

MINUTES
STATE HEALTH FACILITIES COUNCIL
APRIL 15, 2008
GRIMES STATE OFFICE BUILDING
400 EAST 14TH STREET, 2ND FLOOR BOARD ROOM
DES MOINES, IA

I. 9:30 AM ROLL CALL,

MEMBERS PRESENT: Sid Scott, Chairperson, Chuck Follett, Marc Elcock and Suki Cell.

MEMBER ABSENT: Karen Hope

STAFF PRESENT: Barb Nervig; Heather Adams, Counsel for the State.

II. PROJECT REVIEW

1. Central Iowa Hospital Corporation d/b/a Iowa Methodist Medical Center, Des Moines, Polk County: Purchase 3.0 Tesla Magnetic Resonance Imaging Unit- \$3,800,000.

Staff report by Barb Nervig. The applicant was represented by David Stark, COO, Iowa Health—Des Moines and Paul Keller, M.D., radiology center. The applicant made a presentation and answered questions posed by the Council.

No affected parties appeared at the hearing.

A motion by Follett, seconded by Cell, to Grant a Certificate of Need carried 4-0.

2. Mercy Terrace Hill Surgery Center, LLC, Des Moines, Polk County: Relocate Surgery Center - \$2,600,000.

Staff report by Barb Nervig. The applicant was represented by Joe LeValley, Vice President, Mercy Medical Center—Des Moines and Kevin Ward, Iowa Orthopaedic Center. The applicant made a presentation and answered questions posed by the Council.

No affected parties appeared at the hearing.

A motion by Cell, seconded by Elcock, to Grant a Certificate of Need carried 4-0.

3. Iowa Plastic Surgery Center, Davenport, Scott County: Establish a Medicare Certified Ambulatory Surgery Center - No cost.

Staff report by Barb Nervig. The applicant was represented by Benjamin Van Raalte, M.D. The applicant made a presentation and answered questions posed by the Council.

Marcia Stark of Wellmark provided testimony without taking a specific position on this proposal. Affected parties speaking in opposition of the proposal were Doug Gross of Brown, Winick, Graves on behalf of Trinity Medical Center—Terrace Park and Michele Dane of Genesis Medical Center.

A motion by Follett, seconded by Elcock, to Deny a Certificate of Need carried 4-0.

4. Ringgold County Hospital, Mount Ayr, Ringgold County: Replace and Relocate Hospital - \$21,618,495.

Staff report by Barb Nervig. The applicant was represented by Ed McIntosh of Dorsey & Whitney; Gordon Winkler, CEO; Pam Straight; Jackie Whitson; and Bruce Ricker, D.O. The applicant made a presentation and answered questions posed by the Council.

No affected parties appeared at the hearing.

A motion by Follett, seconded by Elcock, to Grant a Certificate of Need carried 4-0.

III. EXTENSION OF PREVIOUSLY APPROVED PROJECTS:

1. Continuing Care Hospital at St. Luke's, Cedar Rapids, Linn County: Develop 28-Bed Long-Term Acute Care Hospital within a Hospital at St. Luke's Hospital - \$1,190,000.

Staff reviewed the progress on this project. A motion by Elcock, seconded by Follett to Grant an extension until January 2009 carried 4-0.

IV. REQUESTS FOR DETERMINATIONS OF NON-REVIEWABILITY AND THE DEPARTMENT'S RESPONSES

1. Wayne County Hospital, Corydon, Wayne County: Modernization of existing facility with no additional beds or services - \$6,200,000.

Staff report by Barb Nervig. A motion by Follett, seconded by Cell to support the Department's determination carried 4-0.

2. Montgomery County Memorial Hospital, Red Oak, Montgomery County: Modernization of existing facility with no additional beds or services - \$15,700,000.

Staff report by Barb Nervig. A motion by Cell, seconded by Follett to support the Department's determination carried 4-0.

3. Sunrise Retirement Community, Sioux City, Woodbury County: Modernization of existing facility with no additional beds or services - \$5,611,000.

Staff report by Barb Nervig. A motion by Follett, seconded by Elcock to support the Department's determination carried 4-0.

V. APPROVE MINUTES OF PREVIOUS MEETINGS (JANUARY 15, 2008)

A motion by Cell, seconded by Follett, to approve the minutes of the January 15, 2008 meeting as written passed by voice vote.

V. LEGISLATIVE UPDATE AND FUTURE MEETINGS

Staff provided a brief update on pending legislation that could impact CON. A discussion of future meeting dates was deferred to the next meeting.

**IOWA DEPARTMENT OF PUBLIC HEALTH
STATE HEALTH FACILITIES COUNCIL**

IN THE MATTER OF THE APPLICATION OF)
)
RINGGOLD COUNTY HOSPITAL)
)
MOUNT AYR, IOWA)

DECISION

This matter came before the State Health Facilities Council for hearing on Tuesday, April 15, 2008.

The application proposes the relocation of a hospital at an estimated cost of \$21,618,495.

Ringgold County Hospital applied through the Iowa Department of Public Health for a Certificate of Need.

The record includes the application prepared by the project sponsor and written analysis prepared by Iowa Department of Public Health staff and all the testimony and exhibits presented at the hearing. Barb Nervig of the Iowa Department of Public Health summarized the project in relation to review criteria. Ed McIntosh of Dorsey & Whitney; Gordon Winkler, CEO; Pam Straight; Jackie Whitson and Bruce Ricker, D.O. were present representing the applicant. The applicant made a presentation and answered questions.

No affected parties appeared at the hearing.

