

STATE AGENCY ACTION REPORT
ON APPLICATION FOR CERTIFICATE OF NEED

A. PROJECT IDENTIFICATION

1. Applicant/CON Action Number

**South Miami Hospital, Inc./CON #9776
d/b/a South Miami Hospital**

6855 Red Road, Suite 600
Coral Gables, Florida 33143

Authorized Representative: Ana Lopez-Blazquez
(786) 662-7272

**Baptist Hospital of Miami, Inc./CON #9777
d/b/a Baptist Hospital of Miami**

6855 Red Road, Suite 600
Coral Gables, Florida 33143

Authorized Representative: Ana Lopez Blazquez
(305) 662-7000

2. Service District/County

District 11, Miami-Dade and Monroe Counties

B. PUBLIC HEARING

Public hearings were not requested on the co-batched projects to add or establish a Level III Neonatal Intensive Care Unit (NICU) beds in District 11. However, each applicant submitted letters of support for its project:

South Miami Hospital, Inc. d/b/a South Miami Hospital (CON #9776): The applicant submitted 360 support letters from local area citizens, former patients and their families, area physicians, local political leaders, and various health care personnel. All of the letters endorsed the proposed establishment of a Level III NICU program at

South Miami Hospital. The majority of letters written by former patients and/or their family members discussed personal experiences when their newborns had to be transferred to different facilities that provided Level III services. Several letters written by physicians and health care personnel discussed the negative effects of transport on critically ill neonates. The consensus was that a Level III NICU at South Miami Hospital would allow the infants to receive optimal care and avoid unnecessary risks associated with transport.

Baptist Hospital of Miami, Inc. d/b/a Baptist Hospital of Miami (CON #9777): The applicant submitted 27 letters of support from area physicians, the local medical community, and former patients and their families. One of the letters submitted was from the medical director of the neonatal intensive care unit at Baptist Children’s Hospital, Dr. Andrew Kairalla. Dr. Kairalla wrote, “...Baptist Hospital’s NICU supports a busy obstetric service with over 4300 deliveries per year. We also serve as a referral center for NICU patients from two other hospitals in Baptist Healthcare System, South Miami Hospital and Homestead Hospital. Our NICU is usually at or near capacity, and we are especially short of Level III beds. We frequently have to transfer sick newborn babies to other hospitals due to lack of available NICU beds in our institution.” However, Dr. Kairalla’s letter did not quantify the number of sick newborns being transferred to other facilities due to the lack of NICU beds at Baptist Hospital. In addition to the letters of support submitted by the applicant, the Agency independently received a letter from Ruben Gonzalez-Vallina, M.D. (Kids G.I. Center). His letter was similar in content to Dr. Kairalla’s support letter and expressed the need for additional Level III NICU beds at Baptist Hospital of Miami.

C. PROJECT SUMMARY

South Miami Hospital, Inc. d/b/a South Miami Hospital (CON #9776): South Miami Hospital, Inc. proposes to establish a four-bed Level III NICU through the conversion of four acute care beds at South Miami Hospital (SMH) located in District 11, Miami-Dade County. The hospital is a 445-bed, not-for-profit community hospital currently licensed for 341 acute care beds, 23 Level II NICU beds, 48 adult substance abuse beds, and 33 comprehensive medical rehabilitation beds. Its parent organization is Baptist Health of South Florida, which also owns and operates Baptist Hospital of Miami, Homestead Hospital, Doctors’ Hospital (Coral Gables), and Mariners Hospital (Tavernier, Monroe County).

According to the applicant's *Certificate of Need Predicated on Conditions* page, it will set aside a minimum of 35 percent of its Level III NICU patient days to Medicaid, Medicaid HMO, and charity patients combined. In addition, the applicant offers 10 conditions it is willing to accept upon approval of the proposed project. These conditions are:

- (1) A board-certified or board-eligible neonatologist on call, in house, 24 hours a day, seven days a week.
- (2) Maintenance of NRP (neonatal resuscitation program) certification and re-certification every two years for all attending neonatologists.
- (3) Perinatologist and pediatric sub-specialists in the areas of surgery, anesthesia, cardiology, and ophthalmology on call, 24-hours a day.
- (4) Annual review by a neonatologist of nursing policies and procedures relevant to the delivery of nursing care to high-risk newborns.
- (5) Participation in continuous outcome monitoring of all infants admitted and cared for in its neonatal intensive care unit, to include major categories of morbidity as well as mortality.
- (6) Maintenance of a developmental follow-up clinic to analyze and report long-term outcomes as well as short-term outcomes identified in #5, above.
- (7) Participation of the applicant's attending neonatologists in a quality assurance peer review program, including a review of the above-mentioned outcome identified in #5 and #6, above.
- (8) To quarterly file with AHCA the information requested on State of Florida forms titled "Infant Demographics and Outcomes, Level II and Level III NICUs, pages 1 through 4.
- (9) An annual morbidity and mortality review of the hospital's Level III NICU by a board-certified neonatologist, on staff at one of Florida's RPICC centers.
- (10) That should AHCA determine, from the outcome monitoring and statistical review data provided, that the morbidity and mortality levels for the Level III NICU patient population served by the applicant is significantly above the levels of other Level III programs in Florida, as adjusted for consideration of relevant risk factors in the patient populations, or if the applicant fails to comply with the reporting and monitoring conditions set forth above, the AHCA may issue its notice of intent to revoke the CON by serving an administrative complaint upon the applicant, pursuant to Section 120.60(5), Florida Statutes (1997), providing the applicant with reasonable notice of facts or conduct which warrant the intended action, and providing the applicant an adequate opportunity to request a proceeding pursuant to Section 120.569 and 120.57, Florida Statutes (1997).

The proposed project will not result in any change to the overall licensed capacity of South Miami Hospital. The proposed project involves a total cost of \$820,603, which includes \$325,688 in renovation costs and 1,737 gross square feet (GSF) of renovation space.

Baptist Hospital of Miami, Inc. d/b/a Baptist Hospital of Miami (CON #9777): Baptist Hospital of Miami, Inc., a not-for-profit health care organization, proposes to add seven Level III NICU beds to its existing seven-bed Level III NICU at Baptist Hospital of Miami (BHM), creating a 14-bed Level III NICU unit. The hospital, located in District 11, Miami-Dade County, is a 551-bed Class I General Acute Care Hospital currently licensed for 496 acute care beds, 36 rehabilitation beds, seven Level III NICU beds, and 12 Level II NICU beds, with an approved CON to add 10 additional Level II NICU beds. Like co-batched applicant South Miami Hospital, BHM is an operating division of Baptist Health Systems of South Florida, which also includes South Miami Hospital, Homestead Hospital, Doctors' Hospital (Coral Gables), and Mariners Hospital (Tavernier, Monroe County).

According to the *Certificate of Need Predicated on Conditions* page, the applicant is proposing a minimum of 25 percent of patient days to combined Medicaid/Medicaid HMO/charity/indigent patients.

The total project cost is estimated at \$1,522,995. Renovation costs are projected at \$743,794 and the project will involve 1,889 gross square feet (GSF) of renovated space.

D. REVIEW PROCEDURE

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

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

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

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

E. CONFORMITY OF PROJECT WITH REVIEW CRITERIA

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

1. Fixed Need Pool

a. Does the project proposed respond to need as published by a fixed need pool? Ch. 59C-1.008 and Ch. 59C-1.042, Florida Administrative Code.

The fixed need bed pool published in Volume 30, Number 4 of the Florida Administrative Weekly dated January 23, 2004, shows a need for four additional Level III NICU beds in District 11.

As of January 23, 2004, District 11 had 106 licensed Level III NICU and 20 approved Level III NICU beds. AHCA's publication, *Florida Hospital Bed and Service Utilization Data by District, January 2004 Batching Cycle*, reported that the 106 Level III NICU beds in District 11 experienced an occupancy rate of 97.65 percent during the period July 2002 through June 2003. The following table reflects the utilization data for Level III NICU beds in District 11.

**Quarterly Utilization of District 11
Level III NICU Beds
07/2002—12/2002**

Facility	July-Sept. 2002				Oct.-Dec. 2002			
	Lic. Beds	Total Bed days	Rptd. Pt. Days	Occupancy %	Lic. Beds	Total Bed days	Rptd. Pt. Days	Occupancy %
Jackson Memorial Hospital	66	6,072	5,283	87.01%	66	6,072	5,239	86.28%
Miami Children's Hospital	23	2,116	2,880	136.11%	23	2,116	2,703	127.74%
Mt. Sinai Medical Center**	5	460	109	23.70%	5	460	222	48.26%
North Shore Medical Ctr.	5	460	449	97.61%	5	460	395	85.87%
Baptist Hospital of Miami	7	644	997	154.81%	7	644	902	140.06%
District 11 Total/Average	106	9,752	9,718	99.65%	106	9,752	9,461	97.02%

Source: AHCA's publication, *Florida Hospital Bed and Service Utilization Data by District, January 2004 Batching Cycle.*

** Licensed December 11, 2001

**Quarterly Utilization of District 11
Level III NICU Beds
01/2003—06/2003**

Facility	Jan-March 2003				April-June 2003			
	Lic. Beds	Total Bed days	Rptd. Pt. Days	Occupancy %	Lic. Beds	Total Bed days	Rptd. Pt. Days	Occupancy %
Jackson Memorial Hospital	66	5,940	6,245	105.13%	66	6,006	5,807	96.69%
Miami Children's Hospital	23	2,070	2,101	101.50%	23	2,093	2,076	99.19%
Mt. Sinai Medical Center**	5	450	71	15.78%	5	455	92	20.22%
North Shore Medical Ctr.	5	450	360	80.00%	5	455	266	58.46%
Baptist Hospital of Miami	7	630	661	104.92%	7	637	923	144.90%
District 11 Total/Average	106	9,540	9,438	98.93%	106	9,646	7,897	95.00%

Source: AHCA's publication, *Florida Hospital Bed and Service Utilization Data by District, January 2004 Batching Cycle.*

** Licensed December 11, 2001

**District 11's Level III NICU Utilization
July 2002 through June 2003**

Facility	12 MONTH TOTAL (July 2002-June 2003)		
	Total Bed Days	Total Patient Days	Occupancy %
Jackson Memorial Hospital	24,090	22,574	93.71%
Miami Children's Hospital	8,395	9,760	116.26%
Mt. Sinai Medical Center**	1,825	494	27.07%
North Shore Medical Ctr.	1,825	1,470	80.55%
Baptist Hospital of Miami	2,555	3,483	136.32%
District 11 Total/Average	38,690	37,781	97.65%

Source: AHCA's publication, *Florida Hospital Bed and Service Utilization Data by District, January 2004 Batching Cycle.*

** Licensed December 11, 2001

Both applicants are responding to the fixed need pool. South Miami Hospital's project is in direct response to the fixed need pool. Baptist Hospital of Miami's proposal exceeds the number of beds published as needed in the fixed need pool by three beds. Further, Baptist Hospital of Miami is also applying under special circumstances as described below.

