

STATE AGENCY ACTION REPORT
CON APPLICATION FOR CERTIFICATE OF NEED

A. PROJECT IDENTIFICATION

1. Applicant/CON Action Number:

Martin Memorial Medical Center, Inc./CON #9887

P.O. Box 9010
Stuart, Florida 34995

Authorized Representative: Richmond M. Harman, CEO
(772) 287-5200

Christopher H. Coffey
Director of Planning

2. Service District/Subdistrict

District 9/Subdistrict 2 (Martin and St. Lucie Counties)

B. PUBLIC HEARING

No public hearing was requested or held.

Sixteen letters were received in support of the establishment of an 80-bed acute care hospital by the omissions deadline, from community leaders, community developers, community residents, representatives of an area obstetrics and gynecology practice, the Fire Chief of the St. Lucie County Fire District and the Treasure Coast campus of Florida Atlantic University, as well as State Representatives Gayle Harrell and Joe Negron, and State Senator Ken Pruitt. These letters are similar in content and attest to the rapid growth of the western Port St. Lucie area and the negative impacts on community infrastructures resulting from such growth. Traffic problems are said to be due to inadequate travel routes crossing the North Fork of the St. Lucie River. A study commissioned by the City of Port St. Lucie two years ago is said to have identified need for a 200-bed hospital to handle the westward expansion of the city. Benefits to the community from this proposed project are

CON Action Numbers: 9887

further detailed to include meeting the need for obstetrical services in the western areas and the possibility that this proposed site would expand to include a trauma center.

One letter of opposition was received from the chief executive officer of St. Lucie Medical Center, which included a copy of a report prepared by Richard A. Baehr and Associates, Inc. on October 18, 2005 entitled *Analysis of St. Lucie Market Area and Need for Martin Memorial Medical Center's Proposed Satellite Hospital in St. Lucie County*. The conclusions of this analysis include the following: Projected population growth for the proposed service area is not sufficient to justify a new hospital; no geographic problems exist for patients in the service area; this project would impact St. Lucie Medical Center, which currently maintains the leading primary market share for this area; this project would impact Lawnwood Regional Medical Center, which currently operates as a "safety net" hospital for residents of St. Lucie County; no need is demonstrated for an 80-bed hospital in St. Lucie County.

C. PROJECT SUMMARY

Martin Memorial Medical Center, Inc. (CON #9887) is applying to establish an 80-bed acute care hospital in St. Lucie County, District 9, Subdistrict 2. The applicant is a private, not-for-profit corporation operating Martin Memorial Medical Center and Martin Memorial Hospital – South within its hospital system. Martin Memorial is currently licensed for 231 acute care beds and 5 Level II NICU beds. All 100 beds licensed for Martin Memorial South are acute care beds. The proposed site is within a planned community in western St. Lucie County, which is not owned by nor affiliated with the applicant.

The applicant proposes to condition the CON for the provision of 1.5 percent of the proposed project's gross revenue for charity care and 4.0 percent of admissions for Medicaid and Medicaid HMO services.

The total project cost is estimated at \$85,820,300. Construction costs are projected at \$36,900,900 and the project will involve 136,670 GSF of new construction.

D. REVIEW PROCEDURE

The evaluation process is structured by the Certificate of Need (CON) 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 Ryan Fitch, who reviewed the financial data, and architect James Gregory who evaluated the architectural drawings 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.**

The Chapter 59C-1.038 Acute Care Bed Need rule was repealed April 21, 2005; therefore, numeric need for additional acute care beds was not published for this batching cycle, and thus this project is not submitted in response to published numeric need but is predicated upon arguments of special circumstance as detailed below.

District 9, Subdistrict 2 had a total of 798 licensed acute care beds with an occupancy rate of 64.33 percent for the calendar year (CY) 2004 reporting period. Occupancy levels for Martin Memorial – North and Martin Memorial – South were 62.61 percent and 62.13 percent, respectively. The following table illustrates utilization levels for the four District 9, Subdistrict 2 facilities:

Acute Care Bed Utilization for District 9 Subdistrict 2 CY 2004

Facility	Occupancy
St. Lucie Medical Center	70.86%
Lawnwood Regional Medical Center	61.95%
<i>Martin Memorial Medical Center</i>	62.61%
<i>Martin Memorial Hospital South</i>	62.13%
Average Subdistrict 2	64.33%
Average District 9	64.49%

Source: Florida Hospital Bed Need Projections and Service Utilization by District, published 7/29/2005.

Eight acute care beds are currently approved for addition at Martin Memorial Medical Center. The Agency has received no other notifications regarding acute care bed counts in Subdistrict 2 as of the writing of this report.

The primary service area (PSA) selected by the applicant includes six zip codes in western Port St. Lucie: 34953, 34983, 34984, 34986, 34987, 34988. The secondary service area (SSA) includes four zip codes to the north and east of the PSA: 34952, 34957, 34981, 34982. A portion of zip code 34957 overlaps Martin County, with the remainder of the selected service area situated in St. Lucie County.

The applicant contends three primary special circumstances exist in this area:

CON Action Numbers: 9887

1. High population growth in western Port St. Lucie
2. Project would improve access in various ways
3. Beds are poorly distributed throughout the subdistrict

In response to point one, the applicant provides abundant discussion regarding the westward expansion of Port St. Lucie and the growth associated with the St. Lucie West Development of Regional Impact (DRI) and three additional DRIs approved for the service area¹. The applicant provides numerous population projections concluding that growth rates in the selected service area will exceed that of the district and county, with the PSA projected to increase up to 27 percent for the years 2005 to 2010. The population of the PSA has reportedly already exceeded the projection for the year 2007 that was provided by the applicant in a prior CON application. The U.S. Census Bureau Public Information Office released a finding on June 30, 2005 that Port St. Lucie, Florida had the nation's fastest growth rate, 12 percent, among cities with 100,000 or more population between July 1, 2003 and July 1, 2004. The applicant states that for the subsequent 12-month period, Port St. Lucie grew even faster at a rate of 14 percent. St. Lucie County was recognized by the U.S. Census Bureau as the number seven county in the nation for fastest housing gains between July 1, 2003 and July 1, 2004. The following table illustrates 10 years of population projections as published by the Agency for St. Lucie County, Subdistrict 2 (St. Lucie County and Martin County) and District 9:

Population Estimates and Projections for St. Lucie County, Subdistrict 2 and District 9

Date	Total St. Lucie County Population	Growth %	Total Subdistrict 2 Population	Growth %	Total District Population	Growth %
1-Jul-00	194,036		321,313		1,608,287	
1-Jul-01	199,422	2.78%	328,789	2.33%	1,642,714	2.14%
1-Jul-02	205,339	2.97%	337,179	2.55%	1,683,047	2.46%
1-Jul-03	213,614	4.03%	348,894	3.47%	1,726,666	2.59%
1-Jul-04	219,161	2.60%	357,355	2.43%	1,766,453	2.30%
1-Jul-05	223,572	2.01%	364,470	1.99%	1,804,445	2.15%
1-Jul-06	228,613	2.25%	372,258	2.14%	1,842,616	2.12%
1-Jul-07	233,579	2.17%	379,925	2.06%	1,880,297	2.04%
1-Jul-08	238,498	2.11%	387,507	2.00%	1,917,612	1.98%
1-Jul-09	243,366	2.04%	395,009	1.94%	1,954,597	1.93%
1-Jul-10	248,222	2.00%	402,476	1.89%	1,991,455	1.89%