The Council, after hearing the above-mentioned testimony and after reading the record, voted 4-0 to grant a Certificate of Need. As a basis for their decision the Council, considering all the criteria set forth pursuant to Iowa Code Section 135.64 (1 and 2) (2007) made the following findings of fact and conclusions of law:

FINDINGS OF FACT

1. Ringgold County Hospital (RCH) is proposing construction of a replacement hospital with 16 inpatient beds, outpatient services, an expanded dialysis service, ambulance and a primary care provider-based clinic.
2. The current RCH facility, constructed in 1951, is 57 years old. The facility was built when 80 percent of hospital services were inpatient while today 90 percent of RCH services are delivered in the outpatient setting.
3. The current building is landlocked so there is no ability to expand the present medical/surgical floor to address privacy issues or to make bathrooms ADA compliant, currently the only ADA compliant bathrooms are in the attached medical clinic. The applicant states that the hospital's mechanical, electrical and plumbing systems are inefficient and ineffective and will need to be replaced within the next five years.

4. The number and utilization of beds and the number of emergency department visits, outpatient visits, and surgeries in addition to Medicare/Medicaid utilization of RCH for the last three years are all listed in the following table.

BEDS & UTILIZATION	2006	2005	2004
Total licensed beds	25	25	46
Beds set up and staffed	25	25	23
Births	0	0	0
Admissions	433	412	416
Inpatient days (includes swing days)	1,767	2,002	2,164
Acute inpatient days	1,074	999	1,151
Swing bed patient days	693	1,003	1,013
Emergency dept. visits	1,587	1,464	1,407
Total outpatient visits(includes ED & outpt. surgeries)	24,493	12,847	17,316
Inpatient surgeries	37	47	50
Number of ORs	1	1	1
Outpatient surgeries	251	214	244
MEDICARE/MEDICAID UTILIZATION	2006	2005	2004
Total Medicare inpatient discharges	267	245	249
Total Medicare inpatient days	847	787	781
Total Medicaid inpatient discharges	13	9	12
Total Medicaid inpatient days	31	24	28

Source: AHA Annual Surveys, IHA Profiles & Applicant

5. RCH is the only hospital in Ringgold County. The county to the west, Taylor County, and the county to the south, Worth County, Missouri, do not have a hospital. Decatur County to the east has a hospital in Leon, approximately 26 miles from Mount Ayr. The CEO of the Decatur County Hospital sent a letter of support for this project. Hospitals in the other surrounding Iowa counties are 33-47 miles away.
6. RCH held a series of strategic planning meetings beginning January 2005 and culminating in September 2006 with a revised strategic plan which had an overriding issue of the inadequacy of the current facility.
7. The planning meetings included participants from the board of trustees, medical staff, hospital department heads and community. In the summer of 2006, the board of trustees engaged Shive-Hattery, an architectural and engineering firm to complete an analysis of the existing facility and site. It was the recommendation of the Shive-Hattery planning team that RCH pursue a replacement hospital project instead of a major renovation at the current site as it would cost less in the long run.
8. The board of trustees strongly evaluated the option of significant renovation of the current facility on the existing site. This was rejected for the following reasons: cost effectiveness, operational issues and achievement of goals. At the time of the analysis, the estimated budget to renovate the current facility was \$15-\$20 million which did not include purchase of adjacent property, modification of storm sewer drainage, street closure and lengthy construction time. The cost of a replacement facility on a new site was estimated at \$16-\$21 million.

9. Distance and cost of transportation will not be greatly impacted as the proposed site is 1.8 miles from the existing hospital.
10. The current facility is not located on a state or county highway, so there is no signage pointing to the hospital. The proposed site will have a clearly marked exit off of Highway 169 North for the main entrance and a separate emergency entrance turnoff. The proposed facility will greatly improve access to healthcare services to the handicapped through compliance with ADA regulations and a one story building design with entrances close to handicapped parking spaces.
11. All of the counties served by Ringgold County Hospital (RCH) are considered rural. The majority of the patients are from Ringgold County with a population of approximately 5,290.
12. The median income for Ringgold County is 24% below that the statewide median and persons with disabilities account for 18% of the population, as compared to 15% for the state as a whole. More than 60% of the hospital's services are provided to patients 65 years old and older, who make up 24% of the county's population. The city of Mount Ayr is designated a medically underserved area.
13. RCH is the sole hospital in Ringgold County and is located at least 26 miles from any other hospital. The applicant states they currently have an excellent cooperative relationship with all area health care facilities as evidenced by the existing patient referral system.
14. RCH currently has four physicians on active staff status, three are board certified in family practice and one is board certified in general surgery.
15. The applicant does not anticipate any staffing changes arising as a result of this proposal. The following table has information regarding the staffing at RCH the last three years

	2006	2005	2004
STAFFING	FT/PT	FT/PT	FT/PT
Physicians & dentists	3/0	4/0	4/0
Registered nurses	19/6	18/7	18/7
Licensed practical nurses	7/4	7/2	7/3
Nursing assistive personnel	0/0	0/0	0/0
Radiology technicians	3/1		
Pharmacists, licensed	1/0		
Pharmacy technicians	0/2		
All other personnel	51/20	62/24	66/18
TOTAL	88/33	91/33	95/28

Source: AHA Annual Surveys & IHA Profiles

16. The proposed facility will include 61,165 square feet as compared to the 43,125 square feet in the current facility. Total facility costs are \$17,705,584 which includes \$1,028,038 in architectural fees, \$6,280,041 for general construction shell, \$3,692,328 for plumbing and HVAC, and \$2,336,408 for electrical. Site preparation is estimated at \$1,300,187 and

financing costs will run about \$1,197,794. Finally, there is listed \$1,121,000 for movable equipment.

