

Mr. Monahan

STAFF SUMMARY FOR DETERMINATION
OF NEED BY THE PUBLIC HEALTH
COUNCIL
November 23, 1982

CATEGORY: 2

APPLICANT: Youville Hospital

PROGRAM ANALYST: Mary Sweeney

LOCATION: 1575 Cambridge Street
Cambridge, MA 02238

REGION/HSA: IV

PROJECT DESCRIPTION:

PROJECT NUMBER: IV-2989

The applicant proposes to construct a new Energy Power Plant and to construct new South and West Buildings for replacement of 180 beds, clinical, and supportive services to correct cited deficiencies.

ESTIMATED RANGE OF CAPITAL EXPENDITURE

MINIMUM

MAXIMUM

\$23,460,600

\$28,152,700

LEGAL STATUS:

An application for a substantial capital expenditure filed pursuant to M.G.L. c. 111, s. 25C and the Regulations adopted thereunder.

ENVIRONMENTAL STATUS:

Pursuant to the requirements of M.G.L. c. 30, s. 61-62H and the Environmental Projection Regulations promulgated thereunder by the Executive Office of Environmental Affairs, an Environmental Notification Form was filed with the EOE by Youville Hospital. On May 22, 1981, the Hospital was notified that a full Environmental Impact Report was not required (see Attachment I). This notification includes a number of commitments which the Massachusetts Environmental Projection Agency states that the Hospital should agree to in order to ensure that environmental impacts of the project are minimized.

OTHER PENDING APPLICATIONS: None

COMPARABLE APPLICANT: St. John of God Hospital - Project #4-2994 - the addition of ten chronic disease beds at an estimated maximum capital expenditure of \$44,500.

COMMENTS BY OFFICE OF STATE HEALTH PLANNING: None received.

COMMENTS BY HSA:

The Health Planning Council for Greater Boston, Inc. waived comment on this application. (see Attachment IV)

TEN TAXPAYER GROUPS:

Four Ten Taxpayer Groups have been formally recognized for this application.

BACKGROUND:

1. Youville Hospital, located at 1575 Cambridge Street, in Cambridge, is a chronic disease and rehabilitation hospital which was established in 1894. Youville Hospital has a licensed capacity of 305 beds. The hospital provides medical, nursing, and psycho-social services to chronically ill and functionally disabled patients. Youville Hospital introduced rehabilitation services in 1947, and in 1960 a rehabilitation wing was added.
2. The applicant's service area primarily encompasses HSA IV with approximately 75% of the hospital's patients coming from Greater Boston. Patient origin data indicates the following distribution (July, 1982):

<u>LOCALITY</u>	<u>NUMBER</u>	<u>PERCENT</u>
Boston	80	26.3%
Cambridge	36	11.8
Somerville	30	9.9
Arlington	15	4.9
Watertown	12	3.9
Brookline	10	3.3
HSA IV	52	17.1
HSA III	16	5.3
HSA VI	42	13.8
Other	11	3.6
Total	304	100%

The vast majority (94%) of Youville patients are admitted from acute care general hospitals. Other sources of admission are other chronic disease hospitals, skilled nursing facilities (SNFs), and private residences.

3. The percentage of patient days by payor at Youville for years 1979 and 1980 are shown below.

<u>PAYOR</u>	<u>1979</u>		<u>1980</u>	
	<u>NUMBER</u>	<u>PERCENTAGE</u>	<u>NUMBER</u>	<u>PERCENTAGE</u>
Blue Cross	7,026	6.5%	4,977	4.6%
Medicare	9,799	9.0%	8,188	7.6%
Public Assistance	4,702	78.0%	88,613	82.2%

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BACKGROUND: (cont.)