Source: AHCA's Population Estimates, published October 2005

As seen above, population growth rates in St. Lucie County outpaced or are projected to outpace the rates of the subdistrict and district for all of the above years. Martin County, the other county that comprises

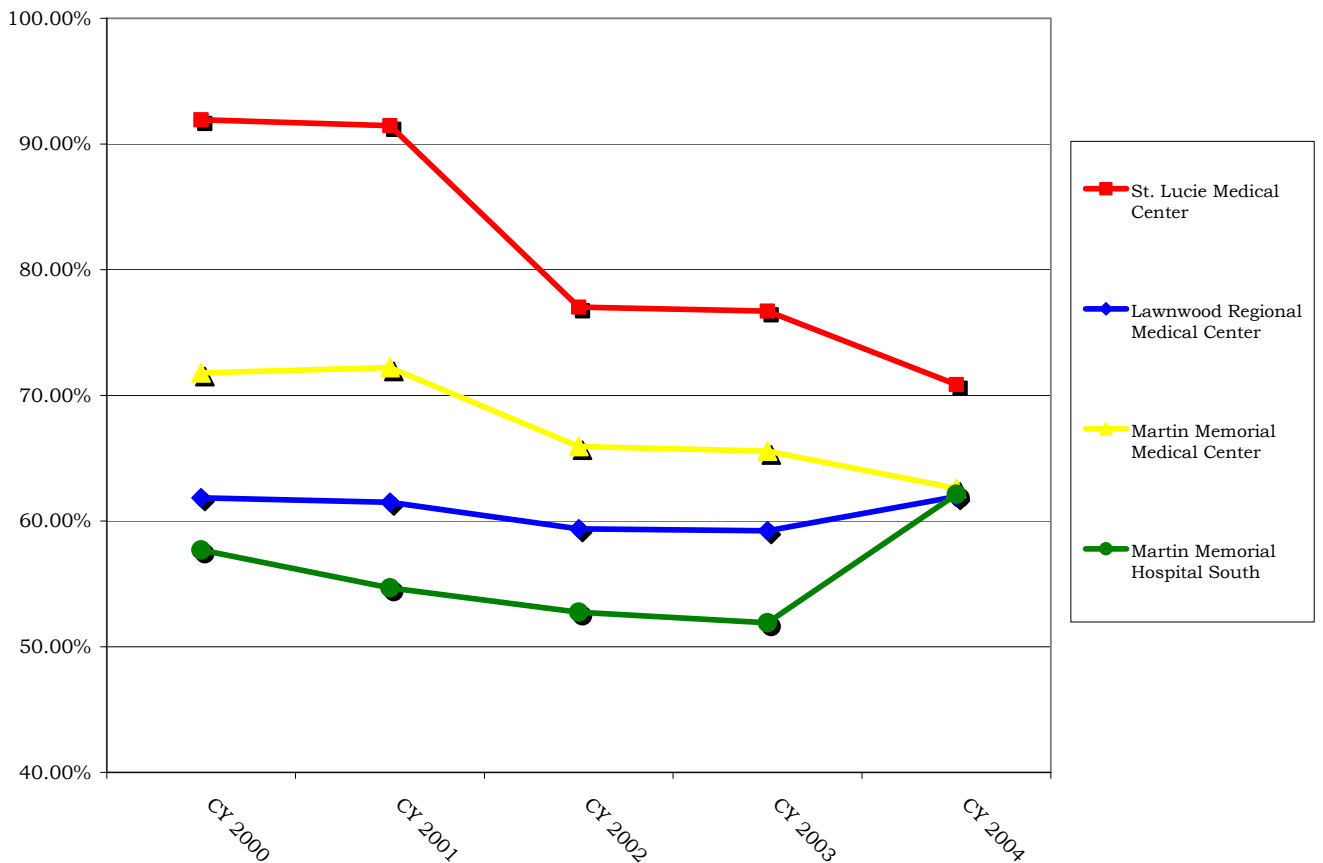
¹ Three additional DRIs detailed by the applicant: the Tradition master-planned community where the proposed facility would be located; a PGA Village; North Pointe, a community planned to include a commercial and industrial park as well as residential homes.

CON Action Numbers: 9887

Subdistrict 2 together with St. Lucie County, also indicates growth during this period, but at levels below that of St. Lucie County and the overall district.

Growth in the service area is demonstrated; however, despite projections provided in the application calculated with use rates and discharges per 1,000 population in the area, the increases already experienced in the area have not translated to increased use of existing acute care resources, and therefore it is not clear that future increases in population will result in a proportional increase in demand. The following graph illustrates the utilization of Subdistrict 2 facilities for the past five years:

Utilization of Acute Care Beds at Existing Subdistrict 2 Facilities CY 2000-2004



Source: Florida Hospital Bed Need Projections & Service Utilization by District, published 7/29/05.

As seen in the above trend graph, overall utilization rates at Subdistrict 2 facilities have decreased over the past five years, despite population growth. The subdistrict average occupancy in CY 2000 was 69.76 percent, which decreased for years 2001, 2002 and 2003 by 0.5 percent, 4.9 percent and 0.24 percent, respectively. Average subdistrict

CON Action Numbers: 9887

utilization increased for CY 2004 by 0.23 percent, but this increase does not correlate to the incremental increase in percentage for the population; therefore, because the increase in population has not produced increases in utilization (due to the ability of existing facilities to add beds outside of CON review), population growth alone does not provide sufficient evidence of need for an additional facility in this subdistrict. It is noted that the existing facility in the service area, St. Lucie Medical Center, has added beds to its count during this time period, which has added to its utilization decline as shown above. It is further noted that Martin Memorial is approved for an eight-bed addition. Recent changes to CON legislation allow hospitals in non-low growth counties like St. Lucie to add beds with notification of the agency outside of CON review. In its letter of opposition to the proposed project, St. Lucie Medical Center identified 40,000 square feet of shelved in space at its existing facility that could be used to add 40 beds. St. Lucie also stated it has the ability to add two floors in response to community growth, and that either of these options would be less expensive to the health care system.

Population increases have not been sufficient to fill any Subdistrict 2 facility to capacity, given the existing ability to add beds with notification of the agency. While it is likely that population growth will continue in the county and the western portion of Port St. Lucie, existing bed-addition ability makes it unclear that this growth will have a corresponding growth in utilization of services and therefore exceed the capacities of existing facilities. The applicant states that this utilization is higher than the rates of the subdistricts for recently approved new hospitals, and that population growth in this area is significantly greater than the growth in those approved areas; however, each application is evaluated individually and special circumstances are weighed along with Agency data. In this application, the special circumstances presented do not outweigh the indications of these data, namely that utilization has not increased despite population growth, existing facilities have lowered utilization levels, existing facilities have the capacity to add beds and the likely impact on existing facilities would be negative.