- b. Regardless of whether bed need is shown under the need formula, the establishment of new Level III neonatal intensive care unit beds within a district shall not normally be approved unless the average occupancy rate for Level III beds in the district equals or exceeds 80 percent for the most recent 12-month period ending six months prior to the beginning date of the quarter of the publication of the fixed need pool. Ch. 59C-1.042(3)(f), Florida Administrative Code.**

As stated above, the 106 Level III NICU beds in District 11 experienced an occupancy rate of 97.65 percent for the July 2002 through June 2003 reporting period.

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

Only one of the two co-batched applicants seeks to establish a new NICU Level III unit. Baptist Hospital of Miami has an existing seven-bed Level III unit therefore this criterion does not apply to its proposal.

South Miami Hospital, Inc. d/b/a South Miami Hospital (CON #9776): The applicant's 341 acute care beds experienced a 12-month occupancy of 58.36 percent from July 2002 through June 2003. The applicant is proposing that the four-bed Level III NICU be created through the conversion of four underutilized acute care beds.

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

Only one of the co-batched applicants seeks approval for additional NICU Level III beds. South Miami Hospital does not have an existing Level III unit. Therefore, this criterion does not apply to its proposal.

Baptist Hospital of Miami, Inc. d/b/a Baptist Hospital of Miami (CON #9777) is seeking to add beds in addition to those published in the fixed need pool. While published need in the district is for four Level III NICU beds, BHM is proposing to add seven beds. The applicant's Level III NICU experienced an average 12-month occupancy rate of 136.32 percent during the most recent reporting period ending June 2003. The applicant meets "Special Circumstances" defined in Rule and contends that other "not normal" special circumstances exist to support additional beds beyond those published in the fixed need pool.

As a base point for determining BHM's bed need, Level III bed need based only on historical annual patient days was calculated by the applicant. The result of this assessment, using an 80 percent target occupancy, was a gross bed need of 11.9 or a net bed need of 4.9 additional beds to meet the hospital's bed needs for the 12 months ending June 2003. The calculations included in this assessment are presented in the table below:

**Baptist Hospital of Miami
Level III NICU Utilization and Bed Need
Based on July 2002- July 2003 Patient Days**

12 months ending June 2003 Level III Patient Days	3,483
12 months ending June 2003 Level III Average Daily Census (based on the 3,483 patient days divided by 365)	9.5
12 months ending June 2003 Level III Gross Bed Need (ADC divided by .80)	11.9
12 months ending June 2003 Level III Net Bed Need (gross beds minus existing beds)	+4.9

Source: CON #9777; Page 58.

While data from the 12 months ending June 2003 indicate the need for an additional 4.9 Level III NICU beds at Baptist Hospital of Miami, the applicant contends that this annual number of patient days doesn't reflect the fluctuations in daily census that are more apparent when monthly utilization data is considered. The applicant claims that its small seven-bed Level III NICU does not provide the flexibility to respond to daily fluctuations in census.

The current lack of Level III NICU capacity has resulted in the need to transfer infants born at BHM to other facilities with Level III services. According to the applicant, this has become more challenging due to the high occupancy rates of other Level III NICU providers in District 11. Out of the five existing Level III NICU providers in the district, Mount Sinai Medical Center was the only facility that did not exceed the 80 percent occupancy threshold for the most recent reporting period. As noted above, there are 20 CON approved Level III NICU beds in District 11, the implementation of those 20 and the four beds published as needed are expected to address the need for Level III NICU beds in the district by the July 2006 planning horizon.

The applicant maintains that for the 12 months ending June 2003, Baptist Hospital of Miami admitted 347 neonates into its NICUs (293 or 85 percent of the infants were born at BHM); 54 of these neonates were from other facilities. Furthermore, 44 (95 percent) out of the 54 transferred-in neonates were from other BHSF facilities (South Miami Hospital, Baptist Hospital of Miami, and Homestead Hospital). Therefore, the applicant contends that this project is needed to care for BHM's and BHSF's own patients, including South Miami Hospital's patients and should have no impact on any other providers of Level III NICU services. The applicant claims that 36 of the neonates born at BHM requiring neonatal intensive care services were transferred to other facilities because beds were unavailable within BHM's NICU. Ultimately, these neonates received 966 patient days of care at other facilities. The applicant presented the table below to demonstrate the potential impact of these transferred-out patient days.

**Baptist Hospital of Miami Level III NICU Occupancy
and Current Bed Need based on
12-month period ending (MOE) June 2003 Patient Days
and Transferred-Out Days**

	Patient Days	ADC	Gross Bed Need	Net Bed Need
12 MOE June 2003	3,483	9.5	11.9	4.9
12 MOE June 2003 + 100% of Transferred NICU Patient Days (966)	4,449	12.2	15.2	8.2
12 MOE June 2003 + 50% of Transferred NICU Patient Days (483)	3,966	10.9	13.6	6.6

Source: CON #9777; page 60.

The applicant contends that if all of the patient days ultimately provided to the 36 neonates transferred to other facilities had been Level III NICU patient days, these patients could have been cared for at BHM if an additional 8.2 Level III NICU beds had been available. Conservatively assuming that only 50 percent of the patient days ultimately provided to the 36 neonates transferred to other facilities had been Level III NICU patient days, these patients could have been cared for at BHM if an additional 6.6 Level III NICU beds had been available. In other words, if only one-half of the current level of NICU babies transferred out due to a lack of available beds were retained at BHM, there would be need for a total of 13.6 Level III NICU beds, according to the applicant.

The applicant has demonstrated, based on actual experience during the 12-month period ending June 2003, that it needed at least 16 Level III NICU beds to continue providing this service to surrounding hospitals transferring neonates to its Level III unit and its own patients. It is seeking to increase its existing unit by seven beds creating a 14, rather than 16-bed unit. The applicant provided additional need methodologies in which it projected hospital-specific need for as many as 13 additional beds at the hospital. The reasonableness of these projections was not determined given there are 20 approved Level III NICU beds for the area, that are not yet licensed and the Agency has published need for four additional beds. Therefore, beds in addition to those already approved and published in the fixed need pool was not demonstrated. The applicant did demonstrate hospital-specific need for at least seven beds.

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 District 11 July 2003 CON Allocation Factors Report provides the following generic preferences in the review of all CON applications:

- (1) Preference shall be given to applicants who propose to initiate new services at facilities that provide the highest proportion of charity care and Medicaid days during the past fiscal year for which reimbursement was received through Florida's "Disproportionate Share Program" of the Public Medical Assistance Trust Funds.**

This preference is only applicable to co-batched applicant SMH since its proposed project involves the initiation of a new service.

The following table provides an indication of SMH’s commitment to charity and Medicaid compared to the district, based on fiscal year (FY) 2002 actual data prepared by AHCA:

**SMH’s Medicaid & Charity Care
Compared to the District
FY 2002**

Applicant	Conventional M’caid Days	Charity Charges
South Miami Hosp.	6.0%	0.6%
District 11 Weighted Avg.	17.7%	4.9%

Source: FY 2002 Actual Data/AHCA

SMH proposes to condition the approval of this project for the provision of at least 35 percent of patient days in the proposed Level III NICU to Medicaid/charity/Medicaid HMO patients combined. As reflected in the table above, South Miami Hospital's provision of Medicaid and charity care in fiscal year (FY) 2002 is substantially lower than the district average. The applicant is not a high indigent care provider even though it operates a 23-bed Level II NICU. Neonatal services are often reimbursed by Medicaid. However, from the fiscal year data shown above it would appear that SMH does not admit a high percentage of Medicaid-eligible patients to its 23-bed NICU.

(2) Preference shall be given to applicants who address health professional staff shortages, particularly for nurses and allied health professionals.

Both co-batched applicants state that their parent organization, Baptist Health of South Florida (BHSF), is committed to responding to the health professional staff shortage, particularly for nurses and allied health professionals. In light of the increasing shortage of nurses, the co-batched applicants indicate that BHSF has become more involved in the training of new nurses, as well as continuing education and professional development of its existing nursing staff. BHSF has a tuition assistance program already in place that includes tuition reimbursement, flexible scheduling, and support from colleagues. BHSF also has a scholarship program to encourage employees to enter the field of nursing. In addition, BHSF and Miami-Dade College continue to collaborate with the Onsite Nursing Program. Evidence of this commitment is Baptist Health of South Florida’s Center of Excellence in Nursing, which was specifically developed to enhance the status and professionalism of nursing within BHSF. Both co-batched applicants have been awarded Magnet designation in nursing by the American Nurses Credentialing Center (ANCC). This recognition, achieved by only 1.7 percent of U.S. hospitals, is the highest honor in the nursing profession and signifies exceptional patient care and standards.

- (3) **Preference shall be given to applicants who provide language interpretation services to meet the communication needs of patients in their primary service area.**

Both of the co-batched applicants indicate that they provide interpretation services to meet the community needs of patients in their primary service area.

- (4) **Preference shall be given to applicants who offer community education on how to utilize health care facilities when disaster occurs.**

Both of the co-batched applicants indicate that BHSF offers community education on how to utilize its facilities in the event of a disaster. BHSF provides via its website and through written materials, hurricane information for expectant mothers. Additionally, BHSF is part of D.A.S.H. (Disaster Aid Services to Hospitals). D.A.S.H. was formed by hospitals with a common belief that preparedness for disasters, as well as coordinated relief efforts, would aid in providing the necessary health care to the community if struck by a disaster.

- (5) **Preference shall be given to applicants who identify methods to streamline application processes and screens patients for public assistance programs.**

Both of the co-batched applicants demonstrated that they have methods in place to streamline application processes and screen patients for public assistance programs.