17. RCH does have existing debt. All but one of the existing debt instruments, including leases, will be retired by December 2009, shortly after the new building would come on line. The final one, a capital lease from U.S. Bank Equipment Financing has 1.5 years remaining on it after the new building is put in use.
18. The applicant anticipates covering start up costs with cash on hand. The applicant's projections assume current level of support from county taxes. The hospital receives approximately \$660,000 in tax appropriations a year.
19. Funds for capital needs will come from contributions (\$500,000), cash on hand (\$1,349,734), operating leases (\$1,208,495), interest earned during construction (\$407,206) and a loan (\$20,000,266). The borrowed funds would be repaid over 40 years at an annual debt service of about \$1.3M.
20. A committee has been formed to investigate options for sale and adaptive reuse of the current facility, but no firm solution has been identified to date.
21. The applicant states the forecasted average charges for patient services throughout the forecast period are based on management's intention of maintaining charges sufficient to cover the costs of operations and debt service associated with the project and to maintain the financial position of the hospital.
22. As a Critical Access Hospital, RCH is reimbursed based on cost under the Medicare and Medicaid programs. A fee schedule is the basis for reimbursement for a majority of the non-governmental payors. The following table has information regarding revenues and expenses including charity care for the last three years.

FINANCIAL	2006	2005	2004
Net patient revenue	8,726,229	7,361,247	8,169,143
Tax appropriations	666,301	664,915	662,835
Other operating revenue	116,680	81,332	99,927
Non-operating revenue	56,574	57,515	53,385
TOTAL REVENUE	9,565,784	8,165,009	8,985,290
Payroll expenses	4,489,143	4,160,552	4,294,955
Employee benefits	1,048,867	815,261	802,842
Depreciation expense	318,781	340,378	323,865
Interest expense	35,159	42,354	49,107
TOTAL EXPENSES (INCLUDES BAD DEBT)	9,490,939	8,913,130	9,238,785
UNCOMPENSATED CARE			
Bad debt expense	337,802	120,789	288,756
Charity	22,786	28,091	27,305

Source: AHA Annual Surveys, IHA Profiles & Applicant

23. The applicant feels the proposed project has strong support from the community. Eight letters of support for the proposal were submitted.

24. Wellmark submitted a letter suggesting further review of the project's long term funding, debt repayment and continued tax support in the context of expected changes in demand and delivery of health services.
25. The Iowa Hospital Association submitted a letter presenting reasons to support the Critical Access Hospital program and the services it provides to rural Iowa.
26. No letters of opposition to this proposal were received.

CONCLUSIONS OF LAW

In determining whether to issue a certificate of need, the Council considers the eighteen criteria listed in Iowa Code § 135.64(1)(a)-(r). In addition, the legislature has provided that the Council may grant a certificate of need only if it finds the following four factors exist:

- a. Less costly, more efficient or more appropriate alternatives to the proposed institutional health service are not available and the development of such alternatives is not practicable;
- b. Any existing facilities providing institutional health services similar to those proposed are being used in an appropriate and efficient manner;
- c. In the case of new construction, alternatives including but not limited to modernization or sharing arrangements have been considered and have been implemented to the maximum extent practicable;
- d. Patients will experience serious problems in obtaining care of the type which will be furnished by the proposed new institutional health service or changed institutional health service, in the absence of that proposed new service.

1. The Council concludes that less costly, more efficient or more appropriate alternatives to the proposed health service are not available and the development of such alternatives is not practicable. The Council finds that the applicant spent significant time and energy evaluating alternatives to the proposed replacement. The Council finds that the cost of renovating the existing facility was similar to the cost of replacement. The Council concludes that the proposed replacement facility is the most appropriate and cost effective alternative to achieve an efficient facility. Iowa Code Sections 135.64(1) and 135.64(2)a.

2. The Council concludes that existing facilities providing health services similar to those proposed will continue to be used in an appropriate and efficient manner and will not be impacted by this project. The Council finds that the applicant has experienced steady utilization over the last three years in spite of the poor physical condition of the facility. The Council finds that the administrator of the nearest hospital, 26 miles away, supports the proposal. The Council concludes that existing facilities will not be adversely impacted by the replacement of the hospital. The Council concludes that the construction of a replacement facility will improve the

efficiency of the sole hospital in Ringgold County. Iowa Code Sections 135.64(1) and 135.64(2)b.

3. The Council concludes that the proposed project involves new construction of 61,165 square feet at a cost of \$17,705,584 which includes \$1,028,038 in architectural fees, \$6,280,041 for general construction shell, \$3,692,328 for plumbing and HVAC, and \$2,336,408 for electrical; an estimated \$1,300,187 for site preparation. The Councils concludes the applicant thoroughly explored the option of modernization and due to several factors, including the landlocked location of the current facility and its poor condition, determined that new construction was the best option. Iowa Code Sections 135.64(1) and 135.4(2)c.

4. The Council concludes that patients will experience problems in obtaining care of the type which will be furnished by the proposed changed health service, in the absence of that proposed service. The Council concludes that the current outdated facility restricts or limits access to services due to limited or inefficient space for certain services. The Council also finds physician recruitment could be negatively impacted if the project does not proceed, which could negatively impact patient access to care. Iowa Code Sections 135.64(1) and 135.64(2)d.

The facts, considered in light of the criteria contained in Iowa Code Section 135.64 (1 and 2) (2007), led the Council to find that a Certificate of Need should be awarded.

The decision of the Council may be appealed pursuant to Iowa Code Section 135.70 (2007).

It is required in accordance with Iowa Administrative Code 641- 202.12 that a progress report shall be submitted to the Iowa Department of Public Health six (6) months after approval. This report shall fully identify the project in descriptive terms. The report shall also reflect an amended project schedule if necessary.

