

STATE AGENCY ACTION REPORT
CON APPLICATION FOR CERTIFICATE OF NEED

A. PROJECT IDENTIFICATION

1. Applicant/CON Action Number:

North Broward Hospital District/CON #9839

303 S.E. 17th Street
Fort Lauderdale, Florida 33316

Authorized Representative: G. Wil Trower, President & C.E.O.
(954) 831-2785

2. Service District/Subdistrict

District 10/Subdistrict 1 (Broward County)

B. PUBLIC HEARING

No public hearing was held.

Seven hundred and ninety unduplicated letters were received by the omissions deadline in support of the establishment of a 144-bed acute care facility by North Broward Hospital District on the Nova Southeastern University campus in Davie. The arguments presented in these letters were variations of the following points: The proposed relationship between the hospital and the school will have numerous benefits; the area is home to multi-cultural populations and the applicant provides care tailored to multi-cultural populations; the applicant acts as a safety net for uninsured patients; the proposed area has limited access to health care geographically; the county is growing; more Florida clinical residency spots will translate to reductions in clinical staffing shortages in the county and in Florida. These letters were received from community residents, community leaders, employees and board members of the applicant, students and faculty of Nova Southeastern University and area physicians, as well as State Senators Walter "Skip" Campbell, Jr., Jeffrey Atwater and Mandy Dawson, State Representatives Julio Robaina, Susan Goldstein and Rene Garcia, the

Director of the Council of Florida Medical School Deans, the Chair of the Governor's Health Information Infrastructure Advisory Board and U.S. Congress Member Alcee Hastings.

Twenty-four letters of opposition were received presenting the following points: The North Broward Hospital District has mishandled taxpayer funds and its Board of Commissioners has frequented local newspaper headlines for questionable practices; other components of health care in Broward County need attention instead of the proposed project; no need exists for an additional facility; other facilities are within short drives; low utilization rates exist for area facilities; many other hospitals already participate with Nova Southeastern University; staffing shortages would be aggravated in the area with this proposal. These letters were received predominantly from area physicians, but also community members and the Executive Director of the Coalition for Quality Healthcare and Accountability. One of these letters requested a public hearing, but was received after the statutorily dictated deadline to request a public hearing.

One hundred forty-four form letters were received in opposition to the proposed project with highlights including of the above-mentioned arguments.

C. PROJECT SUMMARY

North Broward Hospital District (CON #9839) is applying to establish a 144-bed acute care facility on the Nova Southeastern University (NSU) Campus, in Davie, Broward County, District 10. The applicant currently operates four acute care hospitals in Broward County¹, all of which were categorized as Disproportionate Share Hospitals in the most recent agency listing².

The applicant proposes the following conditions:

- Four percent of total revenues will be provided to charity care and 9.8 percent of total patient days will be Medicaid/Medicaid HMO patient days.
- The proposed system will be paperless.
- The proposed facility will consist of all single-bed private rooms.
- The proposed facility will provide three isolation rooms per floor.
- The proposed facility will develop a 12-bed acute care for the elderly (ACE) unit.

¹ The four acute care facilities are: Broward General Medical Center; North Broward Medical Center; Coral Springs Medical Center; Imperial Point Medical Center

² As of November 23, 2004

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- The proposed facility will provide patient information centers on each patient floor and its first floor.
- The applicant will provide a two-story education rotunda.
- The applicant will develop the interdisciplinary and patient care programs described in the CON application.
- The proposed facility would expose and train all staff in cultural competency.
- The proposed facility will be consistent with service area health care system improvements as described in the CON application.
- The applicant in conjunction with Nova Southeastern University will develop and implement a Center of Excellence for Cultural Competence, a Center of Excellence for Health and Aging, a Center of Excellence for the Delivery of Pharmacy Services Across the Continuum of Care, a Center of Excellence in Orthopedics, a Center for Psychological and Behavioral Intervention, Hospital-Based Dentistry and Oral Medicine, a Center of Excellence for Research and Development, Patient Information Center and Library Resources, Residency Programs as outlined in the CON application, and Bio-terrorism and Disaster Preparedness.
- The applicant in conjunction with Nova Southeastern University will provide all necessary resources required to deliver and operate the project with the proposed conditions, including funding.

Although the applicant has proposed to establish this 114-bed acute care facility through the delicensure of 114 acute care beds at other hospitals operated by the applicant, it does not propose to condition award of the CON upon its refraining from adding beds to existing North Broward Hospital District facilities for any period of time. With recent changes to CON law, any hospital not located in a low-growth county may add beds at any time upon notifying the agency. Therefore, without some type of commitment from the applicant not to reestablish these beds, the transfer of the same number of acute care beds as those proposed in the establishment of a new hospital has little, if any, significance to this review.

The total project cost is estimated at \$199,632,335. Construction costs are projected at \$105,473,031 and the project will involve 545,940 GSF of new construction.

D. REVIEW PROCEDURE

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

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

Rule 59C-1.010(3)(b), Florida Administrative Code, prohibits any amendments once an application has been deemed complete. The burden of proof to entitlement of a certificate rests with the applicant. As such, the applicant is responsible for the representations in the application. This is attested to as part of the application in the Certification of the Applicant.

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

E. CONFORMITY OF PROJECT WITH REVIEW CRITERIA

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

1. Fixed Need Pool

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

In Volume 31, Number 4 of the Florida Administrative Weekly dated January 28, 2005, a fixed need pool of zero beds was published for acute care beds in District 10 Broward County for the January 2005 batching cycle. On April 15, 2005 in Volume 31 Number 15 of the Florida Administrative Weekly, the agency published a Notice of Withdrawal of the fixed need pools for acute care hospital beds that was published on January 28, 2005. As of this writing, a petition challenging this withdrawal of the fixed need pool is pending before the agency. This project is not submitted in response to published numeric need but is predicated upon arguments of special circumstance as detailed below.

District 10 had a total 4,851 licensed acute care beds with an occupancy rate of 53.83 percent for the July 2003 through June 2004 reporting period. One hundred thirty-four additional acute care beds are approved for existing facilities in this district³. District 10 solely consists of Broward County and is not divided into acute care subdistricts; therefore, figures for all of District 10 are presented throughout this report.

The existence of unmet need is not determined solely on the absence of a health service, health care facility, or beds in the district, subdistrict, region or proposed service area. Current and likely future levels of utilization are better indicators of need than bed-to-population ratios, and, as such, the following table illustrates bed utilization levels in District 10 for fiscal year (FY) 2003:

³ 100 beds are approved for addition within the South Broward Hospital District, 40 beds are approved for addition at Northwest Medical Center and six beds are approved for delicensure at Holy Cross Hospital

District 10 Adult Acute Care Hospital Occupancy Percentages 7/2003 – 6/2004

Facility	Occupancy
*Broward General Medical Center	52.54%
*Coral Springs Medical Center	64.78%
Florida Medical Center	48.21%
Northwest Medical Center	81.90%
Hollywood Medical Center	18.54%
Holy Cross Hospital	41.86%
*Memorial Hospital – Pembroke	25.85%
*Imperial Point Medical Center	50.32%
*Memorial Regional Hospital	79.63%
*Memorial Hospital West	105.36%
Cleveland Clinic Hospital	60.81%
*North Broward Medical Center	50.06%
North Ridge Medical Center	34.60%
*Plantation General Hospital	46.99%
University Hospital & Medical Center	46.06%
Westside Regional Medical Center	87.69%
Applicant Average Occupancy	54.43%
District 10 Average Occupancy	53.83%

* Disproportionate Share Hospital as of November 23, 2004

Source: Florida Hospital Bed and Service Utilization by District, Volume II

As seen above, North Broward Hospital District (NBHD) facilities experienced utilization rates ranging from a low of 50.06 percent at North Broward Medical Center to a high of 64.78 percent at Coral Springs Medical Center during FY 2003. The applicant's average occupancy slightly exceeded that of the district during this time. The three South Broward Hospital District (SBHD) facilities⁴ experienced an average utilization percentage of 70.28 percent during this same time, ranging from a low of 25.85 percent at Memorial Hospital – Pembroke, to a high of 105.36 percent at Memorial Hospital West.

Utilization levels have marginally increased for District 10 and the applicant facilities in the five year period from July 1, 1998 – June 30, 2003: NBHD increased its utilization percentage 8.13 percent over these five years, compared to the District 10 increase of 10.06 percent. SBHD, the other health care taxing district in Broward County, increased its percentage 8.07 percent during this same time. Overall occupancy increases in this district have not been significant over the past five

⁴ Memorial Hospital Pembroke, Memorial Regional Hospital and Memorial Hospital West

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years. At the same time, the overall county population has increased 9.99 percent⁵ and the 65 and older population has increased 3.98 percent⁶. It should be noted that Memorial Hospital – Miramar was licensed in March of 2005, and these 100 additional acute care beds will likely have impact on the above utilization percentages.

The applicant states “with the recent changes in the CON regulations allowing for the unlimited addition of beds without CON review, the evaluation of occupancy rates as an assessment of need is no longer reasonable or appropriate.” The applicant continues to state that a more reasonable assessment of available resources is the determination of adequate access to all patients within a service area and the extent to which a new facility may adversely impact existing access to health care services; however, one indicator of adequate access is existing facility utilization.