The District 11 July 2003 CON Allocation Factors Report provides the following preferences in the review of applications pertaining to neonatal intensive care services:

- (1) **Preference shall be given to applicants who specify how their proposed program will contribute to the development of an organized district-wide neonatal program.**

South Miami Hospital, Inc. d/b/a South Miami Hospital (CON #9776) contends that Baptist Health of South Florida, through its neonatal transport team, directly contributes to the organization of district-wide neonatal program and services. BHSF provides a 24-hour neonatal transport service, based at SMH, with specially trained staff members to transport infants as needed. BHSF neonatal transport service also includes a helicopter and a Learjet. The applicant states that the

establishment of a Level III NICU at its facility will contribute to the development of an organized district-wide neonatal program by reducing the transports of infants born at South Miami Hospital in need of Level III NICU services. According to the applicant, this reduction in transfers will not only eliminate the risks associated with transfer incurred by neonates born at South Miami Hospital, but will also increase the capacity of the transport team to serve infants in facilities without appropriate NICU services. Refer to discussion below in E. 4.

Baptist Hospital of Miami, Inc. d/b/a Baptist Hospital of Miami (CON #9777) is an existing provider of Level II and Level III neonatal intensive care services and states that Baptist Health Systems of South Florida runs a 24-hour neonatal transport service for Baptist Hospital of Miami and other hospitals. The service also includes helicopter and a Learjet. The applicant contributes to the development of an organized district-wide neonatal program.

- (2) **Preference shall be given to applicants who operate a facility with at or above 95 percent occupancy and requests to convert underutilized acute care beds to Neonatal Intensive Care Level II beds to reduce occupancy rates to optimal functional levels.**

This preference applies to NICU Level II beds and therefore, is not applicable.

- (3) **Preference shall be given to applicants who propose to expand Level II or Level III Neonatal Intensive Care beds to reduce occupancy rates to optimal functional levels.**

South Miami Hospital, Inc. d/b/a South Miami Hospital (CON #9776): SMH is not an existing provider of Level III NICU services and is proposing to establish a four-bed Level III NICU at its facility through the conversion of four acute care beds. Preference is not given.

Baptist Hospital of Miami, Inc. d/b/a Baptist Hospital of Miami (CON #9777): As previously noted, BHM's Level III NICU beds averaged 136.32 percent occupancy during the most recent reporting period (July 2002-June 2003). The applicant maintains that with the seven additional Level III beds, the projected average occupancy for its proposed 14-bed Level III NICU would be 80 percent for year 1 and 90 percent for year 2 of the proposed project. Once approved beds are established and assuming the applicant continues its practice of transferring neonates when it

is fully occupied, this proposed addition is will achieve the intent of this preference.

- (4) **Preference shall be given to applicants who identify special need populations within its primary service area and offers projections for the number of individuals with special needs that will be served during the first year of program operation.**

South Miami Hospital, Inc. d/b/a South Miami Hospital (CON #9776): SMH primarily serves residents of Miami-Dade and Monroe Counties. The applicant states that according to the Mayor's Health Healthcare Access Task Force, 29 percent of the population is uninsured. More specifically, the report states that 109,000 working, uninsured adults live in Miami-Dade County and these residents have 103,000 uninsured children. This creates a significant population with special need for affordable access to health care services. SMH's existing neonatal intensive care services provides care to patients regardless of their ability to pay and therefore, directly addresses the needs of this population according to the applicant. SMH has conditioned this application on provision of at least 35 percent of the patient days provided in the proposed Level III NICU to Medicaid/charity/Medicaid HMO patient. It is noted that SMH's provision of care to the medically indigent is significantly lower than the district's. Refer to 1. above and E. 3. a and E. 4. i. below.

Baptist Hospital of Miami, Inc. d/b/a Baptist Hospital of Miami (CON #9777) states that it currently treats and will continue to treat all NICU patients in need, including special needs populations. Baptist Hospital proposes to provide a minimum of 25 percent of patient days to combined Medicaid/Medicaid HMO/charity/indigent patients. It is noted that BHM's provision of care to the medically indigent is significantly lower than the district's. Refer to E. 3. a and E. 4. i. below.

- (5) **Preference shall be given to applicants who promote career development opportunities for nurses to pursue advanced nursing degrees (e.g., registered nurses).**

South Miami Hospital, Inc. d/b/a South Miami Hospital (CON #9776) stated that it has a number of programs in place to promote career development opportunities for the nursing staff, such as the professional nursing advancement program. SMH recently served as the test site for the national NICU certification exam, offering the test to SMH nurses and nurses from other

area NICU providers. The applicant indicates that it covers the cost for this certification and plans to serve as a test site again in 2004. Attachment 12 of the application includes details of the NICU continuing education as well as programs designed to train nursing staff. The applicant contends that its NICU staff is committed to ongoing professional development and indicates that approximately one-fourth of its NICU staff are currently pursuing additional degrees.

Baptist Hospital of Miami, Inc. d/b/a Baptist Hospital of Miami (CON #9777) applicant stated that it has developed numerous programs to promote career development opportunities, including programs for nurses to pursue advanced nursing degrees. BHSF has collaborated with area schools to offer flexible, affordable, and quality educational experience for employees who want to further their careers. For those interested in becoming registered nurses, BHSF offers tuition and a stipend for books and fees. Refer to 4.d. below for further discussion.

3. Agency Rule Preferences

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

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

South Miami Hospital, Inc. d/b/a South Miami Hospital (CON #9776): South Miami Hospital is not a high indigent care provider. The applicant states that will provide neonatal intensive care services to charity care patients eligible for children's medical services, Medicaid patients, and private pay patients, including self-pay patients. South Miami Hospital is not a Regional Perinatal Intensive Care Center Program.

As previously stated, the applicant is proposing a minimum of 35 percent of its Level III NICU patient days will be provided to Medicaid/charity/Medicaid HMO patients combined.

The applicant projects its payment mix for the four Level III NICU beds to be:

<u>Payor</u>	<u>Percent of Patient Days</u>
Other Managed Care	57.8%
Medicaid	30.8%
Medicaid HMO	2.0%
Commercial Insurance	6.8%
Self-Pay	<u>2.6%</u>
Total	100.0%

Please refer to E.4.i. below for further discussion.

Baptist Hospital of Miami, Inc. d/b/a Baptist Hospital of Miami (CON #9777): Baptist Hospital is not a high indigent care provider. The applicant states that it will provide neonatal intensive care services to children's medical services patients, as well as to charity care patients, Medicaid patients, and private pay patients, including self-pay patients. Baptist Hospital of Miami is not a Regional Perinatal Intensive Care Center Program. As previously stated, the applicant is proposing a minimum of 25 percent of its Level III NICU patient days will be provided to Medicaid/charity/indigent patients combined.

The applicant projects its payment mix for the seven Level III NICU beds to be:

<u>Payor</u>	<u>Percent of Patient Days</u>
Self-Pay	1%
Other Managed Care	67%
Medicaid	23%
Medicaid HMO	1%
Commercial Insurance	6%
Other Payors	<u>2%</u>
Total	100%

Please refer to E.4.i. below for further discussion.

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

- (1) The establishment of Level III neonatal intensive care services shall not normally be approved unless the hospital also provides Level II neonatal intensive care services. Hospitals may be approved for Level II neonatal intensive care services without providing Level III services. In a comparative review, preference for the approval of Level II beds shall be given to hospitals, which have both Level II neonatal intensive care beds and Level III neonatal intensive care beds.**

South Miami Hospital, Inc. d/b/a South Miami Hospital (CON #9776) is currently licensed to operate a 23-bed Level II NICU.

Baptist Hospital of Miami, Inc. d/b/a Baptist Hospital of Miami (CON #9777): Baptist Hospital of Miami is a provider of both Level II and Level III NICU services. It is currently licensed for 12 Level II and seven Level III NICU beds and has received CON approval for the addition of 10 Level II NICU beds.

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

South Miami Hospital, Inc. d/b/a South Miami Hospital (CON #9776) states that it continues to provide developmental follow-up on patients after their discharge to monitor the outcome of care and to assure the necessary referrals to community resources. Through the Child Development Center (CDC) at SMH, an interdisciplinary approach is offered, providing a full array of services needed to evaluate children as they grow and develop. According to the applicant, the CDC offers a multitude of screening, evaluation, and therapy services. The CDC also provides one-day comprehensive multidisciplinary assessment, parent education, parent counseling, psychotherapy, family therapy, multilingual professional staff, and individualized activity programs for parents and children to do at home.

Baptist Hospital of Miami, Inc. d/b/a Baptist Hospital of Miami (CON #9777) maintains that it currently provides, and will continue to provide, developmental follow-up on patients after discharge to monitor the outcome of care and to assure necessary referrals to community resources. A pediatric ophthalmologist and a designated registered nurse provide infant screening. This screening provides coordinated care and continuity of care via post-discharge follow-up. Pediatric rehabilitation services, including diagnostic and early intervention services, are offered to help children achieve their full capabilities in all areas of development.

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

South Miami Hospital, Inc. d/b/a South Miami Hospital (CON #9776) proposes to establish a four-bed Level III NICU by converting four of its acute care beds to this use. The rationale expressed by the applicant is that by providing its Level II and III NICU beds as part of one overall unit, it is effectively meeting the reasons underlying the state requirement while containing health care costs by coordinating personnel and treatments. Under existing Agency rules, there are separate licensed NICU levels of care and this rule criterion addresses the minimum unit size.

Baptist Hospital of Miami, Inc. d/b/a Baptist Hospital of Miami (CON #9777): The applicant is an existing provider of Level III NICU services. This preference applies to the establishment of Level III NICU services and therefore, is not applicable.

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

South Miami Hospital, Inc. d/b/a South Miami Hospital (CON #9776): SMH experienced 3,532 live births during the during July 2002 through June 2003 reporting period, thus exceeding

the minimum service volume of 1,500 live births for the most recent 12-month period. The applicant further states that during calendar year 2003, there were 3,700 total births at South Miami Hospital.

Baptist Hospital of Miami, Inc. d/b/a Baptist Hospital of Miami (CON #9777): BHM experienced 4,559 live births during the during July 2002 through June 2003 reporting period, thus exceeding the minimum service volume of 1,500 live births for the most recent 12-month period.

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

Currently Level III and Level II NICU services are available and accessible within two hours ground time to 90 percent of the residents of District 11.

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

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

South Miami Hospital, Inc. d/b/a South Miami Hospital (CON #9776) indicates that it currently has 10 neonatologists on staff at South Miami Hospital, all associated with Kidz Medical Services, Inc., providing 24-hour "in-house" coverage. All members are either board-certified or board-eligible, have completed fellowships in neonatology training programs in neonatal medicine, and have extensive Level II and Level III NICU experience. NICU services at South Miami Hospital are under the direction and supervision of Jorge E. Perez, M.D. He is also the medical director of the Neonatal Transport Team of Baptist Hospital South Florida. Dr. Perez has attained board certification in both pediatric and neonatal/perinatal medicine.