The Certificate of Need is valid for a twelve (12) month period from the date of these findings. This is subject to the meeting of all requirements of the Iowa Department of Public Health. Requests for extension of a Certificate of Need must be filed in writing to the Iowa Department of Public Health from the applicant no later than forty-five (45) days prior to the expiration of the Certificate. These requests shall fully identify the project and indicate the current status of the project in descriptive terms.

No changes that vary from or alter the terms of the approved application including a change in the approved dollar cost shall be made unless requested in writing to the department and approved. Failure to notify and receive permission of the department to change the project as originally approved may result in the imposition of sanctions provided in Iowa Code section 135.73 (Iowa Administrative Code [641]202.14).

Dated this _____ day of August 2008

Sidney W. Scott, Chairperson
State Health Facilities Council
Iowa Department of Public Health

cc: State Health Facilities Council
Iowa Department of Inspections and Appeals:
Health Facilities Division

**IOWA DEPARTMENT OF PUBLIC HEALTH
STATE HEALTH FACILITIES COUNCIL**

IN THE MATTER OF THE APPLICATION OF)
)
IOWA PLASTIC SURGERY CENTER, LC)
)
DAVENPORT, IOWA)

DECISION

This matter came before the State Health Facilities Council for hearing on Tuesday, April 15, 2008.

The application proposes the conversion of an office-based surgery facility to a Medicare certified ambulatory surgery center at no capital cost.

Iowa Plastic Surgery Center, LC applied through the Iowa Department of Public Health for a Certificate of Need.

The record includes the application prepared by the project sponsor and written analysis prepared by Iowa Department of Public Health staff and all the testimony and exhibits presented at the hearing. Barb Nervig of the Iowa Department of Public Health summarized the project in relation to review criteria. Benjamin A. Van Raalte, M.D. was present representing the applicant. The applicant made a presentation and answered questions.

Trinity Terrace Park, represented by Doug Gross of Brown Winick; and Genesis Health System, represented by Michele Dane appeared as affected parties in opposition to the proposal. Marcia Stark of Wellmark also appeared as an affected party.

The Council, after hearing the above-mentioned testimony and after reading the record, voted 4-0 to DENY a Certificate of Need. As a basis for their decision the Council, considering all the criteria set forth pursuant to Iowa Code Section 135.64 (1 and 2) (2007) made the following findings of fact and conclusions of law:

FINDINGS OF FACT

1. After receiving a determination of non reviewability in 2003 the applicant added 6,000 square feet to an existing 16,000 square feet commercial office building in Davenport for a new office and operating room. The project was completed in February 2005. The operating room, with a major room, a minor room, a prep clean room, a dirty room, 2 recovery beds, a nursing station, clean storage and hallway takes up about 1,700 square feet. It has Joint Commission full accreditation and meets Medicare construction requirements.
2. About 200 cosmetic cases per year are performed in this office-based operating suite at Iowa Plastic Surgery. The applicant would like to do some reconstructive cases, about 20 per year, at this location. To obtain insurance coverage for these cases, Medicare certification as an

ambulatory surgery center is needed, which requires a CON. The applicant applied for a CON in April 2007. The Council unanimously denied that request in June 2007.

3. The applicant states that the majority of the cases they would be able to perform under this proposal are now falling through the cracks and are not being done. The uncertainty of insurance coverage and the cost to the patient are the prime reasons patients choose not to proceed.
4. The applicant estimates performing 20 to 30 insurance cases a year at their facility. Currently approximately 10 to 15 of these cases are being performed at Mississippi Valley Surgery Center and Trinity Terrace Park. These cases are being performed off-site from Iowa Plastic Surgery because of insurance and payment issues. The other half are not being done anywhere due to the reasons cited above. The applicant projects performing about 10 Medicare cases per year and 20 other cases per year at the Iowa Plastic Surgery site.
5. The applicant states they have treated uninsured patients in the facility and have not been paid. The applicant feels they offer a benefit for patients with limited means, as they are able to offer them a cash price package for reconstructive surgery.
6. The applicant projects that with the proposed project about 2% of their patients would be Medicare reimbursed. Currently, the facility is not certified for Medicare.
7. The applicant states that about 50% of their patients are from outside the Quad Cities area, including Burlington, Iowa City, Ottumwa, Waterloo and east into Illinois. The ability to offer the surgery on site with insurance coverage would be a convenience for patients.
8. The applicant states that they are the low cost provider for certain services, citing their total package fee for carpal tunnel as \$2,000 compared to \$5,000 if the procedure is performed at a hospital.
9. There are no capital costs involved in the proposed project as the operating suite already exists.
10. There is no significant impact on the costs or charges for providing the services. However, as a Medicare certified facility, the possibility would exist for some insurance coverage of some of the procedures to be performed. The budget information provided by the applicant indicates the facility has been operating at a loss for the last three years.
11. The applicant has been performing cosmetic surgery in an operating room located within his office for the last three years.
12. The applicant has been performing a few procedures, 10-15 total a year, at Mississippi Valley Surgery Center and Trinity Terrace Park.
13. The applicant has admitting privileges at all area hospitals and has a transfer arrangement with Trinity, the closest hospital.
14. The necessary personnel are already in place and there are no additional build costs or equipment costs to proceed with the proposed certification.