The following table illustrates the share of discharges of primary service area (PSA), secondary service area (SSA) and total service area (TSA) residents for Subdistrict 2 facilities:

Discharges of Service Area Residents CY 2004

Facility	PSA Zip Codes	SSA Zip Codes	TSA Zip Codes
St. Lucie Medical Center	56.64%	41.45%	48.18%
Lawnwood Regional Medical Center	10.01%	22.22%	16.81%
Martin Memorial Medical Center	15.30%	22.46%	19.28%
Martin Memorial Hospital South	2.38%	2.63%	2.52%
Total Served Within Subdistrict 2	84.33%	88.75%	86.79%
Total Served Outside Subdistrict 2	15.67%	11.25%	13.21%

Source: State Center for Health Statistics

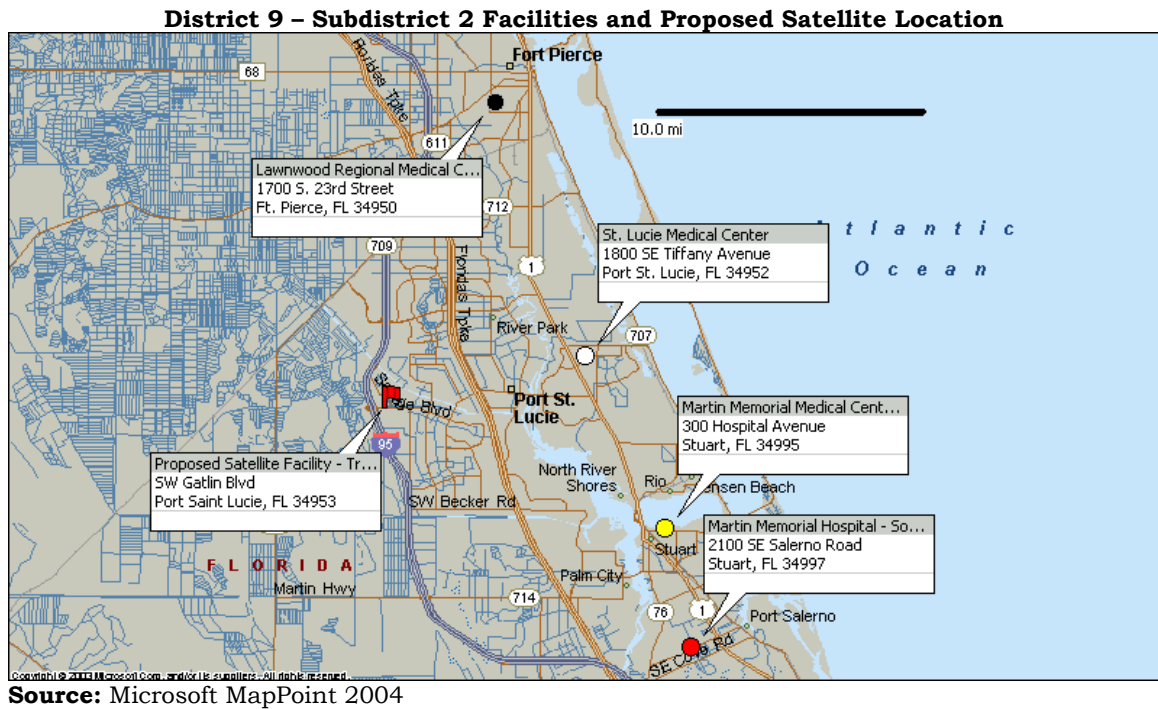
As seen above, the two Martin Memorial facilities provided a combined 17.68 percent share of the discharges of PSA residents and a 25.09 percent share of discharges of SSA residents. While this is the second largest share of this area, it is almost 30 percent less than share of discharges currently provided by St. Lucie Medical Center. As discussed above, with the ability to add beds outside of CON review as St. Lucie has done previously, utilization has declined despite population growth, and therefore need is not demonstrated for the proposed project with regards to population growth or any limited access that might result from that population growth. Should the existing facilities of this subdistrict reach maximum build-out, thereby making the addition of beds no longer feasible, it is likely that occupancy levels would begin to reflect increases in population; however, that is not the current condition in this subdistrict, and therefore utilization of existing services does not demonstrate need for the proposed facility.

Outmigration from the subdistrict planning area was 15.67 percent for the PSA and 11.25 percent for the SSA, which does not signify that this western-county population has limited access to acute care services in its subdistrict to a notable degree.

Should impact on existing facilities result from the proposed project, it would likely affect St. Lucie Medical Center more than Lawnwood RMC due to the percentages shown above. In section E.3.d. below, the financial consultant provides projections of likely impact on existing facilities, with St. Lucie Medical Center projected to experience a reduction in patient days equating to 17.88 percent, and with Lawnwood RMC experiencing a reduction in patient days equating to 3.23 percent. As reiterated in the opposition analysis submitted by St. Lucie Medical Center, any potential impact on Lawnwood RMC is particularly noteworthy due to its provisions of the highest level of Medicaid care in the subdistrict. It is again noted that the above percentages were based on the Agency's projections of population growth, which differ from the applicant's projections of growth.

The applicant's second point is that the proposed project would improve access in various ways, including access to emergency care, access in the

event of natural disasters, access for the medically underserved or underfunded populations and access to obstetrical care. The following map shows the existing facilities and their locations east of the North Fork of the St. Lucie River, as well as the proposed site location west of the North Fork.



The applicant contends that the population growth demonstrated above has contributed to increased traffic congestion, and while infrastructure expansions are in planning stages, these expansions will likely occur far into the future. The two existing bridges that link the service area with the existing facilities are stated to be inadequate to accommodate current traffic levels, which will likely increase with the population. The central point of the applicant’s accessibility contention is this concentration of traffic over two existing river crossings.

Mileage distance between the existing facilities and the proposed site is not significant, as seen in the following table:

CON Action Numbers: 9887

Mileage Between Existing and Proposed Facilities Subdistrict 2

	<i>St. Lucie Medical Center</i>	<i>Lawnwood Regional Medical Center</i>	<i>Martin Memorial Medical Center</i>	<i>Martin Memorial Hospital South</i>	<i>*Proposed Facility</i>
St. Lucie Medical Center		11.9	7.8	12.4	10.4
Lawnwood Regional Medical Center	11.9		19.3	23.9	15.4
<i>Martin Memorial Medical Center</i>	7.8	19.3		5.9	16.4
<i>Martin Memorial Hospital South</i>	12.4	23.9	5.9		20.9
*Proposed Facility	10.4	15.4	16.4	20.9	

* Address used for this analysis belongs to the Tradition Welcome Center. The proposed hospital site is less than one mile from this address, but no physical address is yet assigned for the area reserved for a hospital.

Source: Expedia.com

As seen above, the facility farthest from the proposed site is Martin Memorial Hospital – South at 20.9 miles away, followed by the applicant’s other facility, Martin Memorial Medical Center – North, at 16.4 miles. The proposed site is closest in this subdistrict to the two facilities not affiliated with the applicant, St. Lucie Medical Center at 10.4 miles away, and Lawnwood Regional at 15.4 miles.

The applicant’s analysis of average ambulance transport times submitted with the applicant’s previous application² were not submitted with this application, but it is noted that these transport times indicated that for the first three months of 2005, average ambulance transport times from the western part of Port St. Lucie to the closest medical facility ranged from 15.4 minutes to 20.9 minutes. These quotes were from ambulance transfer times from three existing dispatch points (fire-rescue stations); a fourth was indicated as planned for the Tradition community, which was concluded in the previous State Agency Action Report as likely to reduce transport times further for those living in the most western areas of Port St. Lucie. According to a letter of support from the Fire Chief of St. Lucie County, that fourth station has been added and nine more are planned in response to projected growth. In this current CON submission, the applicant counters the finding from the previous State Agency Action Report by stating that the addition of fire stations or ambulances would

² CON #9837

not alleviate traffic problems across the limited bridge and highway access points to the eastern part of the city. However, the applicant again states on page 87 that Martin Memorial Health Systems owns “a non-emergency ambulance transportation company that can affect patient transfers expeditiously when needed.”³ If these patient transfers can be handled expeditiously for non-emergencies, it is not clear why the same is not true for emergency patient transfers.