A curriculum vita for each of the physicians is included in Attachment 17 of the application. Schedule 6A of the application reflects 6.1 FTE existing staff for a unit/program director under physicians and 16.4 FTE for surgery assistants. There are no new physician FTEs projected. The applicant states that it has two maternal/fetal specialists on active staff. Please see Attachment 18 for their curriculum vitae.

Baptist Hospital of Miami, Inc. d/b/a Baptist Hospital of Miami (CON #9777) currently has neonatologist on active staff with unlimited privileges, providing 24-hour coverage. All members of its neonatal staff are board-certified or board-eligible in neonatal medicine with extensive Level II and Level III NICU experience. The full-time medical director of the NICU and board-certified neonatologist is Andrew Kairalla, M.D. Curriculum vitae were provided on each neonatologist. In addition, the applicant also has a board-certified maternal fetal specialist/perinatologist on staff. Schedule 6A does not show the existing or the proposed physician FTE.

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

South Miami Hospital, Inc. d/b/a South Miami Hospital (CON #9776): Ms. Colleen Cowie, RN, BSN, MHSA is the nurse manager of the South Miami Hospital Level II NICU and will be in the same position for the proposed Level III NICU according to the applicant. Ms. Cowie has extensive Level III NICU experience, having served as the nurse manager for a five-bed Level II and nine-bed Level III NICU in the Miami area. Please see Attachment 19 for her curriculum vitae.

The applicant stated that nearly 100 percent of the nursing personnel assigned to work each shift of the Level III NICU would be registered nurses. Schedule 6A of the application indicates that by the second year of operations there will be 7.70 new RN FTEs as a result of this project.

Baptist Hospital of Miami, Inc. d/b/a Baptist Hospital of Miami (CON #9777) states the Level III NICU will be under the supervision of a head nurse/nurse manager. The head nurse/nurse manager is a registered professional nurse with experience and training in neonatal intensive care nursing. Baptist Hospital of Miami also has four clinical nurse supervisors to provide supervision and staff mentorship 24-hours a day, seven days a week. There are 69 registered nurses in the NICU. Curriculum vitas were provided on each nurse supervisor. Schedule 6 of the application indicates that the applicant intends to add 11.6 new RN FTEs and 3.0 “other” nursing FTEs as a result of this project.

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

Both of the co-batched applicants assert that the nurses in their NICU programs are trained in the foregoing requirements.

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

South Miami Hospital, Inc. d/b/a South Miami Hospital (CON #9776) states that the respiratory care department is operated and staffed 24 hours, seven days a week. The applicant also asserts that staffing for the proposed Level III NICU ensures that at least one certified respiratory care practitioner therapist with expertise in the care of neonates will be available in the hospital at all times, and at least one respiratory therapist technician for every four infants receiving assisted ventilation.

Baptist Hospital of Miami, Inc. d/b/a Baptist Hospital of Miami (CON #9777) meets the requirements of at least one certified/registered respiratory care practitioner with expertise in the care of neonates to be available 24 hours a day. BHM states that it will exceed the requirement in this preference by having at least one respiratory therapist technician for every three infants receiving assisted ventilation.

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

Both of the co-batched applicants state that their facilities have blood gas determinations available on a 24-hour basis.

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

Both of the co-batched applicants provide on site, 24-hour, x-ray, obstetric ultrasound, and clinical laboratory services with the ability to perform microstudies, 24 hours, seven days a week. In addition, anesthesia is available within 30 minutes, 24 hours a day.

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

South Miami Hospital, Inc. d/b/a South Miami Hospital (CON #9776): South Miami Hospital states that it has dieticians and nutritionists on staff. These dieticians and nutritionists are trained and experienced to provide information on patients' dietary needs while mothers and babies are in the hospital, along with providing the patient's family instructions and counseling regarding the

appropriate nutritional and dietary needs of the patient after discharge. In fact, SMH states that it has clinical pediatric neonatal dieticians on staff that evaluates the nutritional status of premature and at-risk infants through assessments, screening, follow-up, and nutritional recommendations.

Baptist Hospital of Miami, Inc. d/b/a Baptist Hospital of Miami (CON #9777): According to the applicant, it has dieticians and nutritionists on staff. These staff members are trained and experienced in providing information on dietary needs while the patient is in the hospital and in providing the patient's family instruction or counseling regarding the appropriate nutritional and dietary needs of the patient after discharge. Dietary support is also available to the unit through the services of a NICU lactation consultant.

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

South Miami Hospital, Inc. d/b/a South Miami Hospital (CON #9776) provides a comprehensive array of social service support to the families of its NICU patients, including counseling and referrals to appropriate community resources. The applicant provided a reasonable discussion of the various services offered by the social services department.

Baptist Hospital of Miami, Inc. d/b/a Baptist Hospital of Miami (CON #9777) currently has an existing social services department available to the proposed Level III NICU. The applicant states that children potentially eligible for the Medicaid, children's medical services, or developmental services programs will be referred to the appropriate social worker for eligibility determination.

Social services maintain a current resource list and have resource books available to locate needed assistance for patients and families. Each patient is provided with individualized referrals and social services intervention depending on their specific needs and circumstances. The applicant provided a reasonable discussion of the various services offered by the social services department.

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

South Miami Hospital, Inc. d/b/a South Miami Hospital (CON #9776) states that it will provide in-hospital intervention services for infants identified as being high risk for developmental disabilities. The Child Development Center at South Miami Hospital provides diagnostic and early intervention services to help children achieve their fullest capabilities in all areas of development. The applicant states that this program is well recognized throughout the community for having the highest standard of quality and expertise in pediatric developmental assessment, intervention, and care. The applicant provided an extensive discussion regarding the various specialties offered through the program.

Baptist Hospital of Miami, Inc. d/b/a Baptist Hospital of Miami (CON #9777) states that in-hospital intervention services are available for infants identified as being at high risk for developmental disabilities and includes developmental assessment, intervention, and parental support and education. The applicant provides diagnostic and early intervention services, for both inpatient and outpatient settings, to help children achieve their full capabilities in all areas of development. With respect to outpatient settings, the applicant states that BHM has received a donation to expand its outpatient pediatric rehabilitation program. The applicant provided an extensive discussion regarding the various specialties offered through its pediatric rehabilitation program.

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

South Miami Hospital, Inc. d/b/a South Miami Hospital (CON #9776): South Miami Hospital currently has an interdisciplinary staff responsible for discharge planning of all hospital patients. Denise Prongay, RN is the dedicated discharge planner for neonates at South Miami Hospital. Ms. Prongay develops a comprehensive summary of each neonate's inpatient stay and distributes this report to the obstetricians, pediatricians, parents, and staff of the Child Development Center, to ensure that necessary follow-up care is delivered and that all practitioners have access to a complete medical history.

Baptist Hospital of Miami, Inc. d/b/a Baptist Hospital of Miami (CON #9777): The hospital currently has an interdisciplinary staff responsible for discharge planning of all hospital patients and a sample discharge plan was provided. The applicant stated that the designated person responsible for daily discharge planning is Elaine Sandler, MSW. In addition, Sandy Seaton, RN, MSN provides programmatic support for discharge planning. Refer to Appendix P for discharge planning policies and to Appendix F for the curriculum vitae of Elaine Sandler, MSW and Sandy Seaton, RN, MSN.

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

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

South Miami Hospital, Inc. d/b/a South Miami Hospital (CON #9776): South Miami Hospital has a pediatric cardiologist, Abdulwahab Aldousany, M.D, on staff and available for consultation. Dr. Aldousany is board-certified in pediatrics, neonatal-perinatal medicine, and pediatric cardiology. He is a member of the American Heart

Association, the American College of Cardiology, a Fellow in the American Academy of Pediatrics, a member of the Florida Chapter of the American College of Cardiology, and the American Registry of Diagnostic Medical Sonographers. He has published extensively and is a former assistant professor of pediatric cardiology at the University of Tennessee-Memphis.

Baptist Hospital of Miami, Inc. d/b/a Baptist Hospital of Miami (CON #9777): Baptist Hospital of Miami has five pediatric cardiologists on staff. These physicians are available for consultation at all times with the NICU.

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

South Miami Hospital, Inc. d/b/a South Miami Hospital (CON #9776): Proposed staffing by the applicant provides for a nurse-to-neonate ratio of at least 1:2 in the Level III NICU at all times. The requirement that 50 percent of the nurses be registered nurses will be exceeded as the applicant is proposing that nearly 100 percent of nurses will be registered nurses. Schedule 6A indicates that the applicant intends to hire 7.70 registered nurse FTEs.

Baptist Hospital of Miami, Inc. d/b/a Baptist Hospital of Miami (CON #9777): The applicant states its intention of meeting this staffing ratio in the Level III NICU and actually expects to exceed the 50 percent requirement by proposing that 100 percent all of the nurses in the unit will be registered nurses. Schedule 6A shows 11.6 FTE RNs and 3.0 FTE other nursing staff added for the proposed unit.

- (3) Requirements for Level III NICU Patient Stations. Each patient station in a Level III NICU shall have, at a minimum:**
- a. Eighty square feet per infant;**
 - b. Two wall mounted suction outlets preferably equipped with a unit alarm to signal loss of vacuum;**
 - c. Twelve electrical outlets;**
 - d. Two oxygen outlets and an equal number of compressed air outlets and adequate provisions for mixing these gases;**

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

South Miami Hospital, Inc. d/b/a South Miami Hospital (CON #9776) states that the proposed Level III NICU patient stations meet the square footage, mechanical/electrical and equipment requirements for Level III NICU services. Refer to the architectural review below in E.4.h.

Baptist Hospital of Miami, Inc. d/b/a Baptist Hospital of Miami (CON #9777) states that it complies with all of the requirements above. Refer to the architectural review below in E.4.h.

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

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

South Miami Hospital, Inc. d/b/a South Miami Hospital (CON #9776) indicates it will have all of the required equipment above available. Refer to the architectural review below in E.4.h.

Baptist Hospital of Miami, Inc. d/b/a Baptist Hospital of Miami (CON #9777) states it has all the required equipment above. Refer to the architectural review below in E.4.h.

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

(1) Provision of Emergency Transportation. Hospitals providing Level II or Level III neonatal intensive care services must operate a 24-hour emergency transportation system directly, or contract for this service, or participate through a written financial or non-financial agreement with a provider of emergency transportation services.

(2) Requirements for Emergency Transportation System. Emergency transportation systems, as defined in paragraph (11)(a), shall conform to section 64E-2.003, Florida Administrative Code.