15. The build-in costs for the interior of the office, the spa and including the operating room were \$708,000 and the costs for equipment were another \$100,000. These costs are now being depreciated annually.
16. In 2003, the applicant obtained a determination of non-reviewability under the CON statute to build an accredited operating room in his office. At that time he did not plan to obtain Medicare certification. The applicant was in solo practice and the proposed operating room was to be for the use of his practice only. There was not an organized medical staff. The procedures to be performed are most commonly performed in a private physician's office. The only factor that has changed with this application is that the applicant now desires to seek Medicare certification as an ambulatory surgery center.
17. There are two letters of opposition, one from Trinity Terrace Park and one from Genesis Health System. Both express concern about the potential for Iowa Plastic Surgery to expand services as an ambulatory surgery center. Although there is a discrepancy in the number of operating rooms in the area, (one letter states 22, the other 32), both letters state that existing operating room capacity in the area is sufficient for the needs of the population. Finally, the letter from Genesis also states that having an ASC designation will not stop insurance companies from denying payment for pre-approved surgeries.
18. Affected parties appearing at the hearing stated there is excess capacity at existing facilities with approximately 23 outpatient operating rooms within two miles from the applicant's facility. Affected parties also voiced concerns that the applicant's projected numbers of cases would not allow the applicant to receive an adequate financial return and would force the applicant to expand capacity to remain financially viable.

CONCLUSIONS OF LAW

In determining whether to issue a certificate of need, the Council considers the eighteen criteria listed in Iowa Code § 135.64(1)(a)-(r). In addition, the legislature has provided that the Council may grant a certificate of need only if it finds the following four factors exist:

- a. Less costly, more efficient or more appropriate alternatives to the proposed institutional health service are not available and the development of such alternatives is not practicable;
- b. Any existing facilities providing institutional health services similar to those proposed are being used in an appropriate and efficient manner;
- c. In the case of new construction, alternatives including but not limited to modernization or sharing arrangements have been considered and have been implemented to the maximum extent practicable;
- d. Patients will experience serious problems in obtaining care of the type which will be furnished by the proposed new institutional health service or changed institutional health service, in the absence of that proposed new service.

1. The Council concludes that less costly, more efficient or more appropriate alternatives to the proposed health service are available. The Council concludes that utilizing the excess capacity at existing facilities is a more appropriate alternative to the proposed project. Iowa Code Sections 135.64(1) and 135.64(2)a.

2. The Council concludes that existing facilities providing health services similar to those proposed will be impacted by this project. The Council concludes that existing facilities would lose about 5-10 cases per year from the applicant. The Council concludes that there is currently excess and underutilized capacity for outpatient surgery in the immediate area. In addition, the Council concludes that if the facility were granted a certificate of need the potential for expansion of capacity in the future by the applicant could further negatively impact existing facilities. Iowa Code Sections 135.64(1) and 135.64(2)b.

3. The Council concludes that the proposed project does not involve new construction. Iowa Code Sections 135.64(1) and 135.4(2)c.

4. The Council concludes that patients will not experience problems in obtaining care of the type which will be furnished by the proposed changed health service, in the absence of that proposed service. The Council concludes that the limited number of additional cases that the applicant estimates would be performed at the proposed facility can easily be handled at existing facilities. Iowa Code Sections 135.64(1) and 135.64(2)d.

The facts, considered in light of the criteria contained in Iowa Code Section 135.64 (1 and 2) (2007), led the Council to find that a Certificate of Need should be denied.

The decision of the Council may be appealed pursuant to Iowa Code Section 135.70 (2007).

Dated this _____ day of August 2008

Sidney W. Scott, Chairperson
State Health Facilities Council
Iowa Department of Public Health

cc: State Health Facilities Council
Iowa Department of Inspections and Appeals:
Health Facilities Division

**IOWA DEPARTMENT OF PUBLIC HEALTH
STATE HEALTH FACILITIES COUNCIL**

IN THE MATTER OF THE APPLICATION OF)
)
MERCY TERRACE HILL SURGERY CENTER, LLC)
)
DES MOINES, IOWA)

DECISION

This matter came before the State Health Facilities Council for hearing on Tuesday, April 15, 2008.

The application proposes the relocation of an ambulatory surgery center at an estimated cost of \$2,600,000.

Mercy Terrace Hill Surgery Center, L.L.C. applied through the Iowa Department of Public Health for a Certificate of Need.

The record includes the application prepared by the project sponsor and written analysis prepared by Iowa Department of Public Health staff and all the testimony and exhibits presented at the hearing. Barb Nervig of the Iowa Department of Public Health summarized the project in relation to review criteria. Joe LeValley, Senior Vice President for Planning and System Development for Mercy Medical Center and Kevin Ward, CEO of Iowa Orthopedic Center, P.C. were present representing the applicant. The applicant made a presentation and answered questions.

No affected parties appeared at the hearing.

The Council, after hearing the above-mentioned testimony and after reading the record, voted 4-0 to grant a Certificate of Need. As a basis for their decision the Council, considering all the criteria set forth pursuant to Iowa Code Section 135.64 (1 and 2) (2007) made the following findings of fact and conclusions of law:

FINDINGS OF FACT

1. The proposed project is a relocation of an existing ambulatory surgery center (ASC); a joint venture between Mercy Medical Center and Iowa Orthopedic Center physicians. This joint venture ASC has been operating as a limited liability company since May 1998. Mercy owns 50% and the physicians own 50%.
2. For the last 10 years the joint venture has been leasing space on the 9th floor of the Tower Building at the Des Moines University (DMU) Campus located at the corner of 35th and Grand in Des Moines. The ASC has four operating suites averaging 350 square feet each. The standard today is at least 500 square feet.