<u>PAYOR</u>	<u>1979</u>		<u>1980</u>	
	<u>NUMBER</u>	<u>PERCENTAGE</u>	<u>NUMBER</u>	<u>PERCENTAGE</u>
Self-Pay	1,552	1.4%	1,654	1.5%
Commercial	4,968	4.6%	4,013	0.7%
Other	557	0.5%	365	0.3
Total	108,604	100%	107,810	100%

The utilization experience of Youville Hospital for the years 1978, 1979, and 1980 is shown below.

<u>1980</u>	<u># BEDS</u>	<u>DISCHARGES</u>	<u>ALOS</u>	<u>PT. DAYS</u>	<u>OCCUPANCY</u>
Chronic	240	307	254	90,947	104
Rehabilitation	65	136	100	16,863	71
Total	305	443		107,810	97%

<u>1979</u>	<u># BEDS</u>	<u>DISCHARGES</u>	<u>ALOS</u>	<u>PT. DAYS</u>	<u>OCCUPANCY</u>
Chronic	240	294	238	88,962	102
Rehabilitation	65	208	78	19,642	83
Total	305	502		108,604	98%

<u>1978</u>	<u># BEDS</u>	<u>DISCHARGES</u>	<u>ALOS</u>	<u>PT. DAYS</u>	<u>OCCUPANCY</u>
Chronic	240	330	242	87,406	99.8
Rehabilitation	65	228	82	20,731	87
Total	305	558		108,137	97%

4. Consistent with section 100.304 of the Determination of Need Regulations, this application was declared comparable with the following application submitted by St. John of God Hospital:

St. John of God Hospital - Project Number IV-2994:

-proposes to increase its licensed bed complement from 60 to 70 chronic disease and rehabilitation beds at an estimated maximum capital expenditure of \$44,500.

According to the Regulations, those applications are considered comparable that propose to offer similar services to the same area. In this case, both projects involve chronic disease and rehabilitation beds. The State Health Plan directs that chronic disease and rehabilitation hospitals be considered state wide resources in which case any two (or more) chronic hospital filing a DoN application within the same

BACKGROUND: (cont.)

filing period would be considered comparable. However, even if these two hospitals are considered as regional resources, Staff notes that the vast majority of each hospital's patients come from HSA IV.

Staff notes that there is a difference in the scope of the two applications. Youville Hospital proposes to replace 180 of 305 CD/R beds through new construction. St. John of God proposes to add 10 CD/R beds to its licensed complement of 60 CD/R beds. This difference in scope formed the basis of the objections by both hospitals to the comparability designation. However, after considering the objections of the applicants, the Public Health Council on June 9, 1981, voted to reaffirm the Program Director's decision to designate Youville Hospital and St. John of God Hospital applications as comparable.

In evaluating need for these two comparable applications, Staff has applied methodologies and review criteria in a consistent manner to both projects. However, Staff must also recognize the significant difference in the scope of the projects and must review each application strictly on its own merits.

STAFF ANALYSIS:1. Project Description

Youville Hospital proposes to construct a new Energy Power Plant, and to construct new South and West Buildings for replacement of 180 beds, clinical, and supportive services to correct cited deficiencies. Presently, Youville is composed of ten building, four of which house patients. Each of the buildings was constructed singularly at a different time period (ranging from 1895-1960). A schematic site plan of the hospital is appended as Attachment II.

The proposed project is divided into three components. The three components are to be sequentially performed in two phases of new construction/modifications. The two phases are:

STAFF ANALYSIS: (cont.)1. Project Description (cont.)

1) A new energy power plant is to be constructed including new boilers of capacity to generate steam for the entire hospital complex. The existing boilers and power plant will be retained to provide stand -by duty during periods when new boilers are shut-down for preventive maintenance purposes.

A new 90 bed unit is to be constructed, replacing those beds, now housed in the existing West Wing (constructed in 1927), which is proposed for demolition.

2) The existing West Wing is to be demolished upon completion of the new South Building. After demolition of the existing West Wing, a new 90-bed unit is to be constructed to replace those beds now housed in the existing Main Wing (constructed in 1894).