The applicant provides discussion on the growth of emergency room visits in St. Lucie County from year 2000 through the first half of 2005, and this is perhaps attributable to the growth in population as demonstrated previously in this section. The applicant states that the two facilities currently existing in St. Lucie County (St. Lucie Medical Center and Lawnwood RMC) each have exemptions from the Agency for surgical specialties in their emergency departments (EDs) due to lack of availability of physician coverage for those specialties. However, Agency records indicate that both facilities have partial exemptions rather than exemptions.⁴ The applicant states that this lack of full-time ED coverage in key surgical specialties presents an access problem for residents of the PSA, and indicates that Martin Memorial provides the highest level of ED coverage in the area and has been willing to invest in employing specialists in order to ensure ED coverage in its facilities. This “full level of ED coverage” would reportedly be extended to the proposed facility. Martin Memorial Medical Group is described as an applicant-affiliated not-for-profit group of physicians that serves to respond to need for specialist emergency department coverage. The group is stated to currently consist of 31 internal medicine and family care specialists and nine pediatricians practicing in eight locations throughout Martin County and south St. Lucie County. However, the applicant did not provide documentation that its proposed ED would provide services not available “full time” at St. Lucie Medical Center and Lawnwood. For example, letters from neurosurgeons, plastic surgeons and oral/maxillo-facial surgeons stating that they would provide full-time ED services at the proposed site were not submitted. Additionally, at the time of this writing, Martin Memorial has requested an exemption for Neurosurgery in its ED. The request is currently under review.

³ Page 87, Volume 1 of the CON application. The applicant provides no further discussion relative to nature of these patient transfers.

⁴ Partial exemption for St. Lucie MC: Neurosurgery, must provide a minimum of 15 days of coverage per month; Plastic Surgery, must provide a minimum of 25 days of coverage per month. Partial exemption for Lawnwood MC: Neurosurgery, must provide a minimum of 10 days of coverage per month; Oral/Maxillo-Facial Surgery, must provide a minimum of 10 days of coverage per month.

CON Action Numbers: 9887

The applicant states that the proposed site is inland to add an alternative if closures occur due to hurricane damage. Acute care beds were reportedly taken out of service at Martin Memorial Medical Center due to hurricane damage during the 2004 storm season, and the applicant indicates this could have been offset by the proposed facility. As seen in the map above, the existing four Subdistrict 2 facilities are closer to the Atlantic coastline than is the proposed satellite site; however, it remains that the proposed site is within a short distance of the Martin campus that sustained this damage. It is unlikely that the proposed location's distance from the coastline would provide any material protection from damage and/or closure when hurricanes cross land over Subdistrict 2. The applicant states that high storm surge could potentially close or restrict access for emergency vehicles transporting patients from the western part of the city to an existing facility. While the surge zones indicated for St. Lucie County by the Department of Community Affairs Division of Emergency Management (DCA/DEM) do indeed include the areas immediately surrounding the banks of the North Fork of the St. Lucie River, it is noted that most of the surge zones extending beyond the river's immediate banks are indicated by the DCA/DEM for potential storm surge in the event of a Category 5 hurricane. Should a Category 5 hurricane cross land over Subdistrict 2, it is likely that evacuation of patients from all Subdistrict 2 facilities might be necessary, including the proposed facility should it be approved, and therefore it cannot be adequately evaluated if storm surge potential demonstrates need for an inland facility.

The applicant states the proposed facility would increase access for the medically underserved and/or underfunded populations of the area. The following table illustrates the Medicaid and charity care provisions of Subdistrict 2 facilities for fiscal year (FY) 2004 as a percentage of patient days:

Subdistrict 2 Medicaid and Charity Care Provisions for FY 2004

Facility	Medicaid			Charity Care	
	Conventional Days	HMO Days	% Total Days	Adjusted Patient Days	% Total Days
<i>*Martin Memorial Medical Center</i>	6,665	296	9.1%	3,292	2.5%
Lawnwood Regional Medical Center	15,022	84	19.0%	2,142	2.1%
Saint Lucie Medical Center	3,705	65	7.4%	753	1.2%
Subdistrict 2	25,392	445	12.5%	6,187	2.1%

Source: Florida Hospital Financial Data FY 2004

* Martin Memorial Medical Center data includes Martin Memorial Hospital South.

As seen above, the applicant facilities provided a combined Medicaid and charity care percentage of 11.6 during FY 2004, a percentage less than that of the average for the subdistrict during this time. The Martin facilities indeed provided the highest percentage of charity care in the

subdistrict for the fiscal year, but this was by 0.4 percent. Greater difference is apparent in the subdistrict facilities' provisions of Medicaid care, where the applicant provided 9.1 percent to Lawnwood RMC's 19.0 percent and St. Lucie's 7.4 percent.

The following table illustrates the applicant's discharges from service area residents for all payer types as well as the discharges of Medicaid and charity patients, shown individually from the primary service area (PSA), the secondary service area (SSA) and the total service area (TSA):

Percentage of Acute Care Discharges of Service Area Residents for Subdistrict 2 Facilities – All Payer Mixes Percentage and Combined Medicaid and Charity Percentage – CY 2004

Facility	PSA	PSA Medicaid and Charity	SSA	SSA Medicaid and Charity	TSA	TSA Medicaid and Charity
St. Lucie Medical Center	56.64%	45.70%	41.45%	28.41%	48.18%	36.24%
Lawnwood Regional Medical Center	10.01%	13.06%	22.22%	34.66%	16.81%	24.88%
Martin Memorial Medical Center	15.30%	15.98%	22.46%	18.32%	19.28%	17.26%
Martin Memorial Hospital South	2.38%	1.55%	2.63%	1.28%	2.52%	1.40%
Total Served Within Subdistrict 2	84.33%	76.29%	88.75%	82.67%	86.79%	79.78%
Total Served Outside Subdistrict 2	15.67%	23.71%	11.25%	17.33%	13.21%	20.22%

Source: State Center for Health Statistics

The table above illustrates that the Martin facilities did not provide greater amounts of Medicaid and charity care to service area residents as a percentage compared to the percentage of care provided to all service area residents regardless of payer type. The applicant states that lack of community transportation for these populations limits their ability to access services across the river. It is noted that the percentages of Medicaid and charity patients who sought care outside the subdistrict during CY 2004 exceeded the percentages of patients from all payer types who left the subdistrict for care.

The applicant states that in FY 2004, Martin Memorial provided both a higher total amount of charity care and a higher percentage of gross revenue for charity than either St. Lucie Medical Center or Lawnwood RMC. As shown above, this is demonstrated, but marginally so. Subdistrict 2 facilities as a whole did not provide a substantial percentage of charity care during 2004. A greater difference is apparent in the applicant's provision of Medicaid services. The applicant states that serving the indigent population is an integral part of Martin Memorial's mission and this would be continued at the proposed hospital.

It is not clear that the proposed project would increase access for the underserved and/or underfunded populations of Subdistrict 2 over what is already available at existing facilities.