As is discussed in section E.3.a. below, no substantiating information is provided by the applicant that accessibility is limited in District 10, and no quantitative method exists to measure access outside of utilization rates. In response to potential impact, the following table illustrates existing primary market shares in the proposed PSA:

**PSA Market Share Percentages by Discharges and Patient Days – District 10
CY 2004**

Facility	% of PSA Discharges	% of PSA Patient Days	Occupancy 7/03 - 6/04
Westside Regional Medical Center	24.71%	21.91%	87.69%
Memorial Regional Hospital	12.30%	12.38%	79.63%
Florida Medical Center	10.58%	12.35%	48.21%
Memorial Hospital West	9.41%	8.38%	105.36%
Broward General Medical Center	9.11%	11.00%	52.54%
Memorial Hospital Pembroke	8.41%	7.36%	25.85%
Plantation General Hospital	7.13%	6.55%	46.99%
Cleveland Clinic Hospital	3.50%	2.64%	60.81%
Holy Cross Hospital	2.15%	2.30%	41.86%
University Hospital and Medical Center	2.07%	2.12%	46.06%
Hollywood Medical Center	0.94%	0.91%	18.54%
Coral Springs Medical Center	0.88%	0.86%	64.78%
Imperial Point Medical Center	0.71%	0.69%	50.32%
North Broward Medical Center	0.65%	0.64%	50.06%
Northwest Medical Center	0.62%	0.59%	81.90%
North Ridge Medical Center	0.60%	0.59%	34.60%

Source: State Center for Health Statistics, Calendar Year 2004 and Florida Hospital Bed and Service Utilization by District, Volume II for the January 2005 Batching Cycle.

⁵ This represents an increase from 1,551,336 people in Broward County on July 1, 1998 to 1,706,363 people on July 1, 2003.

⁶ This represents an increase from 261,576 people over 65 in Broward County on July 1, 1998 to 271,989 people over 65 on July 1, 2003. These numbers are provided by the agency in its Population Estimates publication.

As seen above, the applicant's four facilities do not currently have a strong presence in the proposed primary service area (PSA). Should the proposed project be approved, the new facility would likely impact the existing facilities serving this area if viable levels of occupancy are achieved⁷. Despite this, the applicant forecasts it will achieve an 11.7 percent total primary market share by year 2011 from its proposed PSA, and that the proposed facility would have minimal impact on existing providers due to strong market growth anticipated in this area. The recent licensing of Memorial Hospital – Miramar places 100 additional acute care beds 20.3 roadway miles from the proposed site. While insufficient data exist to determine a utilization percentage for Memorial Hospital – Miramar, primary service areas of the two facilities would likely overlap, and the ability of either facility to maintain viable levels of occupancy would likely be challenged.

It should be noted that the applicant states its intention to implement plans toward its goal of "Improved Care for Acute Myocardial Infarction," and the architectural schematics submitted with the application include plans for one catheterization lab and provisions for a second. Two floors of the proposed facility are shelled space for future expansion, and accommodations for vertical expansion have been made for the first three floors. Should the applicant plan to add an open heart surgery (OHS) program in the future, the proposed project would likely impact the seven existing OHS programs in District 10. It should be noted that five of these OHS programs are operational within 10 miles of the proposed site, and the three closest OHS programs to this site are also the top three facilities for primary market share in this proposed service area, as seen in the table above.

Utilization levels for the past five years have increased similarly to the increases in the population of this district, and therefore it is likely that future utilization levels will also resemble increases in the district population. Population increases in this district are illustrated in the following table:

⁷ As discussed in section E.3.c. below, the proposed facility would likely require a significant occupancy level to be financially self-sustaining according to the debt structure presented in the application.

Population Growth in District 10 from 7/1998 – 7/2010

Date	Total County/District Population	Growth %	Total State Population	Growth %
1-Jul-98	1,551,336		15,312,666	
1-Jul-99	1,590,559	2.53%	15,680,174	2.40%
1-Jul-00	1,630,959	2.54%	16,072,832	2.50%
1-Jul-01	1,654,760	1.46%	16,414,448	2.13%
1-Jul-02	1,675,732	1.27%	16,771,416	2.17%
1-Jul-03	1,706,363	1.83%	17,164,199	2.34%
1-Jul-04	1,739,962	1.97%	17,514,157	2.04%
1-Jul-05	1,774,842	2.00%	17,844,137	1.88%
1-Jul-06	1,807,935	1.86%	18,178,238	1.87%
1-Jul-07	1,840,593	1.81%	18,507,795	1.81%
1-Jul-08	1,872,895	1.75%	18,833,727	1.76%
1-Jul-09	1,904,921	1.71%	19,156,703	1.71%
1-Jul-10	1,936,801	1.67%	19,478,414	1.68%

Source: Population Estimates, as published by the AHCA Certificate of Need Office, April 2005

As seen above, the population in the district increased 9.99 percent during the five-year period of July 1, 1998 through July 1, 2003. This increase is slightly higher than the increases shown above for utilization, and therefore future utilization levels in the district would likely be similar, although somewhat less, than projected population increases. This said, district population counts are projected to increase at a declining rate from July 1, 2005 through July 1, 2010 (five years beyond the writing of this report), and therefore utilization rates at existing facilities in District 10 will likely slow their growth over the next few years. This projected slowed growth in utilization is for existing beds and does not account for the 134 beds already approved for addition at District 10 facilities.

The 144 beds for the proposed facility would be transferred from existing NBHD facilities: 76 beds from Broward General Medical Center and 68 beds from North Broward Medical Center. Under recent changes to CON law, any hospital not located in a low-growth county may add beds at any time upon notifying the agency, and therefore the applicant is free to immediately add these transferred beds back to each of these facilities, should this project be approved. The applicant has not proposed a condition that would prevent additions to these facilities, and therefore it cannot be assumed that the proposed project would have no effect on existing District 10 bed counts. It should be noted that on a site visit made March 30, 2005 (prior to deeming batch cycle applications complete), a representative of the applicant expressed that space vacated by the beds at Broward General and North Broward would be used for the creation of a sleep lab, a GI suite, an academic suite and trauma space.

The applicant presents two basic points of special circumstance relevant to this proposed service area:

1. Demographics of the service area present health care challenges, specifically total population growth, elderly population growth, poverty levels and minority population growth. As seen below, demographics in the service area do not notably vary from those demographics found in the county and state.
2. The experimental concept of the proposed project aims to improve health care processes and outcomes for the varied demographics of the area. As discussed below, the likely outcomes of this experiment could fall within a range to include at best what the applicant expects, and at worst, a further dilution of utilization rates in the district and potential staffing shortages at area facilities.

In response to point one, the applicant defines the PSA for this project as an 11 zip code area⁸ in the west-central portion of Broward County from which 75 percent of the proposed facility's expected volume will come. The secondary service area (SSA) is reported to include an additional 27 zip codes, making the total service area all of Broward County. Because the total service area is the whole of Broward County, the discussion relative to population growth provided above is focused on county/district growth instead of the population growth information provided in the CON application specific to the PSA. As previously discussed, growth in the district alone will not likely fill the beds already in existence. In addition, the level of growth forecasted for this district is notably consistent with statewide levels of projected growth from 2006 to 2010, and therefore the applicant does not clearly demonstrate that a special circumstance exists in this PSA with regard to population growth.

The applicant reports that 13.5 percent of the overall PSA population is over the age of 65. Countywide elderly (defined here as persons over the age of 65) statistics as published by the agency in the Population Estimates report are illustrated in the following table:

⁸ 33024, 33026, 33312, 33313, 33314, 33317, 33322, 33324, 33325, 33328, 33330

Over 65 Population Growth in District 10 from 7/1998 – 7/2010

Date	Total County/District Population	Growth %	Total State Population	Growth %
1-Jul-98	261,576		2,750,511	
1-Jul-99	260,251	-0.51%	2,775,387	0.90%
1-Jul-00	261,263	0.39%	2,817,648	1.52%
1-Jul-01	263,071	0.69%	2,872,572	1.95%
1-Jul-02	267,450	1.66%	2,953,441	2.82%
1-Jul-03	271,989	1.70%	3,024,561	2.41%
1-Jul-04	275,768	1.39%	3,088,987	2.13%
1-Jul-05	279,848	1.48%	3,153,525	2.09%
1-Jul-06	285,685	2.09%	3,227,547	2.35%
1-Jul-07	292,651	2.44%	3,308,381	2.50%
1-Jul-08	300,736	2.76%	3,396,896	2.68%
1-Jul-09	309,916	3.05%	3,493,837	2.85%
1-Jul-10	320,208	3.32%	3,601,571	3.08%

Source: Population Estimates, as published by the AHCA Certificate of Need Office, April 2005

As seen above, the elderly population percentage in the combined PSA and SSA (which encompass the county and district) grew during the six-year period between 1998 and 2004, although at a slower pace than the growth of the state elderly population. All of the figures listed subsequent to 2004 are projections, and these projections indicate that the elderly population of Broward County will begin to grow faster than that of the state elderly population around year 2008; however, as a percentage of total population, the PSA zip codes on average have smaller concentrations of elderly than either the district or state as seen in the following table:

Year 2000 Over 65 Population as a Percentage of Total Population for PSA District and State

Zip Code/Area	Over 65 Population as Percentage of Total Population
33024	10.8%
33026	13.8%
33312	10.6%
33313	11.7%
33314	9.5%
33317	13.1%
33322	32.5%
33324	15.6%
33325	7.0%
33328	9.4%
33330	6.9%
Average for PSA	12.81%
Broward County/Dist 10	16.1%
Florida Statewide	17.6%

Source: U.S. Census 2000 Demographic Profile

As seen above, the concentrations of elderly fluctuate by zip code, with zip 33322 experiencing an elderly concentration more than double that of the county, yet zip 33330 shows a concentration less than half that of the county. On average, the PSA has a smaller concentration of over 65 residents than either the county or the state, and therefore the applicant does not clearly demonstrate that a special circumstance exists in this PSA with regard to elderly populations.