The proposed renovations are based on documented deficiencies from the Department of Public Health, JCAH, Joint Underwriting Association of Massachusetts, and the Commission on Accreditation of Rehabilitation Facilities. The hospital also bases the need for new construction on the inadequacy of the space and design of the existing facility. Staff references Attachment III for excerpts from the May, 1981 JCAH survey of Youville Hospital.

The applicant states that the project will indirectly result in a "thinning out" and reorganization of beds from large and congested units (up to 42-bed units) and patient rooms (most 4-bed rooms) to smaller, more efficient and appropriately sized quarters for CD/R patient needs. The hospital believes the project will remedy both existing code violations resulting from partial wood-structured patient care buildings and space inefficiencies in meeting complex CD/R patient care equipment needs.

STAFF ANALYSIS: (cont.)2. Planning Process

In the view of Staff, a project of the size, cost, and scope of this one should be the result of a thorough and sound planning process. Factors which suggest that the Hospital's planning has been sound include: 1) the detailed information provided in the DoN application kit submitted, 2) the meetings and discussions in which the Hospital engaged with planning agencies and area providers prior to the DoN submission, and 3) the data provided to Staff in response to various concerns which have been raised. On the other hand, it appears that a reasonable dialogue between the Hospital and its neighbors prior to the DoN submission did not take place. This lack of dialogue calls into question the Hospital's sensitivity toward the problems of local residents.

On balance, Staff finds that the Hospital's planning process has been adequate, but that the Department should strongly consider recommendations -- if they are within the Department's purview -- which help protect the neighbors' interests. This issue will be addressed in the Ten Taxpayer Group Comment section.

STAFF ANALYSIS: (cont.)3. Assessment of Need for Replacement of 180 CD/R Beds

In evaluating the continued need for the 180 CD/R beds at Youville, Staff's analysis will focus on two main areas of concern: 1) application of DPH Long Term Care Standards and Criteria need methodology and recommendations, and 2) an examination of the appropriateness of patient placement at Youville Hospital and summary of the applicant's assessment of need for the replacement of the 180 beds.

A. Staff has evaluated the need for the replacement of 180 CD/R beds using the Long Term Care Standards and Criteria bed need methodology. This methodology and its rationale is presented in the Report of the Long Term Care Task Force, dated August 1977, and the Long Term Care Standards and Criteria memorandum, adopted by the Public Health Council in March of 1978. In addition, the recommendations and conclusions of both documents, as adopted by the Public Health Council, are also clearly presented in the State Health Plan. The State Health Plan sections relevant to chronic disease hospitals are presented in Attachment V to this Staff Summary. From the outset, both the Report of the Long Term Care Task Force and the State Health Plan (SHP) note that there is a surplus of chronic disease hospital beds in Massachusetts. In attempts to rectify the overbedding, both documents propose bed need methodologies and suggest guidelines for review of proposed additional chronic beds in the Commonwealth. The SHP states that

in considering these (chronic) facilities, there are two major goals: first, to "rationalize" the system by properly classifying and licensing facilities; and, second, to establish a more cost-effective system of care.

The discussion that follows will consider the proposed bed need methodologies and definitions, and the appropriateness of patient placement at Youville.

The DPH Long Term Care Standards and Criteria bed need methodology uses as an interim planning target (for 1985) a ratio of 6.52 chronic disease and rehabilitation beds for every 1,000 elderly in the State. This interim planning target was established

STAFF ANALYSIS: (cont.)3. Assessment of Need for Replacement of 180 CD/R Beds: (cont.)