3. There are two factors necessitating the relocation of the ASC: (1) the current space is no longer suitable as the facility is aging and not designed to meet the standards of modern patient care; and (2) DMU needs the space for other purposes.
4. The proposed location of the ASC is the corner of 5th and Laurel Streets in Des Moines which is across the street from Mercy's main downtown campus and approximately 2.8 miles from the current ASC location. This new site should be easier to access than the ninth floor of a building in the middle of a campus.
5. The joint venture will lease a portion of a new medical office building which will be constructed. The proposal does not increase the number of operating suites; four suites averaging 550 square feet will be leased.
6. The applicant states that regardless of the established charges for the ASC, reimbursement is fixed based upon specified rates determined by each payer. Neither charges nor reimbursement will change as a result of the relocation of this facility.
7. The operating income for the ASC was \$1,785,746 in CY 2007 and is forecasted to be \$1,234,178 in CY 2010, the first year at the new location. A table with the detail of the revenues and expenses for these two years follows:

**Comparison of Most Recent Calendar Year (2007) To
Forecast of First Year (2010) at New Location**

	CY 2007	CY2010
Revenue		
Outpatient services revenue	\$9,675,250	\$10,885,644
Contractual allowances	4,504,635	5,071,826
Net patient service revenue	\$5,170,615	\$5,813,818
Other operating revenue	6,453	
Total Operating Revenue	\$5,177,068	
Expenses:		
Salaries & wages	\$1,228,173	\$1,400,932
Purchased services	215,819	243,381
Supplies	1,339,849	1,548,421
Bad debts	177,832	209,320
Insurance	27,509	31,014
Rental, leases and maint.	141,982	877,070
Depreciation & amortization	172,389	174,554
Interest	25,257	28,625
Other	62,512	66,323
Total Expenses	\$3,391,323	\$4,579,640
Operating Income	\$1,785,746	\$1,234,178
Volumes - cases	3,330	3,400

Data from Mercy Terrace Hill Surgery Center CON application

8. The Mercy Terrace Hill Surgery Center has been in operation for 10 years at the current location and therefore is an established part of the existing health care system. Des Moines University has written a letter stating it is in the best interest of the community and the

patients served by the ASC for this proposal to move forward. No opposition to the proposed relocation has been received.

9. The applicant provided the following case volumes:

Year	Historical			Forecasted		
	2005	2006	2007	2010	2011	2012
Case Volumes	1,808	2,753	3,329	3,400	3,519	3,642

10. The applicant states that the relocation of the ASC will have little or no impact on the service volumes of other providers. The projected growth in utilization is based on the increasing demand for outpatient surgery in the service area and does not consider a shift in business from existing providers.

11. The applicant states that Mercy Terrace Hill Surgery Center has well-trained, experienced staff (28.5 FTEs) in place at its current location who will continue to be employed by the ASC when the facility is relocated.

12. A local real estate development company has procured the land and plans to construct a medical office building (MOB) on the site with approximately 57,000 square feet. The joint venture will lease approximately 14,780 square feet of space for the ASC. The developer will provide a separate street level entrance, reception area, patient access, and parking specifically for the ASC patients. The cost of the new MOB is not included in the application.

13. The space to be leased in the new medical office building will be configured for the ASC prior to occupancy and therefore, will not need capital expenditure as it relates to construction of the facility. Land and facility lease costs will be funded from ongoing operations and are reflected as cash on hand in the application. The lease payments for the first year are expected to be \$606,000. Moveable equipment will be leased.

CONCLUSIONS OF LAW

In determining whether to issue a certificate of need, the Council considers the eighteen criteria listed in Iowa Code § 135.64(1)(a)-(r). In addition, the legislature has provided that the Council may grant a certificate of need only if it finds the following four factors exist:

- a. Less costly, more efficient or more appropriate alternatives to the proposed institutional health service are not available and the development of such alternatives is not practicable;
- b. Any existing facilities providing institutional health services similar to those proposed are being used in an appropriate and efficient manner;
- c. In the case of new construction, alternatives including but not limited to modernization or sharing arrangements have been considered and have been implemented to the maximum extent practicable;

- d. Patients will experience serious problems in obtaining care of the type which will be furnished by the proposed new institutional health service or changed institutional health service, in the absence of that proposed new service.

1. The Council concludes that less costly, more efficient or more appropriate alternatives to the proposed health service are not available and the development of such alternatives is not practicable. The Council finds that the current location is no longer adequate for the needs of the joint venture surgery center and Des Moines University has other needs for the space. The Council concludes that staying at the current location is not an option. Iowa Code Sections 135.64(1) and 135.64(2)a.

2. The Council concludes that existing facilities providing health services similar to those proposed will continue to be used in an appropriate and efficient manner and will not be impacted by this project. Based on lack of opposition to the proposal and the historical volumes of the applicant, the Council concludes that the projected volumes do not involve a shift in business from current providers. The Council further concludes that although additional square footage will be leased, the same number of operating suites will be in place at the new location. Iowa Code Sections 135.64(1) and 135.64(2)b.

3. The Council concludes that the proposed project involves leasing space in a medical office building that is to be constructed. Iowa Code Sections 135.64(1) and 135.4(2)c.

4. The Council concludes that patients will experience problems in obtaining care of the type which will be furnished by the proposed changed health service, in the absence of that proposed service. The Council concludes that there is an increasing demand for outpatient surgery in the service area and the current location cannot continue to meet that demand. Iowa Code Sections 135.64(1) and 135.64(2)d.

The facts, considered in light of the criteria contained in Iowa Code Section 135.64 (1 and 2) (2007), led the Council to find that a Certificate of Need should be awarded.

The decision of the Council may be appealed pursuant to Iowa Code Section 135.70 (2007).

It is required in accordance with Iowa Administrative Code 641- 202.12 that a progress report shall be submitted to the Iowa Department of Public Health six (6) months after approval. This report shall fully identify the project in descriptive terms. The report shall also reflect an amended project schedule if necessary.

The Certificate of Need is valid for a twelve (12) month period from the date of these findings. This is subject to the meeting of all requirements of the Iowa Department of Public Health. Requests for extension of a Certificate of Need must be filed in writing to the Iowa Department of Public Health from the applicant no later than forty-five (45) days prior to the expiration of the Certificate. These requests shall fully identify the project and indicate the current status of the project in descriptive terms.