Both of the co-batched applicants currently provide neonatal 24-hour emergency transport by ground and air via the BHSF neonatal transport team. The service provides specially trained staff members to transport infants in need of NICU services. Accompanying the infant, whether by ground or air, is a qualified team that includes a neonatal nurse, respiratory therapist, and a neonatologist or a neonatal nurse practitioner. The neonatal transport service also includes a helicopter and a Learjet.

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

South Miami Hospital, Inc. d/b/a South Miami Hospital (CON #9776) currently transfers patients in need of Level III neonatal intensive care services to providers of Level III NICU services and has a written protocol in place governing these transfers. Refer to Attachment 25 for the transfer to Level III NICU policy.

Baptist Hospital of Miami, Inc. d/b/a Baptist Hospital of Miami (CON #9777): As previously discussed, the applicant currently provides neonatal 24-hour emergency transport by ground and air via BHSF's neonatal transport team. A copy of the applicant's transfer agreement was provided in Appendix Q of the application.

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

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

Both of the co-batched applicants agreed to continue reporting all data as required by this provision.

4. Statutory Review Criteria

- a. Is need for the project evidenced by the availability, efficiency, quality of care, 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.**

South Miami Hospital, Inc. d/b/a South Miami Hospital (CON #9776): As previously stated, District 11's Level III NICU's experienced an average annual occupancy rate for the appropriate reporting period of 97.65 percent and need for four additional Level III NICU beds was published by the Agency.

The applicant states it transferred 64 infants requiring Level III NICU services to existing providers in District 11 between January 1, 2002 and December 31, 2003. Due to its geographic location, South Miami Hospital typically transfers NICU infants to Baptist Hospital, its sister hospital, or Miami Children's Hospital. The applicant provided a summary of SMH's transfer statistics in the table below:

SMH NICU III Transfers

Transferred To:	% of Total	
	CY 2002	CY 2003
Baptist Hosp. of Miami	61.1%	71.4%
Miami Children's Hosp.	22.2%	28.6%
Jackson Memorial Hosp.	11.1%	0.0%
North Shore Medical Ctr.	5.6%	0.0%
TOTAL	100%	100%

Source: CON #9776 Application; Vol.1, pg. 19. Data from SMH internal records.

As shown in the table above, Baptist Hospital of Miami and Miami Children's Hospital received 83.3 percent of the Level III transfers from South Miami Hospital in CY 2002 and 100 percent of those transfers in CY 2003. The applicant attests that the Level III NICU occupancy rate for both of these facilities exceeded 100 percent in CY 2002 and CY 2003 and as a result, Level III NICU beds were sometimes not available at those facilities. In addition, the applicant claims that it experienced Level III NICU transfer delays due to the unavailability of a neonatal transport team. The applicant provided two case studies based on hospital medical records, which document specific instances when it experienced difficulty transferring Level III NICU infants. In one of the case studies, Baptist Hospital of Miami was full and not accepting any patients. Miami Children's Hospital was contacted and accepted the patient yet the transport was delayed for approximately 21 hours. According to MapQuest <http://www.mapquest.com/>, Jackson Memorial Hospital is located approximately 10.77 miles from SMH and North Shore Medical Center is approximately 15.24 miles from SMH. While BHM and MCH may be closer in proximity to SMH than Jackson Memorial or North Shore, it is not clear why SMH failed to contact either of these Level III NICU providers when it became apparent that the delay time in the transfer was becoming excessive. In fact, in the second case study presented, SMH contacted JMH after it experienced a delay in transferring of an infant to MCH. It appears that SMH was able to transfer the infant soon after contacting JMH. The applicant did not quantify the total number of patients it had difficulty transferring nor did it reference any mortality rates because of delayed transfers. The applicant did not demonstrate that access was being denied to infants requiring Level III care from the remaining Level III NICU providers located within District 11.

The minimum unit size for Level III NICU, as discussed above in the agency rule criteria, is 15 beds. The applicant is proposing to establish a four-bed program.

The applicant contends that a Level III NICU at SMH is indicated because of the high birth volume experienced at its facility. The applicant stated that during 2003, it experienced 3,700 births, which is more than twice the minimum birth volume of 1,500 required by Rule.

South Miami Hospital is one of only two facilities statewide with 3,700 or more, annual births not supported by a Level III NICU.

The applicant maintains that the establishment of a Level III NICU at its facility would fill in the only gap that exists in its continuum of maternal/child services. Components of SMH's maternal/child continuum include assisted reproductive technology, maternity services, a Level II NICU, and a child development center. It should be noted that while the applicant is not licensed to provide Level III services, its sister facility and co-batched applicant, Baptist Hospital of Miami, is currently licensed to provide this service and is located approximately 3.61 miles from SMH (<http://www.mapquest.com/>). BHM has requested CON approval for seven additional Level III NICU beds due to the current lack of bed capacity in its existing NICU, resulting in the need to transfer infants born at its facility to other Level III NICU providers. By simultaneously filing a competing CON application with its sister facility, SMH is requesting to establish a Level III NICU to care for neonates it presently transfers to BHM. As previously discussed, BHM contends that the proposed additional beds are needed to care for its own patients and BHSF's patients, which also includes SMH's patients. SMH appears to propose to serve the same neonates BHM is proposing to serve.

Please refer to E.4.b, below regarding quality.

As noted above in the discussion on need for additional beds in the district, there are 20 approved Level III NICU beds, not yet licensed, that are expected to address need until January of 2006. The applicant has not shown need for beds beyond those already approved or published as needed.

Baptist Hospital of Miami, Inc. d/b/a Baptist Hospital of Miami (CON #9777): As previously discussed, the applicant proposes to add seven Level III NICU beds to its existing seven-bed Level III NICU at Baptist Hospital of Miami, creating a 14-bed Level III NICU. District 11's Level III NICUs experienced an average annual occupancy rate for the appropriate reporting period of 97.65 percent and need for four additional Level III NICU beds was published by the Agency. Additionally, there are 20 CON approved, but not yet licensed beds in the district. As noted earlier, BHM's Level III NICU occupancy rate for the most recent reporting period (July 2002-June 2003) was 136.32 percent.

The applicant contends that the current lack of Level III NICU capacity at its facility results in the need to transfer infants born at Baptist to other facilities with Level III services. The applicant states that 36 neonates born at its facility during the 12 months ending June 2003 were transferred to other facilities due its own lack of available NICU beds. However, the applicant did not demonstrate that it had any difficulty accessing care of the existing Level III providers.

The applicant stated that the required infrastructure is in place within its existing Level III NICU and maintains that it can support the additional bed expansion in a cost effective and efficient manner.

Please refer to E.4.b, below regarding quality.

The applicant has shown hospital-specific need for additional beds beyond those published as needed in the fixed need pool.

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

South Miami Hospital, Inc. d/b/a South Miami Hospital (CON #9776): The facility is accredited by the Joint Commission on Accreditation of Healthcare Organizations (JCAHO), as well as the Commission for the Accreditation of Rehabilitation Facilities (CARF), the College of American Pathologists, the Association of Rehabilitation Nurses, and the Case Management Society of America. SMH and its parent organization, Baptist Health South Florida, Inc., have received numerous awards, attesting to the quality of care provided at its facility (see Vol. I, pages 88-89 of the application).

According to AHCA data, the applicant had 12 confirmed complaints (two without deficiencies), during the past three years. Two of the confirmed complaints were related to patient care, three were medical services, two patient's rights violations, one staffing deficiency, one dietary deficiency, and three emergency access violations. However, the emergency access violations were not related to the NICU.

The applicant demonstrates its capacity for providing quality care to patients.

Baptist Hospital of Miami, Inc. d/b/a Baptist Hospital of Miami (CON #9777): The facility is accredited by the Joint Commission on Accreditation of Healthcare Organizations (JCAHO). BHM and its parent organization, Baptist Health South Florida, Inc., have received numerous awards, attesting to the quality of care provided at its facility (see page 103-105 of the application).

According to AHCA data, the applicant had 17 confirmed complaints (six without deficiencies) during the past three years. Six of the confirmed complaints were patient care related, two were medical services related, one was a billing problem, two were lack of assessment, one inappropriate use of restraints, one medical record/charting problem, one was related to nursing services, one administrative problem, and one was staffing related.

The applicant demonstrates its capacity for providing quality care to patients.

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

Neither of the co-batched applicant's proposed projects involves special health care services that are not reasonably or economically accessible in adjacent districts.

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

South Miami Hospital, Inc. d/b/a South Miami Hospital (CON #9776): The proposed project is not to be located in a research or teaching hospital nor will the primary purpose of the project involve research or physician education. The applicant maintains that its proposed Level III NICU program will affect the clinical needs of health care professionals by having several programs in place to provide guidance, and in some cases, offer financial assistance to those interested in pursuing nursing education.

The applicant provided a description of several continuing education programs offered at the hospital such as the Preceptor and NICC Programs. The NICC (Neonatal Intensive Care Course) is an eight-week course designed to train nurses to work in the neonatal intensive care units. Its parent corporation, Baptist Hospital of South Florida (BHSF), has a tuition assistance program already in place as well as a scholarship program to encourage employees to enter the field of nursing. In addition, BHSF has partnered with Miami-Dade Community College to provide on-site training for its nursing students. Most classes are held at the applicant's sister facility, Baptist Hospital of Miami, with clinical rotations at all BHSF hospitals. BHSF has a Professional Nursing Advancement Program and a Center of Excellence in Nursing.

Baptist Hospital of Miami, Inc. d/b/a Baptist Hospital of Miami (CON #9777): Baptist Hospital of Miami is not a teaching hospital. However, the applicant contends that the proposed Level III NICU program will affect the clinical needs of health professional training programs. The applicant provided a description of several continuing education programs offered at the hospital such as the Preceptor and LEAP Programs. The Preceptor program is designed to assist new nursing staff through the orientation process. The LEAP (Linking Education And Practice) program is a twelve-week course designed to train nurses to work in the neonatal intensive care units.

Its parent corporation, Baptist Hospital of South Florida (BHSF), has a tuition assistance program already in place as well as a scholarship program to encourage employees to enter the field of nursing. In addition, BHSF has partnered with Miami-Dade Community College to provide an on-site training program for its nursing students. BHSF has a Professional Nursing Advancement Program and a Center of Excellence in Nursing.

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

South Miami Hospital, Inc. d/b/a South Miami Hospital (CON #9776): The audited financial statements for the periods ending September 30, 2003 and 2002 were analyzed to evaluate the applicant's ability to provide the capital and operational funding necessary to implement the project. The following is a list of accounts and ratios used in the analysis:

SOUTH MIAMI HOSPITAL, INC.