by estimating the number of persons in existing institutions (including CDRHs, nursing homes, LTC and rehabilitation units in acute hospitals and patients waiting placement), appropriately in need of a chronic disease/rehabilitation hospital level of care; and then adjusting the existing bed/population rate downward to adequately serve the population found to be appropriate. This approach employed what the Task Force Report and State Health Plan (see Attachment V p. 716) refer to as the "liberal definition" of a chronic disease and rehabilitation patient. Using this liberal definition, a 1974 DPH study referenced in the Task Force Report found that 56 percent of the CD/R hospital patients were appropriately placed. Under the more "strict definition" (also included in Attachment V, p. 716) of a chronic disease and rehabilitation patient, the proportion of CD/R hospital patients found to be appropriately placed throughout the State was 17 percent. The Task Force Report states that, as an interim step, the "liberal" definition should be applied in calculating need for CD/R beds; with the then current statewide ratio of beds/1000 elderly of 10.45 (7,203 beds) being targeted to reduce to 6.52 beds/1000 elderly by 1985. The Task Force Report further specifies that as a final goal, the definition of CDRH patients should be more restrictive.

The Long Term Care Standards and Criteria Memorandum (March, 1978) also addresses the issue of what geographic area is most appropriate to use in determining need for additional CDRH beds. The policy adopted in the Memorandum recognizes that the North Shore, Southeastern Massachusetts, and Central Massachusetts HSA's are technically underbedded for chronic disease and rehabilitation services if the 1985 planning target is applied on a regional basis. However, given the substantial surplus of beds on a statewide basis, the LTC Standards and Criteria clearly state that CDRH beds should be considered statewide resources. The State Health Plan summarizes this policy as follows:

STAFF ANALYSIS: (cont.)

3. Assessment of Need for Replacement of 180 CD/R Beds (cont.)

Finally, although Massachusetts as a whole is overbedded in chronic disease hospitals, existing facilities are very highly concentrated geographically. The bulk of the beds are located in Greater Boston, Merrimack Valley, and Western Massachusetts. Under the "liberal" definition recommended above, the North Shore, Central Massachusetts and Southern Massachusetts Health Service areas are technically underbedded, even though there is virtually no evidence that there is an unmet need for this level of care. Because of this lack of need, no new CDRHs should be constructed. For planning and Determination of Need purposes, chronic disease and rehabilitation hospitals should be considered statewide rather than HSA-wide resources. Institutions will, therefore, be encouraged to compete to admit the severely disabled patients who are supposed to be their patients. In addition, hospitals will not be able to hide behind the technical underbedding in their area as a defense for inappropriate placement. By considering facilities to be statewide resources, the number of CDRH facilities and beds will be capped, and proper licensing and reimbursement system will be possible. If, over time, the number of chronic disease and rehabilitation hospital beds fall below the statewide target, consideration should be given to viewing these facilities as HSA-wide resources.

Consistent with this policy, Staff has calculated the need for the proposed replacement of 180 CD/R beds at Youville Hospital based on the existing supply and the projected need for these beds in the State as a whole.

STATEWIDE SERVICE AREA:

1985 Projected Elderly Population	747,895
Interim Planning Target	
CD/R Need in 1985	x 6.52 beds/1000
Current CD/R Supply*	4,876 beds
Unmet Need (Excess)	7,256
	(2,380)

Based on the above information, it can be determined that there is a substantial over supply of CD/R beds based on a statewide service area basis.

*Obtained from the State Health Plan plus the addition of 180 CD/R beds approved at Tewksbury, 80 CD/R beds approved at New England Sinai Hospital, and 68 CD/R beds approved at Grover Manor Hospital.

STAFF ANALYSIS: (cont.)3. Assessment of Need for Replacement of 180 CD/R Beds (cont.)

