

**MINUTES
STATE HEALTH FACILITIES COUNCIL
JANUARY 16, 2007
LUCAS STATE OFFICE BUILDING
5TH FLOOR CONFERENCE ROOMS 517-518
DES MOINES, IA**

I. 1:00 PM ROLL CALL,

MEMBERS PRESENT: Cynthia Beauman, Chairperson, Gary Butz, Chuck Follett, Karen Hope and Sid Scott.

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

II. PROJECT REVIEW

1. St. Luke's Hospital, Cedar Rapids, Linn County: Purchase Dual Source Computed Tomography Scanner - \$2,360,000.

Staff report by Barb Nervig. The applicant was represented by John Sheehan, CEO; Dennis E. Winders, Jr., RT; Michael T. Hanigan, M.D. and Catherine Cownie of Brown Winick. The applicant made a presentation and answered questions posed by the Council.

No affected parties appeared at the hearing.

A motion by Scott, seconded by Butz, to Grant a Certificate of Need carried 5-0.

2. Mercy Hospital, Iowa City, Johnson County: Develop an Ambulatory Surgery Center as a Joint Venture with Physicians - \$9,382,037.

Staff report by Barb Nervig. The applicant was represented by Ed McIntosh of Dorsey & Whitney; Ronald R. Reed, CEO; Mike Heinrich, CFO; Tom Simpson, M.D. and Catherine Abrams, RN. 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 Scott, to Grant a Certificate of Need carried 5-0.

III. EXTENSIONS OF PREVIOUSLY APPROVED PROJECTS:

1. Wesley Retirement Services, West Des Moines, Dallas County: Build Two 20-Bed "Service Houses" for a total of 40 Nursing Facility Beds as Part of a Continuing Care Retirement Community - \$5,337,800.

Staff report by Barb Nervig. A motion by Hope, seconded by Scott to Grant a one year extension carried 5-0.

2. Waukee Senior Housing II, LLC d/b/a legacy Pointe Senior Care Center, Waukee, Dallas County: Build a 48-Bed Nursing Facility as Part of a Continuing Care Retirement Community - \$5,412,588.

Staff report by Barb Nervig. A motion by Butz, seconded by Scott to Grant a nine-month extension carried 5-0.

IV. DETERMINATIONS OF NON-REVIEWABILITY

Prior to considering the following items, the Council heard brief oral testimony in support of written filings from the following individuals: Cliff Gold representing Wellmark; Ed McIntosh representing Catholic Health Initiatives-Iowa Corp. (Mercy Capitol); Doug Gross representing St. Luke's Jones Regional Medical Center; Doug Gross representing Central Iowa Health Corporation (Iowa Lutheran Hospital) and Norene Jacobs representing Broadlawns Medical Center.

1. Mercy Capitol, Des Moines, Polk County: Construct a Replacement Hospital in West Des Moines, Polk County with No New Health Services or Additional Bed Capacity - \$90,000,000.

Staff report by Barb Nervig. A motion by Follett, seconded by Butz to support the Department's determination carried 5-0

2. St. Luke's Jones Regional Medical Center, Anamosa, Jones County: Construct a Replacement Hospital in Anamosa, Jones County with No New Health Services or Additional Bed Capacity - \$10,800,000

Staff report by Barb Nervig. A motion by Scott, seconded by Hope to support the Department's determination carried 5-0

3. Iowa Lutheran Hospital, Des Moines, Polk County: Establish a Replacement Hospital in West Des Moines, Polk County with No New Health Services or Additional Bed Capacity - \$12,600,000 annual

Staff report by Barb Nervig. A motion by Follett, seconded by Butz to support the Department's determination carried 5-0

4. Broadlawns Medial Center, Des Moines, Polk County: Replace Current Facility with the Current Iowa Lutheran Hospital Facility with No New Health Services or Additional Bed Capacity - \$30,000,000

Staff report by Barb Nervig. A motion by Butz, seconded by Follett to support the Department's determination carried 5-0

V. APPROVE MINUTES OF PREVIOUS MEETINGS (SEPTEMBER 19, 2006)

A motion by Follett, seconded by Scott, to approve the minutes of the September 19, 2006 meeting as written passed by voice vote.

The meeting was adjourned at 3:55 PM.

The next scheduled meeting of the Council is Tuesday, April 17, 2007.

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

IN THE MATTER OF THE APPLICATION OF)
)
ST. LUKE'S HOSPITAL)
)
CEDAR RAPIDS, IOWA)

DECISION

This matter came before the State Health Facilities Council for hearing on Tuesday, January 16, 2007.

The application proposes the purchase of a dual source computed tomography scanner at an estimated cost of \$2,360,000.