CON Action Numbers: 9887

The applicant further contends that accessibility is limited for service area residents with regard to obstetrical (OB) services. The following table illustrates obstetrical market share percentages for Subdistrict 2 facilities during CY 2004:

OB Discharges of PSA Residents as Percentage of Total OB Discharges of PSA Residents in Florida CY 2004

Facility	% PSA OB Discharges
St. Lucie Medical Center	28.44%
Lawnwood Regional Medical Center	13.52%
Martin Memorial Medical Center	43.78%
Martin Memorial Hospital South	0.08%
Total Served Within Subdistrict 2	85.82%
Total Served Outside Subdistrict 2	14.18%

Source: State Center for Health Statistics

As seen above, 85.82 percent of PSA residents sought obstetrical services within Subdistrict 2, the designated planning area for this proposal. Outmigration for OB services from the planning area is not demonstrated. 43.86 percent of PSA-resident OB discharges were made from Martin County facilities (the two applicant facilities shown above), but the designated planning area for this proposal includes both Martin and St. Lucie Counties.

The applicant states that its current facility cannot meet the growing demand for OB services and that the proposed facility would decompress the main campus OB unit, which is stated to have experienced an average occupancy of 77 percent during fiscal year (FY) 2004. A daily OB census graph is presented on page 104 reflecting the occupancy levels for the last three months of calendar year 2004. In this graph, occupancy is shown to have equaled or exceeded 100 percent on four days. The applicant states that during these peaks in OB utilization, beds in the pediatric unit are used to absorb overflow from the OB unit. The applicant states that expansion at the existing plant is limited by its surroundings, and that an OB expansion at its main campus would be less cost-efficient than establishing a new facility with OB services in the area with the highest projections of growth. If the applicant's assertions relative to its obstetrical unit are correct, need is demonstrated for decompression of that unit; however, with average occupancy at the existing facility below 70 percent, it appears the unit can be decompressed within the existing hospital without a need to add more than the eight beds the facility has already notified the agency it intends to add. Need for decompression of the OB unit at Martin Memorial in no way constitutes need for a new acute care facility in a subdistrict that has not experienced increases in utilization during periods of high population growth. The existing facility in the applicant-defined service area has experienced declines in utilization as a result of the ability to add beds outside of CON review.

CON Action Numbers: 9887

The applicant further states that extended travel times (referring again to the congestion over the river crossings) limit access to obstetric care for medically underserved or underfunded populations. The following table illustrates the applicant’s OB discharges from service area residents for all payer types as well as OB discharges of Medicaid and charity patients, shown individually for the primary service area (PSA), the secondary service area (SSA) and the total service area (TSA):

OB Discharges of Service Area Residents – All Payer Mixes and Combined Medicaid and Charity Patients – CY 2004

Facility	PSA OB	PSA Medicaid and Charity OB	SSA OB	SSA Medicaid and Charity OB	TSA OB	TSA Medicaid and Charity OB
St. Lucie Medical Center	28.44%	39.30%	29.12%	34.11%	28.74%	36.56%
Lawnwood Regional Medical Center	13.52%	19.43%	27.41%	34.50%	19.58%	27.39%
Martin Memorial Medical Center	43.78%	29.04%	31.58%	21.25%	38.46%	24.92%
Martin Memorial Hospital South	0.08%	0.00%	0.00%	0.00%	0.05%	0.00%
Total Served Within Subdistrict 2	85.82%	87.77%	88.12%	89.86%	86.82%	88.88%
Total Served Outside Subdistrict 2	14.18%	12.23%	11.88%	10.14%	13.18%	11.12%

Source: State Center for Health Statistics

As seen above, Martin Memorial’s main campus discharged 43.78 percent of PSA residents from all payer types seeking OB services in CY 2004. Martin Memorial’s main campus discharged 29.04 percent of the Medicaid and indigent PSA residents seeking OB services during that same time. Regarding residents from the SSA, Martin discharged 31.58 percent of those from all payer types seeking OB services, compared to 21.25 percent of Medicaid and indigent patients seeking OB services. For the total service area, Martin’s main campus discharged 38.46 percent of those seeking OB services from all payer types versus 24.92 percent of Medicaid and charity patients seeking OB services. If transportation is the limiting factor of the applicant’s provision of services to OB patients with Medicaid or no insurance, then it is not clear why the other subdistrict facilities have not experienced this lesser provision due to transportation as well. Medicaid and charity patients from the service area would cross the river to access St. Lucie Medical Center and Lawnwood RMC. Both St. Lucie Medical Center and Lawnwood RMC each discharged a greater percentage of the Medicaid and charity OB patients than the percentage of OB patients they discharged of all payer types for PSA, SSA and TSA residents.

In point three, the applicant states that beds are poorly distributed throughout the county of St. Lucie; however, 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. Utilization rates, as seen above, are not approaching capacity for any facility in this

subdistrict, and these rates have in fact decreased over the past five years. Unmet need is not demonstrated.

The applicant contends that population growth, improved access and the current poor distribution of beds throughout the subdistrict demonstrate need for the proposed project in western Port St. Lucie; however, population growth has not been sufficient to outweigh Subdistrict 2 facilities' ability to add beds, and utilization in the subdistrict has declined over the last five years. Access arguments presented do not justify need for an additional facility when space is available for build-out at existing facilities, and in the case of OB constriction at Martin Memorial, space exists within the current plant for decompression. Outmigration by service area residents to other subdistricts is not demonstrated to be noteworthy. Need for the proposed project is not demonstrated by the applicant.

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.**

Availability

No additional services would be made available to Subdistrict 2 with this project than those already available.

Quality of Care

Martin Memorial Health Systems, Inc. is accredited by JCAHO, and additional awards and accreditations are detailed on pages 128-131 of the application.

For the three-year period ending October 10, 2005, the two Martin Memorial campuses had a combined total of five closed and confirmed complaints: three for EMTALA (closed by CMS), one for failure to report incident and one for patient care.

Efficiency

The applicant argues that the proposed project reflects long-term health planning to ensure resources are distributed where needs exist. The applicant states that it would suggest poor health planning for St. Lucie Medical Center and Martin Memorial, the two facilities where residents of the PSA currently most commonly seek care, to continue expanding on-site, considering the growth and the increased demand for services implied with such growth. As demonstrated previously in section E.1. above, this area has exhibited growth, but that growth has not translated into higher utilization rates for any of the Subdistrict 2 facilities. In fact, through bed additions, Subdistrict 2 facilities have experienced decreasing trends in their occupancy levels over the past five years. Need is not demonstrated to be expanding beyond the expansion capacity of existing facilities in this subdistrict. The establishment of an additional facility in this planning area would likely impact the surrounding facilities, as is discussed in section E.3.d. below, potentially affecting quality of care at those facilities.

Accessibility

Point two discussed in section E.1. above is that the proposed project would improve access in various ways, including access to emergency care, obstetrical care, access in the event of natural disasters and access for the medically underserved or underfunded populations. As is discussed in detail in that section, the contentions presented are not supported by the utilization patterns in the subdistrict. Outmigration is not demonstrated to a great degree and because the existing facilities may add beds outside of CON review, utilization rates in the area have not increased proportionately to the population. Until utilization rates reflect increases approximating the incremental increases in population or until outmigration is demonstrated to a more substantial degree, it is not clear that accessibility issues exist for service area residents. Convenience is not a demonstration of need. Staffing, feasibility and quality of care are three areas where existing facilities could decline as a result of any facility established to accommodate convenience.