The PSA is stated to be economically diverse, as significant levels of poverty are reported to exist within some of the eleven selected zip codes. The following table illustrates poverty level percentages for individuals within each PSA zip code as well as per capita income dollar amounts from the year 2000 U.S. Census:

Poverty Percentages and Per Capita Income Amounts for PSA, District and State

Zip Code/Area	Percent of Individuals Below Poverty Level	Per Capita Income in Dollars
33024	10.1%	\$18,171
33026	3.9%	\$26,069
33312	14.3%	\$19,217
33313	20.9%	\$14,354
33314	15.8%	\$18,398
33317	7.7%	\$23,311
33322	7.5%	\$22,532
33324	6.0%	\$28,457
33325	6.2%	\$23,382
33328	4.8%	\$27,405
33330	2.8%	\$33,206
Average for PSA	9.1%	\$23,137
Broward County/Dist 10	11.5%	\$23,170
Florida Statewide	12.5%	\$21,557

Source: U.S. Census 2000 Demographic Profile

As seen above, the average percent of individuals below the poverty level within the PSA is below that of both the district and state, as disclosed by the applicant in a similar table. The concentrations of individuals below the poverty line fluctuate by zip code, with 20.9 percent of residents in zip code 33313 below the poverty line but 2.8 percent of residents in zip code 33330 below the poverty line. While this demonstrates that varied economic classes would be targeted with this proposal, it does not demonstrate that a special circumstance exists in this PSA with regards to economic strength.

The applicant states that the PSA is racially diverse, with individual zip codes fluctuating in their minority populations similarly to the percentages provided for elderly and poverty levels. The applicant

focuses its discussion on non-white population percentages and white population percentages, and as such, the following table illustrates these percentages for the PSA, county and state:

Non-White Population Percentages for PSA Zip Codes, County and State

Zip Code/Area	Non-White Population Percentage	White Population Percentage
33024	23.1%	76.9%
33026	15.4%	84.6%
33312	42.3%	57.7%
33313	76.3%	23.7%
33314	15.3%	84.7%
33317	29.1%	70.9%
33322	17.3%	82.7%
33324	14.2%	85.8%
33325	11.3%	88.7%
33328	8.6%	91.4%
33330	10.5%	89.5%
Average for PSA	24.0%	76.1%
Broward County/Dist 10	29.4%	70.6%
Florida Statewide	22.0%	78.0%

Source: U.S. Census 2000 Demographic Profile

Similarly to previous discussion, percentages relative to non-white populations vary greatly for PSA zip codes. The PSA average is less than that of Broward County, but exceeds that of Florida statewide. The applicant states that this diversity is pointed out to demonstrate the diversity of the targeted population, which ties into its focus of being “culturally competent,” as further discussed below. The above information does not demonstrate that special circumstances exist in this PSA with regards to racial diversity.

In response to point two, the experimental concept of the proposed project is perhaps the crucial issue of this CON application. During a site visit made on March 30, 2005 (prior to deeming complete this cycle’s applications), a representative of the applicant expressed that the proposed project is an experiment in health care processes and outcomes. Two goals are prominent within the applicant’s description of the proposed concept: Cultural competency and opportunities for clinical education and residencies.

Cultural competency is described by the applicant as a way to improve access to and quality of care for racial and ethnic minorities, which are stated to experience cultural and linguistic barriers, lack of stable relationships with health care providers, fragmentation of health care services and negative stereotyping by physicians. National studies addressing these disparities are quoted in the CON application. In addition to multi-cultural demographics, Broward County is reported by

the applicant to be home to high rates of uninsurance⁹, high levels of HIV or AIDS infection and high numbers of residents speaking a language other than English at home¹⁰, all of which are stated by the applicant to benefit from the proposed cultural competency model. This model is reported to contain five components: facility design, infrastructure and technology; administration/management/staffing; patient care delivery; teaching/training; research/outcomes/transference. Design of the proposed facility is stated to be culturally competent in that architectural accommodations would be considered to allow for the multiple discipline teams, the patient information booths, the family conference rooms, larger patient rooms and other features. To accomplish this, a new facility is stated to be a cost efficient alternative to “retro-fitting” an existing facility, and thus the applicant proposes this new construction. Administration/management/staffing are stated to be part of this cultural competency model in that recruitment, hiring, orientation, training and retention policies and practices would be driven by a multi-cultural focus. The patient care delivery aspect of the proposed model is described as the applicant’s plans for multiple-discipline team care, which would bring representatives from mixed clinical backgrounds as well as mixed racial/ethnic/language backgrounds to confer with the patient, patient family and each other on each patient case. Teaching/training of the students and staff members participating in the teams would focus on cultural differences, and the applicant anticipates this would be accomplished through specialized educational programs. The proposed hospital is reported to include a laboratory for examining health care disparities, cultural factors relevant to specific diseases and effective clinical protocols for specific cultural/ethnic groups. The applicant states that NSU will provide the faculty, staff, students, technology and other infrastructure needed to conduct the research in this laboratory. The applicant indicates that, should this experimental concept be approved and perform successfully, the proposed project would become a model for cultural competency for other facilities.

The proposed facility would be serving the same cultural demographics that are currently served by the applicant’s existing four facilities, and therefore it is not clear why the applicant might assert access problems for minority cultural populations considering current utilization rates. It is also not clear why the cultural competency model is not or could not be implemented at existing applicant facilities.

⁹ Broward County’s medically uninsured rate is quoted as 22.0 percent, versus the 18.4 percent currently published for the county in the 2004 Florida Health Insurance Study

¹⁰ 15.0 of Florida residents who are diagnosed with HIV or AIDS are reported by the applicant to live in Broward County and 28.8 percent of county residents over age 5 are reported by the applicant to speak a language other than English at home.

Opportunities for clinical education and residencies¹¹ are indicated as a focus of the project. The applicant reasons that the partnership of a hospital and an academic center is important to the experimental nature of this project, since the school would provide a pool of clinical students to serve on clinical teams and staff the proposed patient information centers, with no cost to the hospital. The applicant seeks to prove with this project that clinical teams (comprised of the university's clinical students of various disciplines, their teachers and supervising faculty) and patient information centers will enhance the facility's ability to communicate with and educate patients/patient families on illness and everyday care. The applicant expects this will ultimately reduce average lengths of stay, return admissions and disparities in care for the varied demographics of this service area. Florida Atlantic University (FAU), Florida International University (FIU) and the University of Central Florida (UCF) were stated during the above-mentioned site visit to be planning medical schools, further increasing the need for residency programs in the area. Statistics are presented in the CON application regarding clinical students and the likelihood that they will practice their specialties proximate to the facilities where they completed their residencies, and the applicant proposes that opening additional residency spots in Florida will keep clinicians in Florida. The applicant expects this to ultimately help mitigate staffing shortages statewide. It should be noted that NBHD CEO Wil Trower was quoted in the Miami Herald on January 28, 2005 as stating that, should the proposed project be approved, "Broward General will still be the flagship teaching hospital." Letters of opposition submitted in response to this proposed project state that while many other hospitals in Broward County already make their facilities available to Nova Southeastern University medical students, there are (unnamed) others that would participate in a teaching effort if given the opportunity, and at significantly less expense than that required to build, maintain and staff a new infrastructure.

The applicant expects the proposed project will reduce medical errors, increase patient safety and improve patient care outcomes through the improved communication resulting from the multi-cultural focus.

¹¹ The proposed facility would not be a statutory teaching hospital.

Because of the planned diversity of the clinical teams, the applicant expects that the proposed project would increase the likelihood that county residents will seek care while still in the early stages of sickness and/or will return for follow-up visits as necessary. The applicant reasons that this should reduce morbidity, mortality and excessive health care costs, and attributes these results to *Crossing The Quality Chasm: A New Health System for the 21st Century* as credited to the Institute of Medicine. All of the above is stated to result in a reduction of primary care visits in area emergency departments.

Because the proposed concept is experimental in nature, and therefore results unknown, the likely results of this experiment can merely be stated to fall within a range to include at best what the applicant expects, and at worst, a further dilution of utilization rates in the district and potential staffing shortages at area facilities. It should also be noted here that as an independent taxing district, the applicant levies and directs the spending of local ad valorem property taxes; therefore, a failed experiment could have a financial effect on the people of Broward County, as well as the participating hospital network and university¹².