St. Luke's 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. John Sheehan, CEO; Dennis E. Winders, Jr., RT; Michael T. Hanigan, M.D. and Catherine Cownie of Brown Winick 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 5-0 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, the purchase of a Siemens Medical Solutions Dual Source (128 slice) Computed Tomography (ST) Scanner (Dual Source), is an expansion of St. Luke's imaging services department.
2. The applicant currently operates two CT scanners at high volumes. The applicant states that the proposed scanner will be the first of its kind in Iowa.
3. The applicant states that their two existing CT scanners are staffed 24 hours per day. The applicant is seeing 20-30 emergent tests per day in addition to the scheduled patients. The applicant projects their 2006 CT exam volume to total 24,065, which is an increase of 12.6% over 2005 volume.

4. The applicant states that the Dual Source is a significantly improved approach to coronary computed tomography angiography (CCTA) which is a non-invasive approach to diagnosis of coronary artery disease. The Dual Source is capable of CCTA on patients with variable heart rates and cardiac rhythms without the use of beta blockers and in some cases, delivers only half the radiation dose of a standard 64 slice scanner during cardiac imaging. The applicant states that the Dual Source is the first scanner to allow triple rule out (coronary arteries, aortic dissection and pulmonary emboli) with a single acquisition.
5. The services provided by a CT scanner are reimbursed by both Medicare and Medicaid. This proposal will allow St. Luke's aging population access to the latest CT technology. Easy interstate access allows rural patients to obtain services at St. Luke's Hospital.
6. The applicant considered means by which to build capacity without adding a third CT unit. The applicant states that they have significantly altered staffed hours and workflow processes to manage volumes with two CT scanners.
7. The applicant feels it is important for them to have the best available technology for non-invasive coronary artery disease diagnosis due to the large volumes of emergency and cardiovascular services patients they serve. St. Luke's considered proceeding earlier with the purchase of a 64 slice CT, but chose to delayed purchase while the technology continued to mature.
8. The applicant believes the Dual Source 128 slice CT offers significant improvements over the standard 64 slice for CCTA and therefore represents a better investment of capital.
9. Five area hospitals submitted information regarding their CT volumes as displayed below. None of these providers indicated an objection to the proposed project.

Hospital	2003	2004	2005	2006	2007	2008	2009
University of Iowa Hospitals & Clinics		36,539	42,467	46,185	50,924	54,998	59,398
Mercy Hospital-Iowa City		11,488	12,183	12,693	13,328	13,994	14,694
Regional Medical Center, Manchester	1,768	2,198	2,632	2,509	2,634	2,765	
Jones Regional, Anamosa	962	1,319	1,582	1,143			
Virginia Gay Hospital	848	1,111	1,486	1,500	1,650	1,815	

10. The applicant states that their current CT staff of 15 will be expanded by 2 to cover the proposed service. The applicant anticipates training existing staff to perform exams with the new CT and hiring two new entry level radiographers.
11. St. Luke's Hospital partners with Mercy Medical Center in a hospital-based program that provides education for radiographers. The program currently graduates more radiographers than there are positions in the service area, so recruitment is not expected to be a problem nor will it adversely impact other providers.
12. The Siemens Definition Dual Source CT scanner will be purchased with cash. The estimated purchase price for the scanner alone is \$1,998,500.

13. The expected useful life of the equipment is five years.
14. The applicant states that patient charges for the new CT scanner will be identical to that of St. Luke's existing CT scanners. The applicant is developing a charge for coronary computed tomography angiography (CCTA), which is expected to be approximately \$1500.

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 concludes that the applicant has exhausted the alternative of altering staffed hours and workflow processes to manage with two scanners. The Council takes notice that the applicant waited for technology to mature beyond the 64-slice CT before proceeding with the acquisition of a third scanner. In addition the Council finds that no alternative currently exists in Iowa for this advanced level of technology. 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 concludes that the applicant has experienced a higher percentage of increase in CT volume from one year to the next than other providers in the area. The Council does not believe that the proposed equipment will result in a significant change of the geographic distribution of patients served by the applicant. The Council further concludes that the proposed scanner may decrease the number of diagnostic catheterizations. 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 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 proposed dual source scanner will be the first of its kind in the state. The Council further concludes that the proposed scanner may decrease the number of diagnostic catheterizations. Patients currently seeking this service at St. Luke's have experienced delays and inefficiencies in scheduling the service. 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) (2005), 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 February 2007

Cynthia Beauman, Chairperson
State Health Facilities Council
Iowa Department of Public Health