No evidence is provided that Subdistrict 2 emergency departments cannot support the service area, necessitating an additional site.

The majority of PSA residents sought obstetrical services within Subdistrict 2, and therefore it is not clear that outmigration for OB services is an issue for Subdistrict 2.

The proposed site would not likely provide material protection from hurricane damage.

CON Action Numbers: 9887

In FY 2004, Martin Memorial provided a higher percentage of patient days for charity care than either St. Lucie Medical Center or Lawnwood RMC, but marginally so. A greater difference is apparent in the applicant's provision of Medicaid services. Subdistrict 2 facilities as a whole did not provide a substantial percentage of charity care during 2004. The applicant indicates it would apply its current provision practices at the proposed facility, and therefore it is not clear that the proposed project would increase access for the underserved and/or underfunded populations of Subdistrict 2 over what is already available at existing facilities.

Improvement in accessibility as a result of the project to health care services for residents of the PSA is not demonstrated to be greater than the likely negative impact on existing facilities.

Need for the project is not evidenced by the availability, quality of care, efficiency, accessibility and extent of utilization of existing health care facilities and health services in the applicant's service area.

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

Martin Memorial Health Systems, Inc. is accredited by JCAHO, and additional awards and accreditations are detailed on pages 128-131 of the application. The applicant includes its quality assessment and improvement plan and states that it maintains ongoing processes for continuously improving quality.

For the three-year period ending October 10, 2005, the two Martin Memorial campuses had a combined total of five closed and confirmed complaints: three for EMTALA (closed by CMS), one for failure to report incident and one for patient care.

CON Action Numbers: 9887

The applicant pledges a commitment to the Port St. Lucie area and states that its mission is to “provide access to the very best possible health care services delivered with compassion, pride and a caring spirit.” The applicant operates inpatient and outpatient facilities, co-operates a non-emergency patient transport service and provides a host of patient wellness programs.

c. What resources, including health manpower, management personnel, and funds for capital and operating expenditures, are available for project accomplishment and operation?

This review is for Martin Memorial Medical Center, Inc., applying to establish an 80-Bed Acute Care Hospital in District 9, Subdistrict 2, St. Lucie County, Florida. The financial impact of the project will include the project cost of \$85,820,300 and year two operating costs of \$44,896,000.

The audited financial statements of the applicant, for the periods ending September 30, 2003 and 2004 were analyzed for the purpose of evaluating the applicant’s ability to provide the capital and operational funding necessary to implement the project.

MARTIN MEMORIAL MEDICAL CENTER

	<u>9/30/2004</u>	<u>9/30/2003</u>
Current Assets	\$ 114,535,000	\$ 103,976,000
Cash and Current Investment	\$ 73,496,000	\$ 64,974,000
Assets Restricted for Capital Projects	\$ -	\$ -
Total Assets	\$ 227,756,000	\$ 215,910,000
Current Liabilities	\$ 22,338,000	\$ 21,875,000
Total Liabilities	\$ 150,756,000	\$ 143,089,000
Net Assets	\$ 76,956,000	\$ 72,778,000
Total Revenues	\$ 236,434,000	\$ 219,081,000
Interest Expense	\$ 5,058,000	\$ 5,053,000
Excess of Revenues Over Expenses	\$ 18,637,000	\$ 6,439,000
Cash Flow from Operations	\$ 24,734,000	\$ 20,780,000
Working Capital	\$ 92,197,000	\$ 82,101,000
Current Ratio (CA/CL)	5.1	4.8
Cash Flow to Current Liabilities (CFO/CL)	1.1	0.9
Long-Term Debt to Net Assets (TL-CL/NA)	1.7	1.7
Times Interest Earned (NPO+Int/Int)	4.7	2.3
Net Assets to Total Assets (TE/TA)	33.8%	33.7%
Operating Margin (ER/TR)	7.9%	3.1%
Return on Assets (ER/TA)	8.2%	3.0%
Operating Cash Flow to Assets (CFO/TA)	10.9%	9.6%

Short-Term Position:

The applicant's current ratio of 5.1 is well above average indicating current assets are more than five times current liabilities, a strong position. The ratio of cash flows to current liabilities of 1.1 is above average, a good position. The working capital (current assets less current liabilities) of \$92.2 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 1.7 indicates long-term debt is greater than equity. This is well above average and a weak position. The ratio of cash flow to assets of 10.9 percent is slightly above average and an adequate position. The most recent year had \$18.6 million of income from operations, which resulted in an operating margin of 7.9 percent. Overall, the applicant has a slightly weak but adequate long-term position.

Capital Requirements:

Schedule 2 indicates the applicant has capital projects and maturities of long-term debt through 2009 totaling \$195.3 million. In addition, the applicant is projecting a year one operating loss of \$3.8 million for this project. The applicant would have to fund this operating loss in addition to the capital projects and maturities of long-term debt discussed above.

Available Capital:

Funding for this project will come from \$13.3 million in cash on hand and \$72.6 million from tax exempt bond financing. Operating cash flows for the most recent year was \$24.7 million. As discussed above working capital is \$92.2 million. The applicant provided a letter dated October 7, 2005, from Ziegler Capital Markets Group (Ziegler). The letter indicates Ziegler's commitment to underwrite \$72.6 million of a tax-exempt bond issue for this project. The applicant is also affiliated with the Martin Memorial Foundation, Inc. (Foundation). The Foundation is another source of potential funding with \$9.8 million in net assets (\$3.2 million unrestricted). The applicant also indicated that it owns 16 acres of land, which was previously meant to be used for this project. The applicant indicated it is prepared to sell this land to help pay for the cost of the new site.

Staffing:

Schedule 6A indicates 382.6 FTEs for the hospital project by the end of year three (March 31, 2012). Various positions including physicians are not accounted for on this schedule, and that is most likely due to sharing resources with the two existing applicant facilities. In year three, the proposed hospital is projected to employ 135.9 FTEs of RNs, zero LPNs

and 40.3 FTEs of nurse's aides. The applicant states that the Martin Memorial parent has been relatively unaffected by the nursing shortages in Florida, and that recruitment and retention efforts have resulted in a current vacancy rate of less than six percent. The applicant does not anticipate problems with obtaining a nursing staff for the proposed facility, and its list of strategies for combating the shortage include maintaining a pool of nurses who will work flexible and/or part-time hours, offering a shared governance program, competitive salaries and benefits, providing a clinical advancement program, working with educational institutions to increase nursing graduates and employing as many recruitment vehicles as necessary. The applicant states that Martin Memorial provides the highest level of emergency department (ED) coverage in the area and has been willing to invest in employing specialists in order to ensure ED coverage in its facilities. This "full level of ED coverage" would reportedly be extended to the proposed facility. At the time of this writing, Martin Memorial has requested an exemption for Neurosurgery in its ED. The request is currently under review.

Conclusion:

With this project, the applicant will continue to be highly leveraged. The applicant submitted a letter from Ziegler indicating that incurring additional debt for this project is financially viable. With the resources of the applicant and commitment from Ziegler, funding for this project and all capital projects should be available as needed.

