

Holmes Regional Medical Center, Inc. (CON #9759) proposes to construct a new 84-bed, 213,000 square foot satellite hospital in Brevard County.

A 20-acre site for the new facility has been chosen adjacent to a health park with several other health care-related facilities. From the information in the narrative, the owner is well aware of the requirements for disaster preparedness in the Florida Building Code, Section 419.4.56. The new facility will have a concrete frame and masonry walls, which could partially be in response to the disaster preparedness requirements.

The application included a site plan, floor plans of the three-story building and larger scaled plans of typical patient rooms. All patient rooms will be private and all patient toilet rooms will be wheelchair-accessible. The narrative makes a distinction between “wheelchair-accessible” and “ADA-compliant” that is not clear. All the in-patient rooms and the typical handicapped accessible rooms are identical. All the patient rooms shown meet the code requirements for area and for headwall widths. These also have a lavatory within the room as well as the one in the toilet room, which is required for new construction. Each room has a “family zone” so that a family member could sleep in the patient room.

CON Numbers 9759, 9760 & 9761

The plan has a tripartite concept with two patient wings projecting from the main hospital area at the corner. Each patient wing is three stories high and the first two floors have 36 beds in each wing. The third floor has a 12-bed ICU and a 16-bed observation unit. Interestingly, Human Resources and the Chapel are on this floor as well as Administration.

Because of the demographics of the area, the owner has elected not to provide obstetric or pediatric services. The narrative indicates that these might be added in the future. In spite of this and the emphasis in the narrative on the “astounding growth” in Brevard County, the new facility does not seem to be designed for future expansion, horizontally or vertically. It is possible that the third floor could be enlarged to have the same footprint as the larger floors below.

An emergency department is provided as well as a full-service imaging suite including cath labs, an MRI room and the surgical suite has four operating rooms. The surgical suite with the ORs and PACU are located on the second floor.

The overall project is straightforward and the layout is good. The ancillary spaces seem to be adequately sized and conveniently arranged for the functions that they support.

There is a list of applicable codes on the drawings that is correct. The information from Schedule 10 indicates that sufficient time has been allowed for construction. In the case of this facility, it is difficult to analyze the costs for this project. There are several other new hospitals proposed for this CON batch, and this one has a higher cost per square foot and per bed. Although the location in Brevard County would partially justify a higher cost, the budget does appear somewhat higher than the norm.

It is required that schematic drawings be submitted as part of the CON application. The drawings for this proposal 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.

Wuesthoff Memorial Hospital, Inc. (CON #9760) is for the addition of 34 new acute care beds to augment the existing ones at Wuesthoff Medical Center - Melbourne. The project involves 1,700 GSF of new construction and 8,040 GSF of renovation at a projected total building cost of \$1,811,178. The application included plans, both existing and proposed, of all three floors of the facility. The majority of the work will be on the third floor.

The narrative and to some extent the plans are confusing. The narrative states that:

“the facility is in the process of vertically expanding the hospital by adding a third floor. This third floor addition is independent of this CON Application and is therefore considered as “existing” for this narrative”.

Since the “existing” plans may not actually exist at this point, it isn’t possible to tell whether there is going to be any demolition or whether the walls shown on the “existing” plans have been built. In any case, the final layout is what matters and it has no negative architectural issues and the comments below continue to refer to the third floor as “existing”.

There will be a small addition on the first floor that will increase the size of dietary services. This is the only space added to the facility footprint. Although existing and proposed plans of the second floor were included they look identical.

The bulk of the project will take place on the third floor where several spaces labeled storage will become patient rooms. There is a dialysis unit, a sleep room and an equipment room which will also become patient rooms. The toilet rooms involved are the same on the existing and proposed plans.

A similar situation occurs where a case manager’s office will be relocated and its space will also become a patient room. Again, no significant changes will be needed except renovations to the HVAC and headwall equipment. Again on the third floor, there is a group of 10 patient rooms that are slated to be refurbished.

All the ancillary spaces to serve the proposed beds are sized and located so that they will function for the new beds as well as the existing ones. The application had a list of applicable building codes, and it is essentially correct and the schedule appears reasonable for the scope of the work as shown. Based on the information provided, the budget seems to be reasonable.

CON Numbers 9759, 9760 & 9761

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.

Wuesthoff Memorial Hospital, Inc. (CON #9761) proposes the addition of 44 new acute care beds to augment the existing ones at Wuesthoff Memorial Hospital. The project involves zero GSF of renovation at a projected total building cost of \$250,800. The application included plans, both existing and proposed, of the second through the fifth floors.

The first 20 beds of the proposal will be added by converting private rooms to semi-private. The other 24 beds will be obtained by not delicensing beds that were going to be delicensed as part of a current project to expand the facility.