As previously noted, that applicant's first point related to demographic challenges was not demonstrated. The second point involves an experiment and healthcare theory. Although the applicant has shown that it understands and is prepared to invest in this experimental concept, need for this project was not clearly demonstrated.

2. Agency Rule Criteria

The Agency does not currently have adopted preferences or Rule criteria relating to acute care beds. The acute care rule was repealed as a result of statutory changes made on July 1, 2004. The rule repeal was effective April 21, 2005.

3. Statutory Review Criteria

- a. Is need for the project evidenced by the availability, quality of care, efficiency, accessibility and extent of utilization of existing health care facilities and health services in the applicant's service area? ss. 408.035(2), 408.035(7), Florida Statutes.**

¹² As stated in the financial review in section E.3.c., North Broward Hospital District would be responsible for any operating losses for the proposed hospital.

Availability and Accessibility

No additional services would be made available to District 10 with this project than those already available. The applicant contends that care with a strong multi-cultural emphasis would become available with this project, as part of the “Culturally Competent Model” discussed in section E.1., but does not demonstrate that care for multi-cultural and/or indigent populations is unavailable at existing facilities in the district. District 10 included eight disproportionate share hospitals as of the agency’s most recent publication on November 23, 2004, and six of these maintained occupancy rates below 65 percent during the most recently reported 12-month period¹³. The occupancy percentages for DSH facilities during this 12-month period ranged from a high of 105.36 percent to a low of 25.85 percent, both of these within the South Broward Hospital District. The North Broward Hospital District facilities experienced more evenly distributed occupancy during this time, with all four facilities hovering near the applicant average of 54.43 percent.

The applicant contends that the “Cultural Competency” component of the proposed project will increase access for minority populations in District 10, which the applicant states has been inhibited by language and cultural barriers between the patients and hospital staffs not trained in an environment with a strong multi-cultural focus. Because lower utilization levels are evident at District 10 disproportionate share facilities as well as the district as a whole, it is not evident that availability or access to care is impeded with existing District 10 conditions.

The applicant provides a quote from the Fire Chief’s Association of Broward County stating that “emergency rooms in hospitals are running at full capacity most of the time,” and occasionally transport times can take up to 90 minutes due to ED diversions. The applicant provides two tables of transport time analysis confirming that 12.5 percent of transports performed by the Davie Fire and Rescue between January 15th, 2005 and March 31st, 2005 took greater than 30 minutes. The applicant included summaries of transport profiles during this time, showing the percentage of delays over 30 minutes for each facility. If correct, these percentages would seem to have little correlation to facility occupancy, as illustrated in the following table:

¹³ July 2003 – June 2004

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Percentage of Total Delays Greater than 30 Minutes versus Facility Occupancy Levels – District 10

Facility	% of Total Delays Greater Than 30 Minutes*	Occupancy FY03
Westside Regional Hospital	36%	87.69%
Memorial Hospital West	17%	105.36%
Memorial Hospital Pembroke	14%	25.85%
Memorial Regional Hospital	13%	79.63%
Cleveland Clinic Hospital	12%	60.81%
Broward General Medical Center	5%	52.54%
Plantation General Hospital	2%	46.99%

* From 1/15/2005 – 3/31/2005

Source: CON application #9839 and Florida Hospital Bed and Service Utilization by District, Volume II

As seen above, the applicant's figures indicate that 53 percent of all delays greater than 30 minutes during this time were delays at facilities with 87.69 and 105.36 percent occupancy levels, as would be expected; however, 14 percent of these delays were to Memorial Hospital Pembroke, which experienced 25.85 percent occupancy during the most recently reported 12-month period. The applicant states that this may be due to a "stigma" attached to Memorial Hospital Pembroke, but yet claims this as evidence that occupancy levels are irrelevant to the need equation and that an additional emergency department is needed in District 10. This said, the Davie Fire Rescue is quoted in the CON application as estimating the average transport time for emergency patients at 13-15 minutes. Geographical distances between existing facilities would seem to agree with this estimate, as seen in the table below:

Mileage Between Existing and Proposed Facilities District 10

	*Broward General Medical Center	*Coral Springs Medical Center	Florida Medical Center	Northwest Medical Center	Hollywood Medical Center	Holy Cross Hospital	*Memorial Hospital - Pembroke	*Imperial Point Medical Center	*Memorial Regional Center	Cleveland Clinic Hospital	*North Broward Hospital	North Ridge Medical Center	*Plantation General Hospital	University Hospital & Medical Center	Westside Regional Medical Center	**Proposed Facility
*Broward General Medical Center																
*Coral Springs Medical Center	17.0															
Florida Medical Center	8.4	9.1														
Northwest Medical Center	14.5	4.3	8.1													
Hollywood Medical Center	9.0	22.1	13.2	19.4												
Holy Cross Hospital	6.7	13.3	7.3	10.0	15.4											
*Memorial Hospital - Pembroke	10.1	17.2	11.8	17.9	5.6	16.6										
*Imperial Point Medical Center	8.3	12.5	8.8	9.1	17.0	1.8	18.1									
*Memorial Regional Hospital	8.0	21.2	12.3	18.5	1.3	14.3	4.9	16.0								
*Memorial Hospital West	15.5	20.9	16.3	23.3	8.8	21.9	5.5	23.5	8.8							
Cleveland Clinic Hospital	16.8	16.9	13.8	19.6	16.6	20.9	11.0	22.2	15.9	8.2						
*North Broward Medical Center	12.7	8.7	12.2	6.0	20.8	6.9	21.6	5.9	19.8	26.7	25.1					
North Ridge Medical Center	7.0	11.6	7.0	8.4	15.6	1.7	16.4	2.1	14.7	21.6	20.8	5.8				
*Plantation General Hospital	5.3	12.2	3.2	9.6	10.0	8.7	8.6	10.2	9.1	13.7	13.3	13.8	8.4			
University Hospital & Medical Center	13.2	4.2	4.9	6.5	18.1	9.9	13.0	9.6	17.2	17.0	13.8	11.9	8.3	8.1		
Westside Regional Medical Center	8.3	10.8	5.7	12.9	12.0	12.3	6.9	13.8	11.2	10.7	9.3	17.3	12.0	4.0	6.6	
**Proposed Facility	9.1	14.1	8.8	17.0	9.4	15.0	3.8	16.6	8.6	8.1	9.9	20.2	14.9	6.7	9.9	3.9

*Disproportionate Share Hospital

**Address used for this analysis is that of the Health Professionals Division building at Nova Southeastern University. The proposed site is adjacent to this building.

Source: Expedia.com

As seen above, 15 of the 16 District 10 facilities are within twenty miles of the proposed site and 10 are within 10 miles. Considering short roadway distances and low utilization patterns for the area, need for an additional facility is not demonstrated through availability or accessibility in District 10.

Quality of Care

A primary focus of the applicant’s argument for need is improving existing health care infrastructures and processes with regards to multi-cultural demographics. While it is not demonstrated that the minority populations of Broward County have limited access to care, the applicant contends that the quality of the care available and accessible could be improved through increased training of clinical staffs in local cultures and languages. As previously mentioned, the concept of the proposed project is largely experimental and based on academic theories on hospital environments as mentioned throughout the CON application, the results of which have not been confirmed to where a reasonable

assessment could be made of this project's likely effect on patient outcomes. "Cultural Competency" is repeatedly used to describe how disparities in quality of care would be reduced at the proposed facility, but no substantiating evidence is presented that this cultural focus improves outcomes to any material degree that would warrant the construction of an additional facility in a district with an average occupancy level of 53.83 percent, while hospitals are free to add beds at any time upon notification of the agency and are free to implant "cultural competency models". The applicant stresses repeatedly that patient outcomes would improve as a result of better communication between the patient and provider (which would reportedly be inherent in the "Cultural Competency Model"), but an opportunity for improved communication would not necessarily translate to a better quality of care for the selected populations who would stand to benefit. Need for an additional facility in District 10 is not demonstrated with regards to quality of care within the description of the proposed facility.

For the three-year period ending March 28, 2005, there were zero closed confirmed complaints for Broward General Medical Center, four for North Broward Medical Center, one for Coral Springs Medical Center and two for Imperial Point Medical Center. North Broward Medical Center received the following closed confirmed complaints: one for medicine problems/errors/formulary, one for patient care, one for falls/injury and one for patient rights. Coral Springs Medical Center received one closed confirmed complaint for EMTALA. Imperial Point Medical Center received two closed confirmed complaints for EMTALA. Complaint counts for all of the above facilities exclude Federal EMTALA complaints not closed by CMS.

Efficiency

The cooperation between the applicant hospital network and Nova Southeastern University is stated to maximize the dollar efficiency of staffing a new facility while training clinical staffs in a multi-cultural environment. University resources would reportedly be used to provide a culturally diverse student pool from which the applicant may choose to staff its patient information centers and form the clinical teams mentioned throughout the application. Resources available through other North Broward Hospital District facilities would reportedly be used so as not to duplicate management, clinical and support services.