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 management skills 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

CON Action Numbers: 9887

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 serve the patient population in the following zip codes: Primary (34953, 34983, 34984, 34986, 34987, and 34988) Secondary (34952, 34957, 34981, and 34982). We tested the case mix data, using the patients discharged from short-term acute care hospitals in the indicated zip codes during 2004, excluding DRGs for services not provided and outlier DRGs for a facility with between two and eight ICU-beds. The computed case mix index for these cases was 1.1648. 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 4. Per diem rates are projected to increase by an average of 4.2 percent per year. Inflation adjustments were based on the new CMS Market Basket, 3rd Quarter, 2005.

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 \$1,840 in year one and \$1,895 in year two is between the control group median and highest values of \$1,532 and \$2,746 in year one and \$1,587 and \$2,845 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).

Projected cost per adjusted patient day (CAPD) of \$2,052 in year one and \$1,894 in year two is between the group median and highest values of \$1,504 and \$2,661 in year one and \$1,559 and \$2,757 in year two. This level of expense is considered feasible with projected cost falling between the control group median and highest values. (See Comparative Table). The applicant is projecting a decrease in CAPD between year one and year two of approximately 11.5 percent. It should be noted that this application is for a new acute care hospital. The first year of operation has a below average occupancy rate. The low occupancy rate decreases economies of scale and as the occupancy rate increases, CAPD would be expected to decrease.

CON Action Numbers: 9887

The year two projected operating profit for the project of \$25,000 computes to an operating margin per adjusted patient day of \$1 which is between the control group median and highest values of a negative \$3 and appositive \$323. The applicant projects a profit of \$6.1 million dollars by the third year of operations.

The projected payer mix was compared with the payer mix in the proposed zip codes for the services to be provided by the satellite hospital. The projected payer mix is relatively consistent with the existing payer mix in the proposed service area with the exception of commercial insurance and Medicare.

Payer Type	Percent of Patient Days in Primary Service Area		
	2004 Actual	2011 Projected	2011 NRAPD
Medicare	51.16%	44.40%	\$1,362.00
Commercial Insurance	2.49%	7.70%	\$8,949.00

As shown in the above table, the applicant is projecting a material increase in commercial insurance and a material decrease in Medicare percentage as compared to the existing payer mix in the primary service area. The projections appear to indicate a shift in patient days from the lower NRAPD of Medicare patients (\$1,362) to the higher NRAPD of commercial insurance patients (\$8,949) as compared to the historic payer mix in the primary service area. Therefore, NRAPD may be overstated.

The applicant is projecting an operating margin at virtually the breakeven point at the end of year two. This margin is likely overstated based on the above discussion of payer mix. Although the applicant is highly leveraged, funds should be available for working capital until a profit can be achieved by year three. Assuming the applicant can meet its projected occupancy levels, the financial feasibility of this project appears likely by the third year of operations.

CON Action Numbers: 9887

COMPARATIVE TABLE

MARTIN MEMORIAL MEDICAL CENTER

CON # 9887 2004 DATA Peer Group 4	March 2011	YEAR 2	VALUES ADJUSTED		
	YEAR 2	ACTIVITY	FOR INFLATION		
	<u>ACTIVITY</u>	<u>PER DAY</u>	<u>Highest</u>	<u>Median</u>	<u>Lowes t</u>
ROUTINE SERVICES	116,378,000	4,911	1,117	697	343
INPATIENT AMBULATORY	0	0	345	115	0
INPATIENT SURGERY	0	0	0	0	0
INPATIENT ANCILLARY SERVICES	0	0	5,913	2,839	1,507
OUTPATIENT SERVICES	49,632,000	2,094	4,611	2,191	971
TOTAL PATIENT SERVICES REV.	166,010,000	7,005	9,832	6,280	4,036
OTHER OPERATING REVENUE	473,000	20	63	10	0
TOTAL REVENUE	166,483,000	7,025	9,844	6,286	4,059
DEDUCTIONS FROM REVENUE	121,562,000	5,129	0	0	0
NET REVENUES	44,921,000	1,895	2,845	1,587	1,245
EXPENSES					
ROUTINE	13,816,000	583	361	250	171
ANCILLARY	9,852,000	416	852	527	409
AMBULATORY	2,877,000	121	0	0	0
TOTAL PATIENT CARE COST	26,545,000	1,120	0	0	0
ADMIN. AND OVERHEAD	8,357,000	353	0	0	0
PROPERTY	9,994,000	422	0	0	0
TOTAL OVERHEAD EXPENSE	18,351,000	774	1,556	708	502
OTHER OPERATING EXPENSE	0	0	0	0	0
TOTAL EXPENSES	44,896,000	1,894	2,757	1,559	1,286
OPERATING INCOME	25,000	1 0.1%	323	-3	-170
PATIENT DAYS	16,567				
ADJUSTED PATIENT DAYS	23,700				
TOTAL BED DAYS AVAILABLE	29,200				
ADJ. FACTOR	0.6990				
TOTAL NUMBER OF BEDS	80				
PERCENT OCCUPANCY	56.74%				
			VALUES NOT ADJUSTED FOR INFLATION		
			<u>Highest</u>	<u>Median</u>	<u>Lowes t</u>
			88.4%	52.3%	19.5%
	<u>PATIENT</u>				
	<u>DAYS</u>	<u>% TOTAL</u>			
PAYER TYPE					
SELF PAY	930	5.6%			
MEDICAID	1,665	10.1%	30.1%	7.2%	0.0%
MEDICAID HMO	60	0.4%			
MEDICARE	7,349	44.4%	72.4%	50.3%	20.4%
MEDICARE HMO	469	2.8%			
INSURANCE	1,271	7.7%			
HMO/PPO	4,541	27.4%	49.8%	31.3%	0.0%
OTHER	282	1.7%			
TOTAL	16,567	100%			

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 fair price. Competition forces hospitals to increase quality and reduce charges/cost in order to remain viable in the market.

An analysis of 2004 discharge data indicates that 18.22 percent of the patient days in the projected primary service area for the services to be provided by the satellite are currently being provided by the applicant and affiliates. This indicates the applicant already has a material presence in the proposed market and therefore is not offering a new choice of provider or services. This indicates the applicant already has a material presence in the proposed market and therefore is not offering a new choice of provider or services. The project is not likely to foster competition to promote quality and cost-effectiveness.

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 applicant proposes to construct a new 80-bed acute care hospital consisting of 136,670 GSF situated on a vacant parcel of land. The proposed location is within the Corporate Park at Tradition in Port St. Lucie, Florida.

The room complement will be made up of all private rooms and have a bed configuration of 60 medical/surgical beds, eight ICU beds, and 12 labor, delivery, recovery, post-partum (LDRP) beds. All of the ICU rooms appear to meet the size requirement of 200 square feet of clear floor space. The requirement to provide at least 10 percent of the bedrooms to be handicapped accessible appear to be incorporated into the bedrooms.

The functions of the proposed hospital are to be located in a two-story facility of protected, non-combustible construction that will be fully sprinklered and are defined as follows:

- **First Floor:** First floor contains the medical records, dietary, administration, business office lab, materials management, same day admissions, emergency department, radiology, ICU/CCU, surgery, LDRP rooms and miscellaneous support spaces.
- **Second Floor:** This floor will contain the 60 medical/ surgical beds and their support spaces.

CON Action Numbers: 9887

There are four public elevators and four staff elevators that provide the vertical transport in the facility. This arrangement provides a good circulation flow that limits the amount of cross-traffic between staff, patients and the general public. The emergency department has a separate ambulance and walk-in entrance that are easily recognizable.