The narrative and to some extent the plans are confusing. The narrative states that:

“the facility is in the process of vertically expanding the hospital by adding a new fifth floor. This fifth floor addition is independent of this CON application and is therefore considered as “existing” for this narrative”.

Since the “existing” plans may not actually exist at this point, it is not possible to tell whether there is going to be any demolition or whether the walls shown on the “existing” plans have been built. In any case, the final layout is what matters and it has no negative architectural issues.

The existing and proposed plans of the fifth floor look identical, and there do not appear to be any negative architectural issues with the layout. However, the nurse toilet room is further removed from two of the three nurse stations than is ideal but this layout must have been approved by AHCA since it is under construction.

CON Numbers 9759, 9760 & 9761

All the ancillary spaces involved are sized and located so that they will function for the patient rooms. The application had a short list of applicable building codes, and it is essentially correct and the schedule appears reasonable for the scope of the work as shown. Based on the information provided, confusing as it may be, the budget seems to be reasonable if one were to assume that the total project cost is the sum of the total construction cost and the moveable equipment cost which is \$435,456.

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 chart compares the applicants and the subdistrict’s other providers with the subdistrict and district averages for Medicaid and charity care patients based on FY 2002 financial data.

District 7, Subdistrict 1 Acute Care Facilities Medicaid & Charity Care FY 2002		
Facility	% Medicaid	% Charity Care
Holmes Regional Medical Center	6.6%	2.0%
Wuesthoff Memorial Hospital	12.1%	2.0%
Cape Canaveral Hospital	5.6%	1.5%
Parrish Medical Center	8.6%	2.4%
District 7, Subdistrict 1 Average	7.9%	2.0%
District 7 Average	13.3%	2.7%

Source: Agency for Health Care Administration Actual Budget data for FY 2002.
Note: Subdistrict 1 facilities all have their FYE September 30, 2002. Holmes Regional Medical Center includes Palm Bay Community Hospital in its financial reporting data and Wuesthoff Memorial Hospital includes both its Melbourne and Rockledge facilities in its financial reporting.

Wuesthoff Memorial Hospital is the largest Medicaid provider in the subdistrict and its charity care meets the subdistrict average. Holmes Regional Medical Center meets the charity care average but is below the subdistrict average in its provision of Medicaid. Both applicants provide less Medicaid and charity care than the district average.

F. SUMMARY

Holmes Regional Medical Center, Inc. (CON #9759) presently operates 504 acute care beds and 10 Level II NICU beds at its main campus in Melbourne and Palm Bay Community Hospital, a 60-bed acute care facility located in Palm Bay, Florida. The applicant proposes to construct an 84 acute care bed hospital to be located in Viera. The applicant's existing and proposed facilities are in Brevard County, District 7, Subdistrict 1. Total project cost is estimated to be \$106,263,533. Construction costs are estimated at \$44,950,387 and involve 213,334 GSF of new construction.

Wuesthoff Memorial Hospital, Inc. (CON #9760) proposes to add 34 acute care beds to the 65-bed Melbourne facility. The applicant is approved via CON #9495 to add 35 beds to the existing facility. Total project cost is estimated to be \$2,537,378. Construction costs are estimated at \$1,639,075 and consist of a total of 9,740 GSF, with 1,700 GSF consisting of new construction and 8,040 GSF of renovation.

Wuesthoff Memorial Hospital, Inc. (CON #9761) proposes to add 44 acute care beds to the existing 245 bed Rockledge facility, which presently consists of 218 acute care, 10 Level II NICU and 17 adult psychiatric beds. Total project cost is estimated to be \$531,842. The applicant estimates the total project construction costs to be \$228,000 of renovation (the square footage area to be renovated was not provided). According to the applicant, the construction costs consist of renovating several semi-private rooms to their previous configuration and keeping 24 rooms semi-private that were scheduled to be converted to private rooms.

After weighing and balancing all relevant criteria, the following relevant factors are listed with regard to the hospital projects in District 7, Subdistrict 1 by Holmes Regional Medical Center, Inc. and Wuesthoff Memorial Hospital, Inc.

Need

The projects are not in response to projected need.

Holmes Regional Medical Center (CON #9759)

The applicant suggests that the Suntree/Viera area population growth justifies the establishment of an 84-bed hospital. However, there is no evidence provided that existing subdistrict providers cannot serve the area's projected population and an 84-bed hospital would reduce the market share of existing providers and may not be justified.

The applicant is experiencing high occupancy in its existing facility and contends that it cannot add beds because of physical space restrictions at the main campus. However, it is in the process of constructing an eight-story expansion consisting of 377,000 GSF, which will include a new heart center, new ER and a trauma center. This could free-up existing space in the facility. Therefore, the contention that the existing facility at 504 acute care beds is built out appears somewhat questionable.