In the past, Tewksbury Hospital (10/30/79) and New England Sinai Hospital (6/24/80) have been before the Public Health Council (PHC) seeking determinations of need to increase their CD/R bed complement. Additionally, Grover Manor Hospital (GMH) (10/28/80) sought a DoN to downgrade 68 acute care beds to chronic disease beds. In all three cases the PHC voted to approve the additional CD/R beds, although an oversupply of CD/R beds existed in the State assuming a statewide service area. In the case of Tewksbury Hospital, a DPH facility, need was found for the addition of 180 CD/R beds on the basis that: 1) the beds were completely constructed and furnished (via shell space) and addition of the proposed 180 beds would be at no capital expenditure; 2) the applicant agreed to allot 90 of the beds to transfer from DMH facilities for a more appropriate and less costly alternative placement of those DMH patients; and 3) the applicant agreed to accept patients from area acute care hospitals awaiting placement for a more appropriate and less costly alternative placement of those hospital patients. In the case of New England Sinai Hospital (NESH), the PHC found that NESH provided services as a regional resource and on that basis found need for additional CD/R beds in the HSA V region. Although the Council found no need for the addition of 68 chronic disease beds at GMH, the Council found that denial of the project might adversely effect the financial feasibility of the entire Hospital because of unresolved reimbursement issues concerning hospital-based SNF's or hospital conversions to SNF's. For this reason the Council found need to downgrade the 68 acute care beds at GMH.

Consistent with the PHC's finding of need for additional CD/R beds in the New England Sinai Hospital region, Staff has calculated the need for replacing the 180 beds at Youville on the assumption that the hospital serves as a regional resource for HSA IV and HSA VI. As noted in the Background, about 77% of Youville's patients

STAFF ANALYSIS: (cont.)

3. Assessment of Need for Replacement of 180 CD/R Beds (cont.)

originate from HSA IV. Another 13.8% of the patients are from HSA VI. The two HSAs account for 90% of the patients at Youville.

The following is the calculation of need for additional CD/R beds assuming Youville is a regional resource for HSA IV and HSA VI:

	<u>NUMBER</u>	<u>PERCENT</u>
HSA IV - 1985 projected Elderly Population	271,060	
<u>HSA VI - 1985 projected Elderly Population</u>	<u>+81,280</u>	
Total Regional Elderly Population	352,340	
Interim Planning Target	x6.52 beds/1000	
CD/R Need in 1985	<u>2,297</u>	100%
Current CD/R Supply		
HSA IV 3753	3,873	169%
HSA VI 120		
Unmet Need (Excess)	(1576)	69%

As is evident from the calculations above, there is a substantial excess (1576) of CD/R beds if one considers Youville as a regional resource servicing HSAs IV and VI. This represents a 69% excess supply of CD/R beds in this region.

In conclusion, Staff has found an excess of CD/R beds on both a state wide and regional basis.

B. An important issue in evaluating need for CD/R beds is the appropriateness of existing patients in the hospital. The applicant has presented documentation in an attempt to demonstrate need for the 180 CD/R beds to be replaced. The documentation submitted by Youville bases the continuing need for the beds on the hospital's utilization practices, the appropriateness of the level of care of patients upon admission to the hospital, and the hospital's intensive discharge planning process.

STAFF ANALYSIS: (cont.)3. Assessment of Need for Replacement of 180 CD/R Beds (cont.)

Given the historical high proportion of nursing home level patients in CDRH's (as indicated by past DPH surveys and reviews referenced in the Task Force Report), it becomes important that the existing patient population be determined to be appropriately placed. Chronic disease and rehabilitation hospitals range in cost from \$50/day to over \$250/day representing a wide range of intensity of services provided including intermediate and skilled nursing levels of care as well as heavy nursing and rehabilitation requirements of clearly appropriate CD/R patients. Youville falls in the upper half of the range with an overall facility per diem of \$179.08. The hospital presents admissions policies, diagnostic mix and service availability generally appropriate to a CDRH.