	9/30/2003	9/30/2002
Current Assets	\$ 41,798,459	\$ 42,397,584
Cash and Current Investment	\$ 14,350	\$ 13,526
Assets Restricted for Capital Projects	\$ -	\$ -
Total Assets	\$ 125,962,479	\$ 123,491,141
Current Liabilities	\$ 41,839,755	\$ 44,016,613
Total Liabilities	\$ 122,299,971	\$ 128,032,319
Net Assets	\$ 3,662,508	\$ (4,541,178)
Total Revenues	\$ 306,530,741	\$ 270,897,192
Interest Expense	\$ 3,981,942	\$ 3,858,941
Excess of Revenues over Expenses	\$ 42,106,929	\$ 33,335,378
Cash Flow from Operations	\$ 48,718,525	\$ 46,325,001
Working Capital	\$ (41,296)	\$ (1,619,029)
Current Ratio (CA/CL)	1.0	1.0
Cash Flow to Current Liabilities (CFO/CL)	1.2	1.1
Long-Term Debt to Net Assets (TL-CL/NA)	22.0	-18.5
Times Interest Earned (NPO+Int/Int)	11.6	9.6
Net Assets to Total Assets (TE/TA)	2.9%	-3.7%
Total Margin (ER/TR)	13.7%	12.3%
Return on Assets (ER/TA)/	33.4%	27.0%
Operating Cash Flow to Assets (CFO/TA)	38.7%	37.5%

Short-term position:

The applicant's current ratio of 1.0 indicates current assets are materially equal to short-term liabilities, a minimal position. The negative working capital (current assets less current liabilities) of a negative \$41,296 indicates that current assets are not sufficient to cover current liabilities, a weak position. The most recent year had a strong operating profit of \$42 million resulting in a margin of 13.7 percent. The ratio of cash flow to current liabilities of 1.2 is good. With strong cash flows and good operating profits, the low current ratio is offset, resulting in an adequate short-term position.

Long-term position:

The long-term debt to equity ratio of 22.0 means long-term debt is well in excess of the net assets of the applicant, a weak position. The cash flow to assets ratio of 38.7 percent is very high. Total equity is \$4 million with an equity to asset ratio of 2.9 percent, well below average and a weak position. The applicant has a weak long-term position.

South Miami Hospital, Inc. is a non-profit subsidiary of Baptist Health South Florida, Inc. (parent). In 2003, the applicant transferred \$34.2 million to the parent. Without this transfer, the current ratio and

equity ratios would have been significantly improved. The previous year showed a transfer of \$37.6 million to the parent. These transfers are not loans or repayment of loans of any type, due to or from the parent, but simple equity transfers of unrestricted cash and investments. Transfers of this type weaken the reported financial position of the applicant. The weak financial position of the applicant is due largely to the material unrestricted cash and investment transfers to the parent.

Capital requirements:

Schedule 2 indicates the applicant had \$128.7 million in capital projects planned or underway. The audited financial statements disclosed long-term debt maturing through the construction period of this project of \$5 million, which when added to the Schedule 2 amount would total \$133.7 million.

Available capital:

The notes to Schedule 2 indicate several potential funding sources for these projects which include: cash and investments on hand, future operational and investment earnings, funded depreciation, funding from the parent, incremental debt, fund-raising activities, and liquidation of assets. The applicant's audited financial statement for September 30, 2003, indicates it had minimal cash on hand but had cash flows of \$48.7 million. In addition, the applicant has access to funding from the Baptist Health South Florida Foundation, Inc. (Foundation), pending Foundation board approval of the use of funds. The applicant's beneficial interest in the net assets of the Foundation was reported as \$2.4 million in the audited financial statements. Baptist Health South Florida, Inc., the corporate parent of the applicant, has committed to fund the entire capital budget if necessary. The audited financials of the parent showed cash and equivalents of \$19.4 million, total assets of \$1.4 billion and equity of \$671 million. The parent reported earnings from operations of \$119 million on net revenues of \$1.1 billion, with total operating expenses of \$970 million. Cash flows from operations totaled \$213 million.

Conclusion:

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

Baptist Hospital of Miami, Inc. d/b/a Baptist Hospital of Miami (CON #9777): The audited financial statements 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. The following is a list of accounts and ratios used in the analysis:

BAPTIST HOSPITAL OF MIAMI, INC.

	<u>9/30/2003</u>	<u>9/30/2002</u>
Current Assets	\$ 84,895,817	\$ 81,287,876
Cash and Current Investment	\$ 6,555	\$ 6,555
Assets Restricted for Capital Projects	\$ -	\$ -
Total Assets	\$ 288,104,768	\$ 278,281,065
Current Liabilities	\$ 65,983,732	\$ 64,695,402
Total Liabilities	\$ 219,391,222	\$ 220,158,413
Net Assets	\$ 68,713,546	\$ 58,122,652
Total Revenues	\$ 569,340,078	\$ 485,402,965
Interest Expense	\$ 7,224,199	\$ 7,038,588
Excess of Revenues over Expenses	\$ 57,548,540	\$ 62,754,505
Cash Flow from Operations	\$ 74,324,062	\$ 73,486,548
Working Capital	\$ 18,912,085	\$ 16,592,474
Current Ratio (CA/CL)	1.3	1.3
Cash Flow to Current Liabilities (CFO/CL)	1.1	1.1
Long-Term Debt to Net Assets (TL-CL/NA)	2.2	2.7
Times Interest Earned (NPO+Int/Int)	9.0	9.9
Net Assets to Total Assets (TE/TA)	23.9%	20.9%
Total Margin (ER/TR)	10.1%	12.9%
Return on Assets (ER/TA)	20.0%	22.6%
Operating Cash Flow to Assets (CFO/TA)	25.8%	26.4%

Short-term position:

The applicant's current ratio of 1.3 indicates current assets exceed short-term liabilities, an adequate position. The working capital (current assets less current liabilities) of \$18.9 million is a measure of excess liquidity that could be used to fund capital projects. The most recent year had a strong operating profit of \$57.5 million, resulting in a margin of 10.1 percent. The ratio of cash flow to current liabilities of 1.1 is good. Overall, the applicant has an adequate short-term position.

Long-term position:

The long-term debt to equity ratio of 2.2 means long-term debt is in excess of the net assets of the applicant, a weak position. The cash flow to assets ratio of 25.8 percent is very high. Total equity is \$68.7 million with an equity to asset ratio of 23.9 percent, which is below average and a weak position. The applicant has a weak long-term position.

Baptist Hospital of Miami, Inc. is a non-profit subsidiary of Baptist Health South Florida, Inc. (parent). In 2003, the applicant transferred \$49.7 million to the parent. Without this transfer, the current ratio and equity ratios would have been significantly improved. The previous

year showed a transfer of \$47.6 million to the parent. These transfers are not loans or repayment of loans of any type, due to or from the parent, but simple equity transfers of unrestricted cash and investments. Transfers of this type weaken the reported financial position of the applicant. The weak long-term financial position of the applicant is due largely to the material unrestricted cash and investment transfers to the parent.

Capital requirements:

Schedule 2 indicates the applicant had \$45.2 million in capital projects planned or underway. The audited financial statements disclosed long-term debt maturing through the construction period of this project of \$10.2 million, which when added to the Schedule 2 amount would total \$55.4 million.

Available capital:

The applicant's audited financial statement for September 30, 2003, indicates it had minimal cash on hand but had cash flows of \$74 million. As indicated above, working capital for the most recent year was \$18.9 million. In addition, the applicant has access to funding from the Baptist Health South Florida Foundation, Inc. (Foundation), pending Foundation board approval of the use of funds. The applicant's beneficial interest in the net assets of the Foundation was reported as \$17.7 million in the audited financial statements. The notes to Schedule 2 indicate the corporate parent, Baptist Health South Florida, Inc, will provide funding for the project. The audited financials of the parent showed cash and equivalents of \$19.4 million, total assets of \$1.4 billion and equity of \$671 million. The parent reported earnings from operations of \$119 million on net revenues of \$1.1 billion, with total operating expenses of \$970 million. Cash flows from operations totaled \$213 million.

Conclusion:

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

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

A comparison of the applicant's estimates to the control group values provides for an objective evaluation of financial feasibility (the likelihood that the services can be provided under the parameters and conditions contained in Schedules 7 and 8) and efficiency (the degree of economies achievable through the skill and management of the applicant). In general, projections that approximate the median are the most desirable, and balance the opposing forces of feasibility and efficiency.

In other words, as estimates approach the highest in the group, it is more likely that the project is feasible, because fewer economies must be realized to achieve the desired outcome. Conversely, as estimates approach the lowest in the group, it is less likely that the project is feasible, because a much higher level of economies must be realized to achieve the desired outcome. These relationships hold true for a constant intensity of service through the relevant range of outcomes. As these relationships go beyond the relevant range of outcomes, revenues and expenses may either go beyond what the market will tolerate, or may decrease to levels where activities are no longer sustainable.

Comparative data was derived from hospitals in peer groups that reported data in 2002; the applicant will be compared to the hospitals in peer group 5. 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 section of the application. These were compared to the control group as a calculated amount per adjusted patient day. The adjustment is made to factor out the outpatient revenues in the per patient day computation.

South Miami Hospital, Inc. d/b/a South Miami Hospital (CON #9776): Net revenues per adjusted patient day (NRAPD) of \$2,110 in year one and \$2,157 in year two are between the control group highest and median values of \$2,121 and \$1,456 in year one and \$2,191 and \$1,504 in year two. The highest level is generally viewed as the practical upper limit on economies of operation. With net revenues falling between the median and highest level, the facility is expected to consume health care resources in proportion to the services provided. (See Comparative Table). The applicant's NRAPD in calendar year 2002 was reported as \$1,801. The difference in the NRAPD reported in 2002 and the projected NRAPD of \$2,157 results in an average annual increase of approximately 4.0 percent. This level of increase is materially consistent with the inflation percentage outlined in the CMS Market Basket, 4th Quarter, 2003, index. Therefore, projected revenues appear to be reasonable.

Anticipated costs per adjusted patient day (CAPD) of \$2,051 in year one and \$2,112 in year exceed the peer group highest values of \$1,837 in year one and \$1,898 in year two. This application is not considered cost efficient when compared to the control group. (See Comparative Table). The applicant's CAPD in calendar year 2002 was reported as \$1,553. The difference in the CAPD reported in 2002 and the projected CAPD of \$2,112 results in an average annual increase of approximately 7.2 percent. This level of increase is almost double the rate of increase of the CMS Market Basket, 4th Quarter, 2003, index and does not appear to be likely over the next five years. Therefore, expenses may be overstated.