While these concerns illustrate efficiency within the applicant's proposal, this efficiency does not constitute need for an additional facility in District 10.

Utilization

The following table is repeated from earlier discussion to illustrate utilization in District 10:

District 10 Adult Acute Care Hospital Occupancy Percentages 7/2003 – 6/2004

Facility	Occupancy
*Broward General Medical Center	52.54%
*Coral Springs Medical Center	64.78%
Florida Medical Center	48.21%
Northwest Medical Center	81.90%
Hollywood Medical Center	18.54%
Holy Cross Hospital	41.86%
*Memorial Hospital - Pembroke	25.85%
*Imperial Point Medical Center	50.32%
*Memorial Regional Hospital	79.63%
*Memorial Hospital West	105.36%
Cleveland Clinic Hospital	60.81%
*North Broward Medical Center	50.06%
North Ridge Medical Center	34.60%
*Plantation General Hospital	46.99%
University Hospital & Medical Center	46.06%
Westside Regional Medical Center	87.69%
Applicant Average Occupancy	54.43%
District 10 Average Occupancy	53.83%

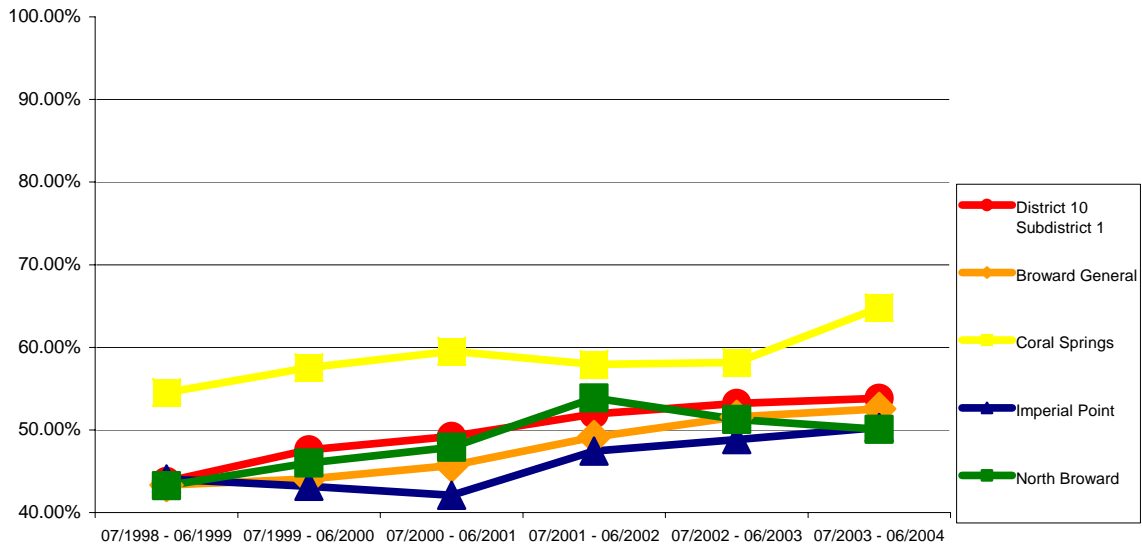
* Disproportionate Share Hospital as of November 23, 2004

Source: Florida Hospital Bed and Service Utilization by District, Volume II

As seen above, the District 10 average occupancy level for FY 2003 does not demonstrate an inadequate number of vacant beds. While the applicant states that Memorial Hospital Pembroke is using only half of its licensed bed counts, excluding Memorial Hospital Pembroke from the district average occupancy would still yield only 57.96 percent.

As seen in the trend graph below, utilization in District 10 has not demonstrated any significant increase in the last five years:

Five Year Historical Utilization Levels for Applicant and District 10



In addition to the above facilities, Memorial Hospital – Miramar was licensed in March of 2005, and while no data are available for estimating utilization at that facility, it is reasonable that this addition of 100 acute care beds will affect utilization at existing facilities in the district. Memorial Hospital – Miramar is located 20.3 miles from the proposed site, making it likely that the service area would overlap with that of the applicant's proposed project, and making it unlikely that both facilities would achieve viable occupancy rates.

Need for an additional facility is not demonstrated for District 10 in terms of availability, quality of care, efficiency, accessibility or utilization.

b. Does the applicant have a history of and demonstrate the ability to provide quality care? ss. 408.035(3), 408.035(12), Florida Statutes.

In addition to the discussion provided above in section E.1.a., the applicant states that its hospitals and outpatient facilities have each received a Gold Seal of Approval in a recent survey conducted by the

Joint Commission on Accreditation of Healthcare Organizations (JCAHO), as well as other awards and recognition detailed on pages 444-448 of the CON application. Awards and recognition given to Nova Southeastern University are detailed on pages 448-450.

It should be noted that the applicant's proposal includes elements identified in *The Role of the Physical Environment in the Hospital of the 21st Century: A Once-in-a-Lifetime Opportunity*¹⁴. Findings presented in this report suggest that architectural and aesthetic design may contribute to increased hospital staff effectiveness and improved patient outcomes.

The applicant states a commitment to implementing all of the recommendations from the Institute for Healthcare Improvement to enhance patient safety and improve patient outcomes.

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

The audited financial statements of North Broward Hospital District for the periods ending June 30, 2003 and 2004 were analyzed for the purpose of evaluating the applicant's ability to provide the operational funding and the development and start-up costs necessary to implement the project as proposed.

¹⁴ As written by Roger Ulrich and Xiaobo Quan of the Center for Health Systems and Design, College of Architecture, Texas A&M University, and Craig Zimring, Anjali Joseph and Ruchi Choudhary of the College of Architecture, Georgia Institute of Technology. This report is to the Center for Health Design for the *Designing the 21st Century Hospital Project*, which is funded by the Robert Wood Johnson Foundation. The Center for Health Design and the Robert Wood Johnson Foundation are behind the research commonly referred to as the "Pebble Project."

North Broward Hospital District		
	06/30/2004	06/30/2003
Current Assets	\$ 296,480,211	\$ 252,261,376
Cash and Current Investment	\$ 132,368,717	\$ 77,936,257
Assets Restricted for Capital Projects	\$ -	\$ -
Total Assets	\$ 762,833,819	\$ 739,698,018
Current Liabilities	\$ 130,029,029	\$ 121,761,970
Total Liabilities	\$ 461,616,411	\$ 458,257,363
Net Assets	\$ 301,013,011	\$ 281,252,506
Total Revenues	\$ 606,069,818	\$ 583,753,869
Interest Expense	\$ 10,809,493	\$ 11,036,468
Increase in net assets	\$ 19,760,505	\$ 14,207,158
Cash Flow from Operations	\$ (85,533,955)	\$ (96,622,156)
Working Capital	\$ 166,451,182	\$ 130,499,406
Current Ratio (CA/CL)	2.3	2.1
Cash Flow to Current Liabilities (CFO/CL)	-0.7	-0.8
Long-Term Debt to Net Assets (TL-CL/NE)	1.1	1.2
Times Interest Earned (NPO+Int/Int)	2.8	2.3
Net Assets to Total Assets (TE/TA)	39.5%	38.0%
Total Margin (ER/TR)	3.3%	2.4%
Return on Assets (ER/TA)	2.6%	1.9%
Operating Cash Flow to Assets (CFO/TA)	-11.2%	-13.1%

North Broward Hospital District (the District) is a special independent taxing district governed by a seven-member board appointed by the governor. The district operates four hospitals, Broward General Medical Center, North Broward Medical Center, Imperial Point Medical Center and Coral Springs Medical Center. The district also operates outpatient facilities, clinics and several physician group practices.

The proposed hospital project is a joint undertaking between the district and Nova Southeastern University (Nova). Neither will provide any of the funding for the facility. Nova has established an independent non-profit entity, Academical Village Research and Education Foundation (AVREF) that will secure the funding for the project and then lease the operation of the hospital to the district. The following discussion is for the purpose of evaluating the district's ability to provide the funding for the proposed lease agreement.

Short-Term Position:

The applicant's current ratio of 2.3 indicates current assets are over two times current liabilities, a good position. The ratio of cash flow from operations to current liabilities of -0.7 is well below average and indicates

the applicant does not have sufficient cash flow to cover current obligations, a weak position. However, the district is funded with ad valorem taxes in addition to operating revenues. Those tax revenues provided \$175.9 and \$157.5 million in cash inflows in 2004 and 2003 respectively, resulting in positive net cash flows overall. The working capital (current assets less current liabilities) of \$166.5 million is a measure of excess liquidity that could be used to fund capital projects. Overall, the applicant has a good short-term position.

Long-Term Position:

The ratio of long-term debt to net assets of 1.1 indicates long-term debt is somewhat greater than net assets, an adequate position. The ratio of cash flow to assets of -11.2 percent is weak, but again cash flows need to be considered in the context of the district as a special taxing district. The most recent year had an increase in net assets of \$19.8 million, which resulted in a total margin of 3.3 percent. Overall, the applicant's long-term position seems assured.