In an effort to establish the appropriate placement of existing Youville patients, Staff reviewed both Utilization Review (UR) information for Youville from the Department of Public Welfare and the results of a Patient Assessment Survey developed by the Department of Public Health's Division of Health Care Quality. Staff notes that the UR information is based on the Hospital's own UR procedures as approved by DPW (Attachment VI). According to DPW information, Youville has reported in recent months between 5% - 15% of patients as inappropriately placed. These figures agree with those provided by the applicant. The Hospital attributes the inappropriate utilization experience to the paucity of SNF beds in HSA IV (see Point 2c of Staff's Analysis below). The hospital points to its discharge planning process as evidence that inappropriate utilization is direct result of a "bottleneck" in the long term care system. An average of 123 calls to nursing homes were required to place a patient in 1979-80, up from an average of 78 calls for a nursing home placement in 1977-78.

STAFF ANALYSIS: (cont.)

3. Assessment of Need for Replacement of 180 CD/R Beds (cont.)

For the purposes of the analysis of this application, Staff requested that the Division of Health Care Quality assess the appropriateness of placement of patients at Youville. The Division has developed an algorithm which allows computer-generated level of care determinations based upon data forms completed by the facility. The algorithm distinguishes CD/R and SNF patients from other long term care patients, but does not distinguish among patients needing Intermediate Care Facility (ICF), Rest Home (RH) or Community placement. The algorithm specifies the need for chronic care in terms of frequent physician services, treatments not appropriately provided in SNF's conditions not appropriately treated in SNF's, patients with very heavy care needs, and patients requiring intensive rehabilitation services. A copy of the survey instrument is appended as Attachment VII.

The survey forms were sent to Youville in June, 1982. The hospital completed the forms over a three week period and returned them to the Department. At the time of the survey Youville had 304 patients. The results of the survey are the following:

	<u>Facility Criteria</u>	<u>DPH Criteria</u>	<u>DPW Criteria</u>
Chronic*	284 (93.4%)	252 (83%)	208 (68%)
Not Chronic	20 (6.6%)	52 (17%)	96 (32%)
Total	304	304	304

*Includes Rehabilitation Patients

In addition to utilizing the DPH decision rule criteria, the patient assessment survey forms were analyzed in accordance with the Department of Public Welfare (DPW) criteria for level of care decisions. According to the DPW criteria, 32% (96) of the patients at Youville Hospital would be more appropriately cared for at a lower level of care.

While it is clear that the majority of patients at Youville Hospital are appropriately placed CD/R patients, it appears that a significant number of patients could be

STAFF ANALYSIS: (cont.)3. Assessment of Need for Replacement of 180 CD/R Beds (cont.)

cared for in skilled nursing facility. Staff believes that because at any given time between 20 and 96 patients would be more appropriately cared for at a lower level of care, any recommendation which is made must acknowledge this situation.

There is a recognized need for LI/II beds in Youville Hospital's service area (Point 3C). Youville Hospital is meeting part of that need by caring for LI/II patients now. It must be noted at this point that the per diem for a free-standing SNF (LI/II) is approximately \$45; while the per diem for patients classified as LI/II at Youville is \$171. Staff cannot recommend replacing (180) CD/R beds in order to care for SNF level patients at almost four times what the cost to the health care system should be. Clearly, a reduction in CD/R beds and an increase in SNF beds is appropriate for this area. The Department's appropriate response to the Youville and St. John of God applications would represent a major step in accomplishing the goal of ensuring quality patient care in the appropriate setting at the most reasonable cost.

As noted above, there is a wide range in the assessed number of SNF level patients currently at Youville Hospital from Facility's self-assessment of 20 patients to the DPW assessment of 96 patients. Staff believes that it is reasonable to assume that the actual number of SNF level patients lies between these two extremes and most closely approximates the DPH assessed number of 52 patients. Therefore, Staff believes the appropriate finding is that there is a need to replace 130 of the requested 180 CD/R beds at Youville. Further, Staff recommends that the licensed bed complement of Youville Hospital be reduced from 305 to 255 CD/R beds, which would reflect the actual number of CD/R patients being cared for at Youville Hospital. The appropriate corollary to this recommendation is that Youville Hospital consider establishing a free-standing Facility which would include 50 LI/II beds. This recommendation is clearly in accord with the

STAFF ANALYSIS: (cont.)