The year two operating profit for the hospital of \$6.9 million computes to an operating margin per adjusted patient day of \$45 which is between the peer group median and lowest of \$64 and a negative \$148. The operating margin computes to 2.1 percent, which indicates net revenues are proportional to costs. The projected operating margin is significantly less than the applicant's operating margin reported in 2002 of \$34.5 million or 13.7 percent. As discussed above, it appears that expenses have been overstated. The level of projected expenses increased at a greater rate than the level of projected inflation. Because projected expenses appear to be overstated and projected revenues appear to be consistent with the group and past performance of the applicant, projected operating profit may be understated. This project is estimated to add approximately \$67,000 to net profit from operations in year two.

With the noted exceptions above, overall the projections appear to be reasonable when compared to the control group. Therefore, this project is likely to be financially feasible.

COMPARATIVE TABLE

SOUTH MIAMI HOSPITAL, INC.

CON # 9776

2002 DATA Peer Group 5

	2007	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	197,416,000	1,296	1,354	698	285
INPATIENT AMBULATORY	0	0	302	80	19
INPATIENT SURGERY	69,076,000	454	0	0	0
INPATIENT ANCILLARY SERVICES	395,591,000	2,598	5,319	2,910	1,180
OUTPATIENT SERVICES	396,129,000	2,601	2,665	1,661	267
TOTAL PATIENT SERVICES REV.	1,058,212,000	6,948	11,232	7,590	2,225
OTHER OPERATING REVENUE	3,533,000	23	31	12	1
TOTAL REVENUE	1,061,745,000	6,972	7,711	5,328	1,759
DEDUCTIONS FROM REVENUE	733,241,000	4,815	0	0	0
NET REVENUES	328,504,000	2,157	2,191	1,504	809
EXPENSES					
ROUTINE	81,603,000	536	332	272	173
ANCILLARY	85,740,000	563	748	501	227
AMBULATORY	9,715,000	64	0	0	0
TOTAL PATIENT CARE COST	177,058,000	1,163	0	0	0
ADMIN. AND OVERHEAD	110,315,000	724	850	644	371
PROPERTY	29,374,000	193	0	0	0
TOTAL HOSPITAL EXPENSE	139,689,000	917	0	0	0
OTHER OPERATING EXPENSE	4,874,000	32	0	0	0
TOTAL EXPENSES	321,621,000	2,112	1,898	1,465	831
OPERATING INCOME	6,883,000	45	400	64	-148
		2.1%			
PATIENT DAYS	94,968				
ADJUSTED PATIENT DAYS	152,295				
TOTAL BED DAYS AVAILABLE	162,425		VALUES NOT ADJUSTED		
ADJ. FACTOR	0.6236		FOR INFLATION		
TOTAL NUMBER OF BEDS	445		<u>Highest</u>	<u>Median</u>	<u>Lowest</u>
PERCENT OCCUPANCY	58.47%		86.7%	58.9%	30.9%
PAYER TYPE	<u>PATIENT DAYS</u>	<u>% TOTAL</u>			
SELF PAY	3,594	3.8%			
MEDICAID	4,877	5.1%	25.6%	6.9%	1.1%
MEDICAID HMO	1,994	2.1%			
MEDICARE	28,029	29.5%	72.7%	49.3%	18.3%
MEDICARE HMO	15,655	16.5%			
INSURANCE	6,364	6.7%			
HMO/POP	34,455	36.3%	58.2%	34.6%	6.9%
OTHER	0	0.0%			
TOTAL	94,968	100%			

Baptist Hospital of Miami, Inc. d/b/a Baptist Hospital of Miami (CON #9777): Net revenues per adjusted patient day (NRAPD) of \$2,334 in year one and \$2,404 in year two exceed the peer group highest values of \$2,267 in year one and \$2,341 in year two. The highest level is generally viewed as the practical upper limit on economies of operation. (See Comparative Table). The applicant's NRAPD in calendar year 2002 was reported as \$1,912. The difference in the NRAPD reported in 2002 and the projected NRAPD of \$2,404 results in an average annual increase of approximately 4.3 percent. This level of increase is slightly higher than the inflation percentage outlined in the CMS Market Basket, 4th Quarter, 2003, index. It should be noted that the applicant's NRAPD was the highest value in the group for 2002. Although, the projected NRAPD is in line with the historic NRAPD of the applicant, it is not likely that the applicant will be able to maintain a level of NRAPD that exceeds the practical upper limit on economies of operation in a competitive market. Therefore, revenues may be overstated.

Anticipated costs per adjusted patient day (CAPD) of \$2,237 in year one and \$2,301 in year two exceed the peer group highest values of \$1,964 in year one and \$2,028 in year two. This application is not considered cost efficient when compared to the control group. (See Comparative Table). The applicant's CAPD in calendar year 2002 was reported as \$1,657. The difference in the CAPD reported in 2002 and the projected CAPD of \$2,301 results in an average annual increase of approximately 6.5 percent. This level of increase is in excess of the rate of increase of the CMS Market Basket, 4th Quarter, 2003, index and the projected increase in NRAPD. Further, economies should be realized when additional beds are added. It should be noted that the applicant's CAPD was the highest value in the group for 2002. However, considering the fact that the projected CAPD exceeds the peer group maximum and the high level of inflation used, expenses may be overstated.

The year two operating profit for the hospital of \$26.5 million computes to an operating margin per adjusted patient day of \$103 which is between the peer group highest and median \$400 and \$64. The operating margin computes to 4.3 percent, which indicates net revenues are proportional to costs. The projected operating margin is significantly less than the applicant's operating margin reported in 2002 of \$61.3 million or 13.4 percent. Although the projected margin appears reasonable when compared to the group, as discussed above both revenues and expenses appear to be overstated. In order to remain competitive, the applicant will likely have to reduce NRAPD below the maximum of the group. A reduction in NRAPD would reduce the margin. In order to remain profitable, the applicant would in turn have to become more efficient and reduce the CAPD. Therefore, the projected margin may not be realized. This project is estimated to add approximately \$1,029,986 to net profit from operations in year two.

Although both revenues and expenses appear to be overstated, the level of overstatement gives the applicant the ability to adjust revenues and expenses within a reasonable range to remain viable in a competitive market. Therefore, this project is likely to be financially feasible.

COMPARATIVE TABLE

BAPTIST HOSPITAL OF MIAMI, INC.

CON # 9777

2002 DATA Peer Group 5

	2008	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	308,461,266	1,198	1,448	746	305
INPATIENT AMBULATORY	0	0	322	86	21
INPATIENT SURGERY	0	0	0	0	0
INPATIENT ANCILLARY SERVICES	1,025,057,731	3,983	5,685	3,110	1,261
OUTPATIENT SERVICES	544,269,116	2,115	2,848	1,776	285
TOTAL PATIENT SERVICES REV.	1,877,788,113	7,296	12,005	8,112	2,378
OTHER OPERATING REVENUE	6,346,463	25	33	13	2
TOTAL REVENUE	1,884,134,576	7,320	8,241	5,695	1,880
DEDUCTIONS FROM REVENUE	1,265,275,266	4,916	0	0	0
NET REVENUES	618,859,310	2,404	2,341	1,607	864
EXPENSES					
ROUTINE	104,146,564	405	355	291	184
ANCILLARY	232,179,827	902	800	536	242
AMBULATORY	0	0	0	0	0
TOTAL PATIENT CARE COST	336,326,391	1,307	0	0	0
ADMIN. AND OVERHEAD	226,179,704	879	909	688	396
PROPERTY	29,867,459	116	0	0	0
TOTAL HOSPITAL EXPENSE	256,047,163	995	0	0	0
OTHER OPERATING EXPENSE	0	0	0	0	0
TOTAL EXPENSES	592,373,554	2,301	2,028	1,565	888
OPERATING INCOME	26,485,756	103	400	64	-148
		4.3%			
PATIENT DAYS	182,168				
ADJUSTED PATIENT DAYS	257,386				
TOTAL BED DAYS AVAILABLE	213,160		VALUES NOT ADJUSTED		
ADJ. FACTOR	0.7078		FOR INFLATION		
TOTAL NUMBER OF BEDS	584		<u>Highest</u>	<u>Median</u>	<u>Lowest</u>
PERCENT OCCUPANCY	85.46%		86.7%	58.9%	30.9%
PAYER TYPE	<u>PATIENT DAYS</u>	<u>% TOTAL</u>			
SELF PAY	11,267	6.2%			
MEDICAID	13,211	7.3%	25.6%	6.9%	1.1%
MEDICAID HMO	4,328	2.4%			
MEDICARE	53,359	29.3%	72.7%	49.3%	18.3%
MEDICARE HMO	26,089	14.3%			
INSURANCE	2,875	1.6%			
HMO/POP	66,200	36.3%	58.2%	34.6%	6.9%
OTHER	4,839	2.7%			
TOTAL	182,168	100%			

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

District 11 Level III NICU Projects Project in 2008 Dollars		
	*South Miami Hospital	Baptist Hospital of Miami, Inc.
CON Number	9776	9777
Net Revenue per adjusted patient day	\$1,546	\$2,760
Cost per adjusted patient day	\$1,490	\$1,837
Operating profit per patient day	\$ 56	\$ 923
Estimated Managed Care level	57.8%	53.0%
Estimated Medicaid level	2.0%	7.3%

***Project values inflated to 2008 dollars for comparison purposes.**

South Miami Hospital, Inc. d/b/a South Miami Hospital (CON #9776): The applicant projects managed care to represent 54.9 percent of its patient days. This level of managed care approaches the highest value of 58.2 percent. The proposed NICU III project was compared to all other hospitals in the state with approved NICU III programs. Schedule 7, total gross revenue for the project only is estimated at \$4,453,000 for year two. With 1,225 patient days anticipated, the gross revenue (gross charges) per patient day computes to \$3,635. This amount is between the median and highest values of \$3,501 and \$7,706 respectively. CON #9777, Baptist Hospital of Miami, Inc. (competing project) already has a NICU III unit and reported gross revenue per patient day of \$3,339 in 2002. When adjusted for inflation, Baptist Hospital of Miami, Inc.'s gross revenue per patient day is \$4,004 for its NICU III program. It should be noted that both of these competing projects are wholly owned subsidiaries of Baptist Health South Florida, Inc.