Capital Requirements:

Schedule 2 indicates the applicant has \$85.8 million in capital projects and \$21.0 million in long-term debt due through 2008 for a total capital need of \$106.8 million. Listed on Schedule 2 was \$199.6 million for the construction of the hospital. The application states the district will only be providing \$1.6 million for project development and start-up costs. The district would be responsible for the lease payments under the proposed non-cancelable 20-year lease agreement between AVREF and the district. The applicant provided a letter of intent from Nova that provided a schedule of the proposed lease payments for the facility. Actual lease payment amounts would depend upon the terms of the financing arranged by AVREF. Lease payments ranged from \$11.9 million in the first year to over \$15 million for the last 10 years of the lease. The district would be responsible for any operating losses for the hospital.

Schedule 1 indicates that the hospital would be built at a cost of \$198 million. However, this included \$8.0 million for the purchase of the land, which conflicts with statements that the land would be leased from Nova. Without the land, the funding need would be \$190 million.

Available Capital:

Funding for the \$1.6 million provided by the applicant will come from cash on hand. The applicant had \$132.4 million in cash as of the date of the balance sheet. Funding for any operating shortfalls would be provided by cash flows from the applicant.

The applicant indicates that funding for the \$200 million in capital costs for the hospital will come from AVREF. AVREF will raise the necessary capital through the issuance of tax-exempt revenue bonds. The land the building will be located on is owned by Nova, who will lease it to AVREF, who will in turn lease the land and the operation of the hospital to the district. The lease payments will be in an amount sufficient to cover the repayment of the bonds and the cost of leasing the land. The applicant states that AVREF's ability to secure the necessary funding will be based on the strength of the lease for the land from Nova and the operating lease with the district. The applicant provided letters from Morgan Stanley, Merrill Lynch, SunTrust Capital Markets, Inc. and Bank of America Securities. Each indicated that financing for the project as proposed is likely to be available.

Conclusion:

Assuming AVREF will be able to obtain the debt financing discussed above, funding for this project and all capital projects of the applicant should be available as needed.

Staffing:

Schedule 6A shows 567.3 FTEs for the hospital project by the end of year two (12/31/2010). In year two, the proposed hospital is projected to employ 164.6 FTEs of RNs, 13.1 FTEs of LPNs and 49.6 FTEs of nurses' aides. On page 49 of the application narrative, the applicant presents its plans for circumventing staffing shortages, including scholarships for health care education and recruitment tactics. The applicant states that NBHD exceeds the state's benchmarks for vacancy rate and turnover, and does not anticipate problems staffing the proposed facility. The applicant contends that the proposed project's cooperation with Nova Southeastern University will provide additional clinical rotation positions for current and future health care students, and will thereby increase the number of trained clinical professionals to offset future shortages.

The applicant reports that approximately 40-50 percent of medical students practice in the state from which they graduated medical school, which the applicant states supports its contention that the additional clinical rotation spots made available with the proposed project would mitigate staffing shortages in Florida. The applicant states that while approximately 35 percent of the physicians in Florida completed a residency program in Florida, approximately 45 percent of physicians nationwide are practicing in the state where their residency was completed. The applicant attributes this discrepancy to caps on Graduate Medical Education (GME) slots¹⁵ imposed by the Balanced

¹⁵ GME payments are made to teaching hospitals to assist with the associated costs of training. The largest portion of these GME payments is paid by Medicare, and thus covered by federal budget legislation. The BBA placed caps on the total number of medical residents reimbursable by Medicare

Budget Act (BBA) of 1997; however, these caps were imposed on the number of residents reimbursable by Medicare, and did not cap the number of residents the hospital could fund independently or by other means. Also, the computation of the percentage of physicians who practice medicine in the state where they completed their residencies takes into account many factors, including (but not limited to) the size, number, perceived prestige and admitting practices of medical schools available in each state, each state's demand for physicians, and other considerations such as cost of living and earning potential that might factor into a doctor's choice of where to practice. Comparing these percentages by state oversimplifies a complex issue and may infer problems where none exists. It should be noted that a letter of support from the director of the Council of Florida Medical School Deans contends that Florida places fourth nationwide for physicians remaining in the state after completion of residency training.

The applicant states that managerial resources for the proposed facility would be shared with existing applicant facilities, and these resources are reported to include clinical professionals.

d. 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

and offered incentive payments to teaching hospitals to voluntarily reduce the number of residents in training.

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.

The applicant has stated that the new hospital will primarily serve the patient population in the following zip codes: 33024, 33026, 33312, 33313, 33314, 33317, 33322, 33324, 33325, 33328 and 33330. The case mix data was tested using the 55,825 patients discharged from the indicated zip codes during 2003, excluding DRGs for services not provided. The computed case mix index for these cases was 1.211. Therefore, based on the range of services offered, number of beds and estimated patient days, as well as the computed case mix index; the applicant will be compared to the hospitals in group 7. Per diem rates are projected to increase by an average of 3.6 percent per year. Inflation adjustments were based on the new CMS Market Basket, 4th Quarter, 2004.

Virtually all of the revenue projections and a majority of expense projections are dependant on the applicant's occupancy assumptions. An overstatement of the level of occupancy could have a materially negative affect on the projected financials.

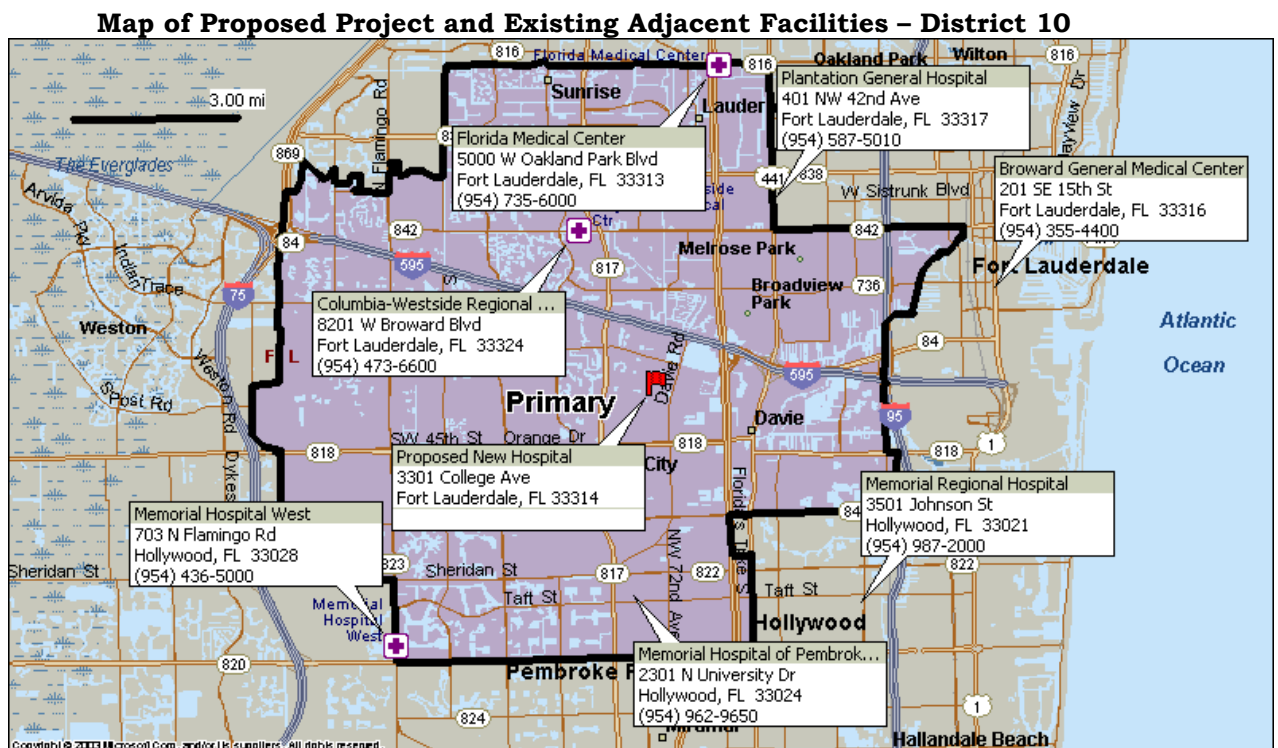
This application is for a 144-bed hospital to be operated by the North Broward Hospital District. In 2004, in the primary service area, seven hospitals accounted for 80 percent of the 177,087 patient days for the services to be provided in the proposed facility. The district's four hospitals accounted for 13.2 percent of those patient days (23,361), with only one, Broward General, in the top 10 hospitals in patient days. The applicant projects 28,076 patient days for the new facility in year two (2010) or 15.85 percent of the total patient days in 2004, bringing the total for the district to 29 percent. This projection would appear to be achievable only through a significant penetration of the market share of the existing providers. Those hospitals are:

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Facility Name	Discharges	% Total	Patient		
			Days	% Total	Occup
Westside Regional Medical Center	9,447	24.71%	38,792	21.91%	53.8%
Memorial Regional Hospital	4,704	12.30%	21,919	12.38%	79.6%
Florida Medical Center	4,045	10.58%	21,865	12.35%	48.2%
Memorial Hospital West	3,598	9.41%	14,843	8.38%	105.4%
Broward General Medical Center	3,482	9.11%	19,485	11.00%	52.5%
Memorial Hospital Pembroke	3,216	8.41%	13,033	7.36%	25.9%
Plantation General Hospital	2,728	7.13%	11,596	6.55%	47.0%
Cleveland Clinic Hospital	1,337	3.50%	4,672	2.64%	60.8%
Holy Cross Hospital, Inc.	821	2.15%	4,069	2.30%	41.9%
University Hospital & Medical Center	792	2.07%	3,755	2.12%	46.1%
Total	34,170	89.37%	154,029	86.98%	

Occupancy rates are for the year ended June 30, 2004 as reported to AHCA.