No changes that vary from or alter the terms of the approved application including a change in the approved dollar cost shall be made unless requested

in writing to the department and approved. Failure to notify and receive permission of the department to change the project as originally approved may result in the imposition of sanctions provided in Iowa Code section 135.73 (Iowa Administrative Code [641]202.14).

Dated this _____ day of August 2008

Sidney W. Scott, Chairperson
State Health Facilities Council
Iowa Department of Public Health

cc: State Health Facilities Council
Iowa Department of Inspections and Appeals:
Health Facilities Division

**IOWA DEPARTMENT OF PUBLIC HEALTH
STATE HEALTH FACILITIES COUNCIL**

IN THE MATTER OF THE APPLICATION OF)
)
CENTRAL IOWA HOSPITAL CORPORATION D/B/A)
IOWA METHODIST MEDICAL CENTER)
)
DES MOINES, IOWA)

DECISION

This matter came before the State Health Facilities Council for hearing on Tuesday, April 15, 2008.

The application proposes the acquisition of a 3 Tesla Magnetic Resonance Imager (MRI) at an estimated cost of \$3.8 million.

Central Iowa Hospital Corporation d/b/a Iowa Methodist Medical Center (IMMC) applied through the Iowa Department of Public Health for a Certificate of Need.

The record includes the application prepared by the project sponsor and written analysis prepared by Iowa Department of Public Health staff and all the testimony and exhibits presented at the hearing. Barb Nervig of the Iowa Department of Public Health summarized the project in relation to review criteria. David Stark, Executive Vice President, IMMC and Paul Keller, M.S., M.D., Iowa Radiology were present representing the applicant. The applicant made a presentation and answered questions.

No affected parties appeared at the hearing.

The Council, after hearing the above-mentioned testimony and after reading the record, voted 4-0 to grant a Certificate of Need. As a basis for their decision the Council, considering all the criteria set forth pursuant to Iowa Code Section 135.64 (1 and 2) (2007) made the following findings of fact and conclusions of law:

FINDINGS OF FACT

1. Central Iowa Hospital Corporation d/b/a Iowa Methodist Medical Center (IMMC) proposes the purchase of a 3 Tesla Magnetic Resonance Imager (MRI).
2. IMMC was the first facility to offer MR services in central Iowa, beginning in 1986. The current 1.5T unit at IMMC was installed in 2006 as a replacement unit and has many years of useful life remaining. Central Iowa Hospital Corporation includes Iowa Lutheran Hospital, about two miles from IMMC. Iowa Lutheran also has a 1.5T MRI that is operating at or beyond capacity.

3. IMMC's current MRI (1.5T) is in operation 16 hours per day and there is still a 1-2 week wait for most exams. Further, with only one MRI, the applicant points to additional delays caused by bumping scheduled patients when an emergency exam is needed. These delays may be 45 minutes to 2 hours in length and have a ripple effect. The applicant believes a second MRI at IMMC will eliminate most of these delays.
4. IMMC is central Iowa's only Level I Trauma center and one of only 40 in the country verified by the American College of Surgeons as capable of treating Level I Adult and Pediatric trauma patients. The applicant states that the expectation of the public as well as the medical staff is that a Level I Trauma center will have the most advanced technology for quickly diagnosing and treating the most serious illnesses and injuries, such as strokes and major head trauma.
5. The applicant states that IMMC provides more inpatient orthopedic surgery, over 2, 500, than any other Iowa hospital. Orthopedic patients are among the primary users of MRI.
6. The 3T MRI, a recently emerged technology, is a more specialized unit than a 1.5T MRI. The 3T MRI can acquire images faster and has capabilities to provide more accurate diagnosis which benefits critically ill or seriously injured patients where time and accuracy can save lives. The benefits of the 3T include finer detail, improved images, improved spatial resolution, enhanced functional MRI and increased signal-to-noise ratio.
7. The applicant considered and rejected four alternatives to the proposed project: (1) not purchasing a second MRI; (2) adding a third shift; (3) adding a second 1.5 MRI; or (4) utilizing a 3T unit at another area hospital.
8. IMMC performed 4,416 scans on their 1.5T MRI in 2007 while operating the equipment 16 hours a day.
9. Based on the forecast of Sg2, a health care consulting firm, a conservative projection of growth is 3.7% annually. The applicant states that the most likely projection would add a one time 15% increase in total volume to the 3.7% annual increase. This one time increase would be attributed to the expanded capacities of the 3T unit.
10. There are 10-11 MRI scanners currently in the Des Moines area. Utilization data was submitted from three providers of MRI in the area. Veterans Administration Central Iowa has performed 3,330 MRI from 2004-2007 and projects a total of 4,200 scans in the next three years. Iowa Radiology, which operates two MRIs (1.5T and .75T) reported total volume of 4,307 in 2007 with projected volume of 5,000 by 2010. Des Moines Orthopaedic Surgeons, P.C. reports volumes of near 3,000 for each of the past three years and projects similar volumes for each of the next three years.
11. The applicant states that 73% of their MR scans in 2007 were performed on patients residing in their primary service area which consists of Polk, Dallas and Warren Counties. For those receiving MR scans at IMMC, the proposed project will improve the scheduling of an exam and provide accessibility to the more specialized scan that the 3T imager provides.

12. The applicant states that the proposed equipment will require additional staff; 2.0 FTE MR-trained radiological techs and a 0.5 FTE registered nurse.
13. IMMC has an on-site radiological tech training program which graduates 8-15 techs per year. The addition of the 3T MRI will enable IMMC to expand its radiological training capabilities, benefiting all hospitals and facilities that recruit from their training program.
14. The MRI and all associated equipment will be purchased at an estimated installed cost of \$3M; room renovations will be an additional \$800,000. The applicant states that cash on hand is available to fund the entire cost of the project.
15. With some periodic upgrades to software, the applicant expects to be able to use the equipment for 10-15 years.
16. The applicant states that charges for the 3T MRI will be the same as those for the 1.5T MRI. Charges will not increase as a result of this project. Costs will be covered by increases in volume.