The project could increase availability of ER and acute care services to Viera residents. However, there is no documentation that access to existing subdistrict facilities for these services is an issue.

Approval of the project could result in an adverse impact on existing providers, the extent of which is not known.

Both Wuesthoff projects:

The applicant does not demonstrate need for the projects. The applicant's projections are somewhat speculative. AHCA exemption rules could be utilized should the applicant actually experience capacity constraints.

The applicant contends that the projects will improve the availability of care to patients in central and south Brevard, thus improving the quality of care provided, particularly to the indigent and Medicaid patients. However, this was not fully demonstrated.

Quality of Care

Holmes Regional Medical Center (CON #9759) is an existing provider of acute care hospital services and is JCAHO accredited. The applicant provides a discussion of Holmes Regional and Health First's awards for quality care and presents a brief discussion of Health First's strategic plan to ensure quality care.

AHCA licensure records reveals Holmes Regional Medical Center did not have any confirmed emergency access violations during the previous 36 months. The applicant did have nine confirmed complaints during the previous 36 months.

Wuesthoff Memorial Hospital, Inc. Wuesthoff's facilities are accredited by JCAHO and have been nationally recognized for its accomplishments. The applicant provided specific quality of care measures that are currently in place at Wuesthoff and has demonstrated that it is a quality care provider.

CON #9760: AHCA licensure records reveals Wuesthoff Medical Center – Melbourne had two patient care violations and one patient rights violation since its initial licensure in December 2002.

CON #9761: AHCA licensure records reveal Wuesthoff Memorial Hospital (Rockledge) did not have any confirmed emergency access violations during the previous 36 months. The facility did have nine confirmed complaints during the previous 36 months.

Cost/Financial Analysis

Holmes Regional Hospital, Inc. (CON #9759): Funding for this project will come from operations and tax-exempt bond financing. The financial reviewer concluded that it appears likely that the applicant will have access to capital as needed to complete this project.

The financial reviewer concluded that financial feasibility of this project appears likely.

Both Wuesthoff projects: Even though Wuesthoff did not support the \$18 million in tax-exempt bonds, it appears that the applicant has sufficient assets to cover its capital projects and maturities of long-term debt due through 2004. Therefore, funding for these projects and all capital projects should be available as needed.

The financial reviewer concluded that financial feasibility of the projects appears likely.

However, there is some concern that Wuesthoff – Melbourne will have to experience greater economies of scale to reduce cost and obtain profitability. The facility experienced a \$4.1 million operating loss during FY 2003 and operations are not expected to generate surplus revenue until 2007 at the earliest.

Medicaid/Indigent Charity Care Commitment

Holmes Regional Medical Center, Inc. (CON #9759) is proposing that a minimum of three percent of Viera Medical Center's total annual patient days will be provided to Medicaid/Medicaid HMO patients and a minimum of 2.3 percent of the facility's gross revenues will be provided to charity care patients.

Wuesthoff Memorial Hospital, Inc. (CON #9760) proposes to condition the 134-bed Melbourne facility to the provision of nine percent of the facility's gross patient revenues to Medicaid and charity care/indigent patients.

Wuesthoff Memorial Hospital, Inc. (CON #9761) does not have any conditions on acute care beds at the Rockledge facility and does not propose to condition this CON on the provision of Medicaid and charity care. According to Schedule 7A, the applicant expects that Medicaid, including Medicaid HMO, will represent 11.2 percent and charity care 2.6 percent of the facility's total patient days in year two of operation.

Architectural Analysis

Holmes Regional Medical Center (CON #9759): The overall project is straightforward and the layout is good. The ancillary spaces seem to be adequately sized and conveniently arranged for the functions that they support.

There is a list of applicable codes on the drawings that is correct. The information from Schedule 10 indicates that sufficient time has been allowed for construction.

Wuesthoff Memorial -Melbourne (CON #9760): All the ancillary spaces to serve the proposed beds are sized and located so that they will function for the new beds as well as the existing ones. The application had a list of applicable building codes, and it is essentially correct and the schedule appears reasonable for the scope of the work as shown.

The architectural reviewer concluded that based on the information provided, confusing as it may be, the budget seems to be reasonable.

Wuesthoff Memorial Hospital -Rockledge (CON #9761): All the ancillary spaces involved are sized and located so that they will function for the patient rooms. The application had a short list of applicable building codes, and it is essentially correct and the schedule appears reasonable for the scope of the work as shown.

CON Numbers 9759, 9760 & 9761

The architectural reviewer concluded that based on the information provided, confusing as it may be, the budget seems to be reasonable assuming that the total project cost is the sum of the total construction cost and the moveable equipment cost which is \$435,456.

G. RECOMMENDATION

Deny CON #9759, CON #9760 and CON #9761.

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