The following map illustrates the location of the proposed facility and its proximate distance to existing adjacent facilities:



Source: Microsoft MapPoint 2004

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The projected payer mix was compared with the payer mix in the proposed zip codes for the services to be provided by the hospital. The projected payer mix is relatively consistent with the existing payer mix in the proposed service area. Based on that, the projected payer mix appears reasonable.

Payer	Pt Days	% Pt Days
Medicare	61,481	34.72%
Medicare HMO	30,289	17.10%
Medicaid	13,130	7.41%
Medicaid HMO	5,435	3.07%
Commercial Insurance	5,149	2.91%
Commercial HMO	27,123	15.32%
Commercial PPO	15,215	8.59%
Workers Comp	1,129	0.64%
Champus	288	0.16%
VA	98	0.06%
Other State	462	0.26%
Self Pay	10,882	6.15%
Other	563	0.32%
Charity	5,304	3.00%
Kidcare	539	0.30%
	<u>177,087</u>	<u>100.00%</u>

The applicant has offered a condition to serve 9.8 percent of total patient days through Medicaid and Medicaid HMO, and 4.0 percent of charges for charity patients. The current share of Medicaid, Medicaid HMO patient days in the projected service area for the services to be provided is 10.5 percent. The current share of charity patient days for the services to be provided is 3.0 percent. It appears that the current payer mix of the proposed service area has a sufficient share of Medicaid, Medicaid HMO, and charity patient days, which should enable the applicant to meet the proposed condition.

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

Projected net revenue per adjusted patient day (NRAPD) of \$1,381 in year one and \$1,428 in year two is below the control group lowest values of \$1,418 in year one and \$1,463 in year two. The lowest level is generally viewed as the practical lower limit on economies of operation. On average, the hospital is consuming fewer health care dollars in proportion to services being provided than all of the hospitals in the control group. It is unlikely that such economies of operation would be

achieved in the first two years. NRAPD is most likely materially understated. (See Comparative Table).

Anticipated costs per adjusted patient day (CAPD) of \$1,595 in year one and \$1,516 in year two are between the control group lowest and median levels of \$1,259 and \$1,623 in year one and \$1,299 and \$1,675 in year two. Costs between the lowest and median level of the control group are considered efficient. The low occupancy rate projected for the first two years decreases economies of scale and as the occupancy rate increases, CAPD would be expected to decrease.

The applicant projects an operating loss is \$4.3 million for year two, which computes to an operating margin per adjusted patient day of -\$88. This is between the control group lowest and median level of -\$191 and \$86. The projected operating margin in year two is -6.2 percent. As discussed above, a new acute care hospital will not likely realize economies of scale until the occupancy rate increases. The applicant estimates a profit for the hospital in year three of its operation of \$3.5 million with 32,830 patient days and a 62.5 percent occupancy rate.

Overall, with the support of the North Broward Hospital District, financial feasibility of this project appears likely. The district's taxing authority puts it in a different financial position compared to that of the typical hospital. There are concerns, however. The proposed facility would be highly leveraged with essentially all costs financed, and would appear to require a significant occupancy level to be financially self-sustaining. Under the proposed leasing agreement the district will be responsible for funding all of the hospitals working capital requirements and for covering at least two years of operating losses. The average working capital requirement for group 7 hospitals in 2003 was \$22.9 million. These issues were not discussed in any detail in the application.

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Comparative Data

CON # 9839 North Broward Hospital District 2003 DATA, Peer Group 7	2010	YEAR 2	VALUES ADJUSTED		
	YEAR 2	ACTIVITY	FOR INFLATION		
	ACTIVITY	PER DAY	Highest	Median	Lowest
ROUTINE SERVICES	22,250,982	450	1,687	821	448
INPATIENT AMBULATORY	29,700,135	0	218	105	22
INPATIENT ANCILLARY SERVICES	128,845,005	2,608	6,533	3,417	2,108
OUTPATIENT SERVICES	136,860,410	2,770	2,596	1,717	809
OTHER OPERATING REVENUE	515,678	10	41	15	2
TOTAL REVENUE	318,172,210	6,440	9,518	6,338	4,223
DEDUCTIONS FROM REVENUE	247,612,602	5,011	*	*	*
NET REVENUES	70,559,608	1,428	2,478	1,749	1,463
EXPENSES					
ROUTINE	18,093,033	366	385	302	216
ANCILLARY	21,511,426	435	736	561	402
AMBULATORY		0			
OVERHEAD	35,304,839	715	998	746	480
OTHER		0			
TOTAL EXPENSES	74,909,298	1,516	2,211	1,675	1,299
OPERATING INCOME	(4,349,690)	-88 -6.2%	339	86	-191
PATIENT DAYS	28,076		VALUES NOT ADJUSTED		
ADJUSTED PATIENT DAYS	49,409		FOR INFLATION		
TOTAL BED DAYS AVAILABLE	52,560				
ADJ. FACTOR	0.6				
TOTAL NUMBER OF BEDS	144				
PERCENT OCCUPANCY	53%		86.4%	60.7%	44.2%
PAYER TYPE	PATIENT DAYS	% TOTAL			
MEDICARE	8,956	31.9%	67.1%	48.3%	21.2%
COMMERCIAL	1,039	3.7%			
MEDICAID	1,432	5.1%	22.3%	9.7%	2.2%
SELF-PAY	1,881	6.7%			
HMO/PPO	14,768	52.6%	54.2%	31.1%	11.5%
OTHER	-	0.0%			
TOTAL	28,076	100.0%			

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

Competition to promote quality and cost-effectiveness is driven primarily by the best combination of high quality and low price. Competition forces hospitals to increase quality and reduce charges/cost in order to remain viable in the market.

The applicant does not have a large presence in the proposed market, accounting for only 13.2 percent of patient days in the service area

divided between their four hospitals, with Broward General accounting for 11 percent of the total; therefore we considered it as offering a new choice of provider.

The impact of the price of services on consumer choice is limited to the payer type. Most consumers do not pay directly for hospital services; rather a third-party payer covers them. The impact of price competition would be limited to third-party payers that negotiate price for services, namely managed care organizations. Therefore, price competition is limited to the share of patient days that are under managed care plans. Managed care is 44.0 percent of the patient days in the service area with the applicant projecting managed care to be 52.6 percent of its patient days. If this level were achieved, price competition is likely to increase. Seven facilities account for 82.5 percent of the patient days in the primary service area. The new hospital would appear to offer another choice based on location.

The applicant will have to increase its existing market share in the primary service area in order to achieve the projected occupancy. This increase in the applicant's market share will force competing hospitals to find new ways to attract patients from this area either through increases in quality of care and/or decreases in prices. Based on these factors, this project is likely to have a positive impact on competition.

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

The new facility will have nine stories plus a mechanical penthouse and one level of underground parking which has two dedicated elevators. The eighth floor and part of the ninth will be shelled space for future expansion. Accommodations for vertical expansion of the building have also been made for the first three floors.

The new facility will be located on a 4.65-acre site and will be part of the NSU Academic Village. It will have an elevated pedestrian bridge to the adjacent medical office building.

The applicant is aware of all the requirements for disaster preparedness in the Florida Building Code. There were no data pertaining to either the flood plain elevation or the hurricane surge inundation in the narrative, but the requirements for NOAs was mentioned and the other data will have to be submitted to AHCA if this proposal becomes a project.

The hospital will be quite large and will have all the typical departments one would expect, ranging from a 25-bed emergency department to a

seven-OR surgical suite. There is also a sizable imaging suite, one cysto lab with provisions for a second, three endoscopy labs, one bronchoscopy room, a cath lab (again with provisions for another) and various other functions.

Floors 5, 6 and 7 will each house a 36-bed unit consisting of three 12-bed patient wings and a fourth wing for support spaces on each floor. There is a 12-bed ICU/CCU on the fourth floor. All patient rooms will be private and each will have a toilet/shower room and space for family members. The required number of rooms to meet handicapped accessibility standards will be met. Although no wheelchair turning circle is shown in the toilet/shower rooms, they appear large enough to accommodate a patient in a wheelchair or maybe even a gurney.

Public/patient functions and staff functions are separated as much as possible to provide efficiency and privacy.

Enlarged floor plans of typical and handicapped-accessible patient rooms were shown. Although the patient rooms have the required headwall width and lavatories within the room, there is no closet or wardrobe unit shown for the patient's belongings. However, the plans are schematic and there is no reason to think that these will not be added during design development.

The building code information provided was out of date but a number of the codes will have even newer editions adopted before this project could be submitted to the AHCA Office of Plans and Construction for review.