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

5. The applicant states that an ASC precludes the need to hold operating rooms open for emergency cases and eliminates the vast majority of scheduling problems associated with elective surgery in an emergent care environment.
6. Average charges at the ASC are projected to be about 20% less per case than at Mercy.
7. There is a strong consensus among surgeons practicing at Mercy Hospital that an ASC is vital to recruiting and retaining surgeons to the service area.
8. The proposed facility will be located in the northeast portion of Iowa City approximately three miles from Mercy Hospital and adjacent to several surgeons' offices. This location, at the intersection of Interstate 80 and Highway 1, will be convenient for patients from communities in the area, including Iowa City, Coralville, North Liberty and Solon.
9. The ASC will be owned by an Iowa limited liability company formed between Mercy Hospital and an independent group of physicians.
10. Mercy will initially hold 70% equity and never less than 51%, while the physician group will initially hold 30%. No individual will hold 10 % or more equity in the facility.
11. A board of managers, not selected yet, will consist of three representatives from Mercy and three from the physician group.
12. It is assumed by the applicant that 4,080 cases will be performed in the ASC in the first year with 3% growth in years two and three. The expected case volume is based on a transfer of surgical patients who would otherwise have surgery performed at Mercy Hospital.
13. The applicant notes that the time in operating room minutes consumed by the 4,080 outpatient cases expected to relocate is only 28% of the total. These are very short cases with quick turnarounds.
14. The surgeons who will participate in the ASC provide services in Washington, Muscatine, Iowa and Henry Counties and will continue to perform surgeries in local community hospitals.
15. The ASC will primarily use a bundled charge by CPT code rather than line-item billing. Certain exceptions to the bundled charge will be made if the supply cost is out of proportion to the total charges for the procedures.
16. The applicant states that the average pricing will be approximately 20% less per case than average area hospital charges.
17. The applicant anticipates that 42% of the total patient revenues will be from Medicaid and Medicare, which indicates they will serve the medically underserved and the elderly.
18. According to the budget projections in the application, income from operations the first year will be over \$500,000 and over \$1 million the second year.

19. The proposal involves the construction of a building with a total building gross foot print of 20,052 square feet. There will be four operating rooms and the floor plan shows the possibility for more operating rooms for the future.
20. Site acquisition is estimated at \$600,000, facility costs are estimated at \$5,596,707 and moveable equipment at \$3,185,330.
21. The applicant states that \$1,758,000 of the necessary funds will come from hospital and physician equity and the remaining \$7,624,037 will be borrowed.
22. The application contains a letter from US Bank stating that they are in discussions with Mercy Hospital regarding the financing of up to \$12 million for the proposed ambulatory surgery center.
23. The applicant expects the following specialties to be represented on the ASC medical staff: general surgery, anesthesiology, otolaryngology, orthopedics, podiatry, urology, ob/gyn, ophthalmology, podiatry and plastic surgery. A medical director, appointed by the company will provide clinical direction for the ASC operations.
24. The applicant anticipates the need for 36 FTEs to staff the ASC. This includes a contracted site manager and a director of nursing. In addition, there will be a total of 14.5 RNs, 6 surgical techs and 5 radiology techs.

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 concludes that the ASC is less costly to build than an addition to the hospital and that the patient charge for procedures will be less than at the hospital. The Council

further concludes that the proposed ASC will be more efficient as it eliminates the vast majority of scheduling problems associated with elective surgery in the emergent care environment of a hospital. The Council takes notice that physicians from Steindler Orthopedic clinic, whose proposal for an ASC was denied five years ago, are parties to this proposal. 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 concludes that the procedures to be performed at the proposed ASC are currently performed at Mercy Hospital. The Council further concludes that although the number of procedures to be performed at the ASC represent a large percentage of those currently performed at Mercy, the time in operating room minutes is only 28% of the total now performed at Mercy. The Council does not believe that the proposed ASC will result in a significant change of the geographic distribution of patients served by Mercy. In addition, the Council concludes that the approval of this project may benefit Mercy because of the increased ability of the community to recruit and retain surgeons. Iowa Code Sections 135.64(1) and 135.64(2)b.

3. The Council concludes that the proposed project involves new construction with a total building gross foot print of 20,052 square feet that will contain four operating rooms. The Council concludes that there is not space to add operating rooms at the land locked hospital and the shelled space at Steindler Clinic is not adequate for this project. 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 scheduling problems for outpatient surgery will be alleviated and the risk of a scheduled procedure being delayed due to emergent cases will be eliminated as a result of the proposed project. 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) (2005), 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 February 2007

Cynthia Beauman, 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)
)
WESLEY RETIREMENT SERVICES)
)
WEST DES MOINES, IOWA)

DECISION

This matter came before the State Health Facilities Council for hearing on Tuesday, January 16, 2007.

The project, the construction of two 20-bed “service houses” for a total of 40 nursing facility beds, was originally approved on January 17, 2006 at an estimated cost of \$5,337,800.

The Council, after reading the extension request and hearing comments by staff, voted 5-0 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 one year from the date of these findings.

Dated this _____ day of February 2007

Cynthia Beauman, Chairperson
State Health Facilities Council
Iowa Department of Public Health

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

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

IN THE MATTER OF THE)
CERTIFICATE OF NEED EXTENSION FOR)
)
WAUKEE SENIOR HOUSING II LLC D/B/A)
LEGACY POINTE SENIOR CARE CENTER)
)
WAUKEE, IOWA)

DECISION

This matter came before the State Health Facilities Council for hearing on Tuesday, January 16, 2007.

The project, the construction of a 48-bed nursing facility, was originally approved on January 17, 2006 at an estimated cost of \$5,412,588.

The Council, after reading the extension request and hearing comments by staff, voted 5-0 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 from the date of these findings.

Dated this _____ day of February 2007

Cynthia Beauman, Chairperson
State Health Facilities Council
Iowa Department of Public Health

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