CONCLUSIONS OF LAW

In determining whether to issue a certificate of need, the Council considers the eighteen criteria listed in Iowa Code § 135.64(1)(a)-(r). In addition, the legislature has provided that the Council may grant a certificate of need only if it finds the following four factors exist:

- a. Less costly, more efficient or more appropriate alternatives to the proposed institutional health service are not available and the development of such alternatives is not practicable;
- b. Any existing facilities providing institutional health services similar to those proposed are being used in an appropriate and efficient manner;
- c. In the case of new construction, alternatives including but not limited to modernization or sharing arrangements have been considered and have been implemented to the maximum extent practicable;
- d. Patients will experience serious problems in obtaining care of the type which will be furnished by the proposed new institutional health service or changed institutional health service, in the absence of that proposed new service.

1. The Council concludes that less costly, more efficient or more appropriate alternatives to the proposed health service are not available and the development of such alternatives is not practicable. The Council finds that the applicant considered and rejected four alternatives to the proposed project. 1) Not purchasing. This would result in increased delays and disruption for patients based on current and projected volumes. Further, the diagnostic capabilities of the 3T MRI have the potential to eliminate the need for invasive procedures such as biopsies that could prove more costly. 2) Adding a third shift. This would require patients to arrive at the facility at unreasonable hours for testing and would not provide the enhanced functionality of the 3T MRI.

3). Adding a second 1.5 MRI. This would cost less, approximately \$1.5M less, and address the capacity issues, but would not provide the enhanced functionality of the 3T MRI. 4) Utilizing a 3T unit at another area hospital. Mercy Medical Center recently acquired a 3T MRI as a replacement for one of its two MRI units. The applicant ruled out this alternative as it would require transport of patients, both trauma patients and inpatient. The Council concludes that the acquisition of a 3 Tesla MRI is the most appropriate alternative based on the volume and nature of the patients served by the applicant. Iowa Code Sections 135.64(1) and 135.64(2)a.

2. The Council concludes that existing facilities providing health services similar to those proposed will continue to be used in an appropriate and efficient manner and will not be impacted by this project. The Council finds that other providers of MRI services, with two scanners, are scanning fewer patients than the applicant. The Council concludes that the applicant will be better able to serve their current patient base with two scanners with little, if any, impact on other providers. The Council notes that no existing providers objected to the application. Iowa Code Sections 135.64(1) and 135.64(2)b.

3. The Council concludes that the proposed project involves room renovations costing \$800,000. Iowa Code Sections 135.64(1) and 135.4(2)c.

4. The Council concludes that patients will experience problems in obtaining care of the type which will be furnished by the proposed changed health service, in the absence of that proposed service. The Council concludes that patients are currently accessing MRI services at unreasonable hours and are subject to being “bumped” to the following day. The Council further concludes that patients currently cannot obtain the quality of scans provided by the 3 Tesla magnet at IMMC. Iowa Code Sections 135.64(1) and 135.64(2)d.

The facts, considered in light of the criteria contained in Iowa Code Section 135.64 (1 and 2) (2007), led the Council to find that a Certificate of Need should be awarded.

The decision of the Council may be appealed pursuant to Iowa Code Section 135.70 (2007).

It is required in accordance with Iowa Administrative Code 641- 202.12 that a progress report shall be submitted to the Iowa Department of Public Health six (6) months after approval. This report shall fully identify the project in descriptive terms. The report shall also reflect an amended project schedule if necessary.

The Certificate of Need is valid for a twelve (12) month period from the date of these findings. This is subject to the meeting of all requirements of the Iowa Department of Public Health. Requests for extension of a Certificate of Need must be filed in writing to the Iowa Department of Public Health from the applicant no later than forty-five (45) days prior to the expiration of the Certificate. These requests shall fully identify the project and indicate the current status of the project in descriptive terms.

No changes that vary from or alter the terms of the approved application including a change in the approved dollar cost shall be made unless requested in writing to the department and approved. Failure to notify and receive

permission of the department to change the project as originally approved may result in the imposition of sanctions provided in Iowa Code section 135.73 (Iowa Administrative Code [641]202.14).

Dated this _____ day of August 2008

Sidney W. Scott, Chairperson
State Health Facilities Council
Iowa Department of Public Health

cc: State Health Facilities Council
Iowa Department of Inspections and Appeals:
Health Facilities Division

**IOWA DEPARTMENT OF PUBLIC HEALTH
STATE HEALTH FACILITIES COUNCIL**

IN THE MATTER OF THE)
CERTIFICATE OF NEED EXTENSION FOR)

CONTINUING CARE HOSPITAL AT ST. LUKE’S)
CEDAR RAPIDS, IOWA)

DECISION

This matter came before the State Health Facilities Council for review on Tuesday, April 15, 2008.

The project, the establishment of a 28-bed long-term acute care hospital within a hospital, was originally approved on April 17, 2007 at an estimated cost of \$1,190,000.

The Council, after reading the extension request and hearing comments by staff, voted 4-0 to Grant an Extension of Certificate of Need per Iowa Administrative Code 641—202.13. The decision is based upon the finding that adequate progress is being made.

The extension is valid for nine months, until January 2009.

Dated this ____ day of August 2008

Sidney W. Scott, Chairperson
State Health Facilities Council
Iowa Department of Public Health

cc: Health Facilities Council
Department of Inspections & Appeals, Health Facilities Division