The math on Schedule 9 appears to be correct, but the footage of the underground parking level, which is 22 percent of the total gross square footage of the project, is used in subsequent costs based on square footage. Because of this, the cost information is somewhat skewed.

Additionally, floors 8 and 9 will not house hospital functions, and this space is also used in Schedule 9 and affects the cost information as does the fact that there are other peripheral construction costs included that "will be incurred in support of developing" the new facility. The extent of this is unclear. All of this makes much of the cost and square footage information on the Schedule 9 relatively meaningless, especially for evaluating hospital building costs.

The construction schedule submitted seems to be reasonable for a project of this large scope. The building will utilize a combination of poured concrete and steel construction.

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

- g. 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.**

All four North Broward Hospital District acute care facilities are disproportionate share hospitals as of the most recent AHCA publication on November 23, 2004. The applicant states that within the proposed 11 zip code PSA, over 30 percent of Medicaid care and over 70 percent of the inpatient charity care are provided at NBHD facilities.

The following table illustrates the applicant’s most recent provisions of Medicaid and charity care:

District 10 Medicaid and Charity Care Provision Percentages FY 2003

Facility	Medicaid	Charity Care	Total
*Broward General Medical Center	25.10%	11.30%	36.40%
*Coral Springs Medical Center	15.80%	2.10%	17.90%
Florida Medical Center	12.90%	2.00%	14.90%
Northwest Medical Center	10.80%	0.90%	11.70%
Hollywood Medical Center	0.60%	1.60%	2.20%
Holy Cross Hospital	3.90%	0.60%	4.50%
*Memorial Hospital - Pembroke	10.70%	6.90%	17.60%
*Imperial Point Medical Center	6.10%	5.20%	11.30%
*Memorial Regional Hospital	17.90%	7.20%	25.10%
*Memorial Hospital West	10.50%	2.20%	12.70%
Cleveland Clinic Hospital	4.30%	0.80%	5.10%
*North Broward Medical Center	9.70%	10.80%	20.50%
North Ridge Medical Center	2.80%	1.30%	4.10%
*Plantation General Hospital	24.50%	1.80%	26.30%
University Hospital & Medical Center	7.80%	1.20%	9.00%
Westside Regional Medical Center	4.70%	0.90%	5.60%
District Average	10.51%	3.55%	14.06%

* Disproportionate Share Hospital as published by AHCA on November 23, 2004

Source: 2003 Hospital Financial Data, provided by the AHCA Financial Analysis Unit

Three of the applicant’s four existing acute care facilities provided higher combined levels of Medicaid care and charity care than the average for

District 10 in fiscal year (FY) 2003. As seen above, the average charity care provision for District 10 during FY 2003 was 3.55 percent, and three of the applicant's four facilities exceeded this percentage. Broward General Medical Center and North Broward Medical Center provided charity care amounts of 11.3 and 10.8 percent, respectively during this time, each more than three times the average amount for this planning area. Coral Springs Medical Center provided 2.1 percent charity care during this time, one of 11 facilities (out of 16 total facilities) falling below this level. Broward General Medical Center provided the highest level of Medicaid care as well as the highest level of charity care during this time.

The applicant receives public funding to subsidize the cost of providing health care for those residents unable to pay for services received.

The applicant requests a condition on the proposed project for the provision of four percent of total revenues to charity care and 9.8 percent of total patient days for Medicaid/Medicaid HMO patient days.

F. SUMMARY

North Broward Hospital District (CON #9839) is applying to establish a 144-bed acute care facility on the Nova Southeastern University (NSU) campus, in Davie, Broward County, District 10. The applicant operates four acute care hospitals in Broward County, all of which were categorized as disproportionate share hospitals in the most recent agency listing.

The applicant proposes the following conditions:

- Four percent of total revenues will be provided to charity care and 9.8 percent of total patient days will be Medicaid/Medicaid HMO patient days.
- The proposed system will be paperless.
- The proposed facility will consist of all single-bed private rooms.
- The proposed facility will provide three isolation rooms per floor.
- The proposed facility will develop a 12-bed acute care for the elderly (ACE) unit.
- The proposed facility will provide patient information centers on each patient floor and its first floor.
- The applicant will provide a two-story education rotunda.
- The applicant will develop the interdisciplinary and patient care programs described in the CON application.
- The proposed facility would expose and train all staff in cultural competency.

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- The proposed facility will be consistent with service area health care system improvements as described in the CON application.
- The applicant in conjunction with Nova Southeastern University will develop and implement a Center of Excellence for Cultural Competence, a Center of Excellence for Health and Aging, a Center of Excellence for the Delivery of Pharmacy Services Across the Continuum of Care, a Center of Excellence in Orthopedics, a Center for Psychological and Behavioral Intervention, Hospital-Based Dentistry and Oral Medicine, a Center of Excellence for Research and Development, Patient Information Center and Library Resources, Residency Programs as outlined in the CON application, and Bio-terrorism and Disaster Preparedness.
- The applicant in conjunction with Nova Southeastern University will provide all necessary resources required to deliver and operate the project with the proposed conditions, including funding.

The total project cost is estimated at \$199,632,335. Construction costs are projected at \$105,473,031 and the project will involve 545,940 GSF of new construction.

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

Need:

- District 10 experienced an occupancy rate of 53.83 percent for the most recent 12-month period ended June 2004, and 134 additional acute care beds are approved at existing facilities in this district. The applicant's average occupancy slightly exceeded that of the district during this time.
- Overall occupancy increases in this district have not been significant over the past five years.
- District population counts are projected to increase at a declining rate for the next five years, and Memorial Hospital – Miramar has recently been licensed in this district, adding another 100 acute care beds to next year's utilization calculations.
- The applicant contends special circumstances exist in this proposed service area with regards to multi-cultural demographics and the experimental concept of the proposed project. The information presented by the applicant does not demonstrate special circumstance with regards to multi-cultural demographics. The experimental concept of the proposed project does not demonstrate need for an additional facility in District 10; however, components of this experimental concept are derived from academic studies that conclude improvements in patient outcomes could result from similar efforts. No facility in District 10 actively promotes the findings of these studies, including applicant operated facilities.

- Because the proposed concept is experimental in nature, and therefore, the likely results of this experiment can merely be stated to fall within a range to include at best what the applicant expects, and at worst, a further dilution of utilization rates in the district and potential staffing shortages at area facilities.

Quality of Care:

- The applicant contends the proposed project would improve existing health care infrastructures and processes with regards to multi-cultural demographics, due to increased training of clinical staffs in local cultures and languages; however, improved communication would not necessarily translate to a significantly improved quality of care and/or patient outcomes. Need for an additional facility in District 10 is not demonstrated with regards to quality of care.
- For the three-year period ending March 28, 2005, there were zero closed confirmed complaints for Broward General Medical Center, four for North Broward Medical Center, one for Coral Springs Medical Center and two for Imperial Point Medical Center. North Broward Medical Center received the following closed confirmed complaints: one for medicine problems/errors/formulary, one for patient care, one for falls/injury and one for patient rights. Coral Springs Medical Center received one closed confirmed complaint for EMTALA. Imperial Point Medical Center received two closed confirmed complaints for EMTALA. Complaint counts for all of the above facilities exclude Federal EMTALA complaints not closed by CMS.
- The applicant's proposal includes elements identified in the "Pebble Project," which suggests architectural and aesthetic design may contribute to increased hospital staff effectiveness and improved patient outcomes.

Medicaid/charity care:

- All four North Broward Hospital District acute care facilities are disproportionate share hospitals as of the most recent AHCA publication.
- The applicant states that within the proposed 11 zip code PSA, over 30 percent of Medicaid care and over 70 percent of the inpatient charity care are provided at NBHD facilities.
- The applicant receives public funding to subsidize the cost of providing health care for those residents unable to pay for services received.
- The applicant requests a condition on the proposed project for the provision of four percent of total revenues to charity care and 9.8 percent of total patient days for Medicaid/Medicaid HMO patient days.

Financial Feasibility:

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- The applicant has a good short-term position and the applicant's long-term position seems assured.
- North Broward Hospital District is a special independent taxing district governed by a seven-member board appointed by the governor. The district would be responsible for any operating losses for the hospital.
- Assuming the debt financing would be obtained as presented, funding for this project and all capital projects of the applicant should be available as needed.
- The applicant's financial projections would likely be achievable only through a significant penetration of the market share of the existing providers.
- Financial feasibility of this project appears likely, but the proposed facility would be highly leveraged with essentially all costs financed, and would likely require a significant occupancy level to be financially self-sustaining.
- The proposed project would offer a new choice of provider in this service area, and would likely impact the existing facilities serving this area if viable levels of occupancy are achieved.

Architectural Analysis:

- All patient rooms will be private and each will have a toilet/shower room and space for family members. The required number of rooms to meet handicapped accessibility standards will be met.
- Public/patient functions and staff functions are separated as much as possible to provide efficiency and privacy.
- Building code information provided was out-of-date.
- Cost information is skewed relative to the underground parking and the shelled space on two floors.
- The construction schedule submitted seems to be reasonable for a project of this scope.

G. RECOMMENDATION

Deny CON #9839.

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