Although this project would add a small number of beds, the applicant would be able to market itself as a hospital with a full continuum of neonatal services, thus giving it a stronger competitive footing. With the level of managed care approaching the highest value in the group and the NICU III charges at the median, the hospital will likely encourage competition in the local market.

Baptist Hospital of Miami, Inc. d/b/a Baptist Hospital of Miami (CON #9777): The applicant projects managed care to represent 53.0 percent of its patient days. This level of managed care approaches the group highest value of 58.2 percent. The proposed NICU III project was compared to all other hospitals in the state with approved NICU III programs. Schedule 7, total gross revenue for the project only is estimated at \$6,041,023 for year two. With 1,116 patient days

anticipated, the gross revenue (gross charges) per patient day computes to \$5,413. This amount is between the median and highest values of \$3,616 and \$7,960 respectively. The applicant already has a NICU III unit and reported gross revenue per patient day of \$3,339 in 2002. When adjusted for inflation, the applicant's gross revenue per patient day is \$4,152 for its NICU III program. Projected charges are well in excess of current charges adjusted for inflation. It should be noted that both the applicant and competing applicant South Miami Hospital, Inc. (CON #9776) are wholly owned subsidiaries of Baptist Health South Florida, Inc.

This project is adding a small number of NICU III beds, to an existing NICU III program of the applicant. The projected NICU III charges are well in excess of current charges. Therefore, increased competition is not likely to be realized.

- 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.**

South Miami Hospital, Inc. d/b/a South Miami Hospital (CON #9776): This application is similar to previously submitted to CON applications 9726 and 9667, but the current proposal converts support spaces rather than other NICU spaces and is for fewer beds.

The application is for the addition of four new Level III NICU beds to augment the 23 existing Level II beds at South Miami Hospital. The anticipated renovation will take place on the 3rd floor in an area that is currently support space. The application does not indicate which program(s) these spaces support, but it states that some walls will have to be demolished to accommodate the new project. Without more information, it is difficult to determine how much demolition is included and how it affects the proposed budget. In addition, the renovation is taking place in at least three separate spaces on the floor.

In the NICU proper, each bassinet has its own cubicle with curtains and appears to have the required space and clearances. The four beds are located on an outside wall of the space and there is a long work counter on the opposite wall. The counter has two hand-washing stations and space for charting. Remote from the new Level III area will be other staff and parent support spaces. These are within a reasonable distance from the nursery.

There is a control and a clean work area with a glass wall adjacent to the NICU, which provides good supervision. This space also has a scrub area, which might also be for the convenience of the parents.

Other existing support spaces will be shared with the existing NICU program.

The application had a list of applicable building codes that is mostly correct, and the schedule appears reasonable for the scope of the work shown. Based on the information provided, it appears that the budget is reasonable.

It is required that schematic drawings be submitted as part of the CON application. Although the drawings for this proposal may be more advanced than required, they have been reviewed as schematics with the expectation that they will be revised and refined as necessary 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 licensee.

Baptist Hospital of Miami, Inc. d/b/a Baptist Hospital of Miami (CON #9777): The application is for the addition of seven new Level III NICU beds to augment the 22 existing Level II beds and seven existing Level III beds at Baptist Hospital of Miami. The new beds will be located in a recently completed portion of the hospital. This space was planned to contain the beds requested in this application. Some demolition will be necessary to make the space ready for the construction but this involves mainly existing corridor walls that currently go through the Level III area.

Each of the seven new Level III rooms has its own doctor's dictation niches located in the corridor with a view window into each patient room. There are also some view windows from patient room to patient room for additional monitoring. The life safety plan submitted appears to be unfinished in that some of the rated walls are not totally identified. This will obviously be revised if the project progresses.

All the ancillary spaces to serve the proposed beds were previously 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, which is essentially correct and the schedule appears reasonable for the scope of the work shown. Based on the information provided, it appears that the budget is reasonable.

It is required that schematic drawings be submitted as part of the CON application. Although the drawings for this proposal may be more advanced than required, they have been reviewed as schematics with the expectation that they will necessarily be revised and refined during the design development (preliminary) and contract document stages.

The architectural review of the application shall not be construed as an in-depth effort to determine complete compliance with all applicable codes and standards. The final responsibility for facility compliance ultimately rests with the licensee.

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

The following table provides an indication of the co-batched applicant's commitment to charity and Medicaid, with comparison to the district, based on fiscal year (FY) 2002 actual data prepared by AHCA:

Medicaid and Charity Care of the Applicant Compared to the District for Fiscal Year 2002

Applicant	FY 02 Conventional Medicaid Days	FY 02 Gross Charity Percentage of Charges
South Miami Hospital	6.0%	0.6%
Baptist Hospital of Miami	10.1%	1.6%
District 11 Average	17.7%	4.9%

Source: FY 2002 Actual Data/AHCA

South Miami Hospital, Inc. d/b/a South Miami Hospital (CON #9776) proposes to condition the approval of this project for the provision of at least 35 percent of patient days in the proposed Level III NICU to Medicaid/charity/Medicaid HMO patients combined. As reflected in the table above, SMH's provision of Medicaid and charity care is substantially lower than the district average and is lower than co-batched applicant, BHM. The applicant is not a provider of high indigent care.

Schedule 7A of the application also contains the projected payer distribution in the second year of operation of the proposed four-bed Level III NICU:

<u>Payor</u>	<u>Percent of Patient Days</u>
Other Managed Care	57.8%
Medicaid	30.8%
Medicaid HMO	2.0%
Commercial Insurance	6.8%
Self-Pay	2.6%
Total	100.0%

Baptist Hospital of Miami, Inc. d/b/a Baptist Hospital of Miami (CON #9777): As reflected in the table above, Baptist Hospital’s provision of Medicaid and charity care is less than the district average. Baptist is not a high indigent care provider. The applicant is proposing 25 percent of its Level III NICU patient days to Medicaid/Medicaid HMO/charity/ indigent patients combined.

Schedule 7A of the application also contains the projected payer distribution in the second year of operation of the proposed seven Level III NICU:

<u>Payor</u>	<u>Percent of Patient Days</u>
Self-Pay	1%
Other Managed Care	67%
Medicaid	23%
Medicaid HMO	1%
Commercial Insurance	6%
Other Payors	<u>2%</u>
Total	100%

F. SUMMARY

South Miami Hospital, Inc. d/b/a South Miami Hospital (CON #9776) proposes to establish a four-bed Level III NICU through the conversion of four of the facility's 341 acute care beds at South Miami Hospital.

The proposed project will not result in any change to the overall licensed capacity of South Miami Hospital. The proposed project involves a total cost of \$820,603, which includes \$325,688 in renovation costs and 1,737 gross square feet (GSF) of renovation space.

Need:

A fixed need pool of four beds was published for Level III NICU services in District 11. The applicant is applying in response to the fixed need pool.

Quality of Care:

The applicant is JCAHO accredited and a quality care provider.

Medicaid/Indigent Care:

According to the applicant’s *Certificate of Need Predicated on Conditions* page, it will set aside a minimum of 35 percent of its Level III NICU patient days to Medicaid/Medicaid HMO/charity patients combined.

Financial/Cost:

The short-term position of the applicant is adequate and the long-term position is weak. The poor financial position of this entity is due entirely to large transfers of money to the parent corporation. The applicant's audited financial statement for September 30, 2003, indicates it had minimal cash on hand but had cash flows of \$48.7 million. In addition, the applicant has access to funding from the Baptist Health South Florida Foundation, Inc. The corporate parent of the applicant, Baptist Health South Florida, Inc., has committed to fund the entire capital budget if necessary. It appears that the applicant will likely have access to capital as needed to complete this project.

The project should encourage competition in the local market.

Architectural:

The anticipated renovation will take place on the third floor in an area that is currently support space. The application does not indicate which program(s) these spaces support, but it states that some walls will have to be demolished to accommodate the new project. Without more information, it is difficult to determine how much demolition is included and how it affects the proposed budget. In addition, the renovation is taking place in at least three separate spaces on the floor. Submitted cost data and schedules appear to be reasonable.

Baptist Hospital of Miami, Inc. d/b/a Baptist Hospital of Miami (CON #9777) proposes to add seven Level III NICU beds to Baptist Hospital's existing seven-bed Level III NICU, creating a 14-bed unit.

The total project cost is estimated at \$1,522,995. Renovation costs are projected at \$743,794 and the project will involve 1,889 gross square feet (GSF) of renovated space.

Need:

District 11 has 106 licensed Level III neonatal intensive care beds and 20 approved Level III beds, as of January 23, 2004. The Level III NICU beds in District 11 experienced an occupancy rate of 97.65 percent during the period July 2002 through June 2003. A fixed need pool of four beds was published for Level III NICU services in District 11. BHM's Level III NICU occupancy rate for the most recent reporting period was 136.32 percent. The applicant demonstrated hospital-specific need beyond the fixed need pool for three additional beds.

Quality of Care:

The applicant is JCAHO accredited with commendation and a quality care provider.

Medicaid/Indigent Care:

According to the applicant's *Conditions* page, it will set aside a minimum of 25 percent of its Level III NICU patient days to Medicaid/charity/indigent patients.

Financial:

The applicant has an overall adequate short-term position and a weak long-term position. The weak long-term position is due largely to the material unrestricted cash and investment transfers to the parent. The applicant's audited financial statement for September 30, 2003, indicates it had minimal cash on hand but had cash flows of \$74 million. The applicant has access to funding from the Baptist Health South Florida Foundation, Inc. (Foundation), pending Foundation board approval of the use of funds. Based on the information provided, it appears that the applicant will likely have access to capital as needed to complete this project. This project is not likely increase competition in the local market.

Architectural:

The application proposes to add seven Level III NICU beds to its existing Level III beds. The new beds will be located in a recently completed portion of the hospital. This space was planned to contain the beds requested in this application. Some demolition will be necessary to make the space ready for the construction. The life safety plan submitted appears to be unfinished in that some of the rated walls are not totally identified. All the ancillary spaces to serve the proposed beds were previously sized and located so that they will function for the new beds as well as the existing ones. The total costs for the proposal appear to be reasonable, as does the schedule presented.

G. RECOMMENDATION

Approve CON #9777 to add seven Level III NICU beds at Baptist Hospital of Miami creating a 14-bed Level III NICU. The total project cost is estimated at \$1,522,995 and involved renovation costs of \$743,794 1,889 gross square feet (GSF) of renovated space.

CONDITION: A minimum of 25 percent of 14-bed Level III NICU patient days shall be provided to Medicaid and indigent patients on a combined basis.

Deny CON #9776.

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