The operating room suite with locker change areas for staff, a sterile processing area and large pre-op and post-op areas appears to meet all design code requirements. The operating rooms are clustered around a service core and have a direct connection to the post-operative care unit that includes an isolation room.

The ICU and is served by two nurse stations that have good visual control of a majority of the ICU rooms. All the required service and support functions are adjacent to the nurse station for staff efficiency. It is assumed post-operative patients will be transported to the ICU as necessary via the staff elevators.

The 60 medical/surgical bed areas are supported by nurse stations that contain all of the support areas required.

Overall, the proposed project, as submitted, is well designed to be functional and efficient. It is an exciting plan of a high rise building that not only is compact and utilitarian but is also architecturally pleasing. Patients, staff, and visitors will have a unique experience as they move through these spaces and will have access to magnificent views both inside and outside wherever they are in the building.

The applicant states the construction will conform to all current applicable building codes, including the National Fire Protection Association codes and the requirements of the Florida Building Code.

The construction cost of \$296 per square foot seems high for this kind of building. The construction schedule from building permit approval to final survey is appropriate for this project.

The plans submitted with this application were very schematic in detail 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.

The following table illustrates the Medicaid and charity care provisions of Subdistrict 2 facilities for fiscal year (FY) 2004:

Subdistrict 2 Medicaid and Charity Care Provisions for FY 2004

Facility	Medicaid	Charity Care	Total
St. Lucie Medical Center	7.4%	1.2%	8.6%
Lawnwood Regional Medical Center	19.0%	2.1%	21.1%
<i>*Martin Memorial Medical Center</i>	9.1%	2.5%	11.6%
Average Subdistrict 2	12.5%	2.1%	14.6%

Source: Florida Hospital Financial Data FY 2004

* Martin Memorial Medical Center data includes Martin Memorial Hospital South.

As seen above, the applicant facilities provided a combined Medicaid and charity care percentage of 11.6 during fiscal year 2004, which was below the subdistrict average of 14.6 percent. The applicant facilities provided a greater percentage of charity care than the other subdistrict facilities, but only marginally so. The applicant’s Medicaid provision is nearly ten percent below that of Lawnwood RMC.

The applicant states that in FY 2004, Martin Memorial provided both a higher total amount of charity care and a higher percentage of gross revenue for charity than either St. Lucie Medical Center or Lawnwood RMC. As shown above, this is demonstrated, but marginally so. Subdistrict 2 facilities as a whole did not provide a substantial percentage of charity care during 2004. A greater difference is apparent in the applicant’s provision of Medicaid services. The applicant states that serving the indigent population is an integral part of Martin Memorial’s mission and this would be continued at the proposed hospital.

It is not clear that the proposed project would increase access for the underserved and/or underfunded populations of Subdistrict 2 over what is already available at existing facilities.

The condition proposed is for the provision of 1.5 percent of the proposed project’s gross revenue for charity care and 4.0 percent of admissions for Medicaid and Medicaid HMO services.

F. SUMMARY

Martin Memorial Medical Center, Inc. (CON #9887) is applying to establish an 80-bed acute care hospital in St. Lucie County, District 9, Subdistrict 2. The applicant is a private, not-for-profit corporation operating Martin Memorial Medical Center and Martin Memorial Hospital – South under a common license, with a combined bed count of 336. Three hundred thirty-one of these are designated for acute care, with the remaining five beds designated NICU Level II. The proposed site is within a planned community in western St. Lucie County, which is not owned by nor affiliated with the applicant.

The applicant proposes to condition the CON for the provision of 1.5 percent of the proposed project's gross revenue for charity care and 4.0 percent of admissions for Medicaid and Medicaid HMO services.

The total project cost is estimated at \$85,820,300. Construction costs are projected at \$36,900,900 and the project will involve 136,670 GSF of new construction.

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

Need/Other Special Circumstances:

- The proposed project is not in response to published need.
- The Subdistrict 2 occupancy rate was 64.33 percent for Calendar Year 2004, and occupancy levels for Martin Memorial – North and Martin Memorial – South were 62.61 percent and 62.13 percent, respectively.
- Growth in the service area is demonstrated; however, the increases already experienced in the area have not translated to increased use of existing acute care resources due to bed additions. Utilization rates in this subdistrict have declined over the past five years despite population growth. It is not demonstrated that existing resources are insufficient to meet growing needs of the community.
- Outmigration from the planning area does not signify that the service area population has limited access to acute care services in its subdistrict to a notable degree.

CON Action Numbers: 9887

- The opposition analysis submitted by St. Lucie Medical Center suggests that St. Lucie Medical Center would be significantly impacted and any potential impact on Lawnwood RMC should be noteworthy due to its Medicaid care provisions at the highest level in the subdistrict.
- The applicant contends the proposed project would improve access in various ways, but discharge patterns from the service area do not indicate accessibility is an issue. Outmigration is not demonstrated to a great degree and because the existing facilities may add beds outside of CON review, utilization rates in the area have not increased proportionately to the population.
- No evidence is provided that Subdistrict 2 emergency departments are unable to provide needed services, necessitating an additional site.
- The proposed site would not likely provide material protection from hurricane damage.
- Improvement in accessibility as a result of the project to health care services for residents of the PSA is not demonstrated to be greater than the likely negative impact on existing facilities.
- Need for the project is not evidenced by the availability, quality of care, efficiency, accessibility and extent of utilization of existing health care facilities and health services in the applicant's service area.

Quality of Care:

- For the three-year period ending October 10, 2005, the two Martin Memorial campuses had a combined total of five closed and confirmed complaints: three for EMTALA (closed by CMS), one for failure to report incident and one for patient care.

Medicaid/charity care:

- As a percentage of patient days, the applicant facilities provided a level of charity care consistent with that of the two non-applicant facilities in the subdistrict during CY 2004.

CON Action Numbers: 9887

- Subdistrict 2 facilities as a whole did not provide a substantial percentage of charity care during 2004. The applicant facilities provided Medicaid services at levels below average for the subdistrict. The applicant indicates it would apply its current provision practices at the proposed facility, and therefore it is not clear that the proposed project would increase access for the underserved and/or underfunded populations of Subdistrict 2 over what is already available at existing facilities.
- The applicant proposes to condition the CON for the provision of 1.5 percent of the proposed project's gross revenue for charity care and 4.0 percent of admissions for Medicaid and Medicaid HMO services.

Financial Feasibility:

- Overall, the applicant has a good short-term position and a slightly weak but adequate long-term position.
- With the resources of the applicant and commitment from Ziegler, funding for this project and all capital projects should be available as needed.
- Financial feasibility of this project appears likely by the third-year of operations.

Architectural Analysis:

Overall, the proposed project, as submitted, is well designed to be functional and efficient. It is an exciting plan of a high rise building that not only is compact and utilitarian but is also architecturally pleasing. Patients, staff and visitors will have a unique experience as they move through these spaces and will have access to magnificent views both inside and outside wherever they are in the building.

The applicant states the construction will conform to all current applicable building codes, including the National Fire Protection Association codes and the requirements of the Florida Building Code.

The construction cost of \$296 per square foot seems high for this kind of building. The construction schedule from building permit approval to final survey is appropriate for this project.

G. RECOMMENDATION

Deny CON #9887.

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