3. Assessment of Need for Replacement of 180 CD/R Beds (cont.)

major goals articulated in the State Health Plan for chronic Facilities: "(1) To 'rationalize' the system by properly classifying and licensing facilities; and (2) to establish a more cost effective system of care."

STAFF ANALYSIS: (cont.)

3. Assessment of Need for Replacement of 180 CD/R beds (cont.)

C. On the basis of the UR and PAS information indicating inappropriately placed patients, Staff has analysed the need for LI/II beds in the applicant's service area.

The Hospital is located in Long Term Care Subarea IV-35 (Cambridge, Somerville). Staff has, therefore, analyzed the need for LI/II beds in that area.

	<u>Based on OSHP Population Projection</u>	<u>Based on Medicare Enrollment</u>
Need for LI/II (1985)	655	649
Supply (3/10/82)	241	241
BANYL (3/10/82)	25	25
Net Need (Surplus)	389	383

Considering the obvious shortage of LI/II beds in the hospital's service area and the inappropriate placement of some patients at Youville, Staff's recommendation of a reduction in the bed complement of Youville Hospital from 305 to 255 CD/R beds and the establishment of free-standing facility to include 50 LI/II beds is an appropriate step in the direction of rationalizing the Commonwealth's long term care system.

4. Standards Compliance

Youville Hospital, in this application, is proposing to demolish one existing building (West Wing), cease patient care in a second (Main Wing), and "thin" out beds in a third (East Wing). The hospital proposes to construct two new buildings to house patients from the aforementioned existing structures.

The applicant has cited Life Safety Code (LSC) violations, the age of the existing structures and the inadequacy of space in the existing structures as reasons to support the need for the proposed project. Staff reviewed the Life Safety Code violations cited by JCAH in the buildings of this project (Attachment III). Staff also performed a site visit and requested that Staff of the Division of Health Care Quality comment on the LSC violations which would require major renovation or replacement of buildings to correct.

STAFF ANALYSIS: (cont.)4. Standards Compliance (cont.)

(Attachment VIII).

Staff finds that although there are LSC violations which cannot be corrected or would require major renovation to correct, the cited deficiencies alone are not enough to justify this proposal. As it is noted in Attachment VIII, the Fire Safety Evaluation System (FSES) is used in conjunction with standard life safety survey. The hospital was in fact surveyed in accordance with FSES in February, 1982. The hospital was required to take some corrective measures in order to gain an FSES equivalence of the LSC requirements. The FSES allowed the hospital to acquire a two-year JCAH accreditation.

In the view of Staff, the cost of correcting deficiencies in existing inpatient buildings must be considered in combination with several other factors.

One factor is the age of the building and the remaining useful life it would have once renovations were completed. A second, is the additional renovations not connected to citations but which would be required to bring the buildings into line with current norms for inpatient facilities. Staff has weighed these factors in considering the need for new construction and regards this as a more appropriate approach than limiting the analysis to a comparison of the capital costs of renovation versus replacement.

MAIN WING

Constructed: 1895

Type of Construction: Ordinary

Beds: 82

The major LSC violation associated with this building is that it is not of fire-resistive construction as required for buildings of over four stories which house patients. This is not a violation which renovation could correct since it addresses the basic structural components of the building. In addition to the patient care areas, there are various administrative offices, pharmacy, main hospital entrance, eye clinic, and podiatry service located in this building. The hospital proposes

STAFF ANALYSIS: (cont.)4. Standards Compliance (cont.)MAIN WING (cont.)

to retain this building for administrative purposes. Staff believes that by virtue of the age and the LSC violation which cannot be corrected, it is appropriate to consider this building inadequate for patient care areas.

WEST WING

Constructed: 1927

Type of construction: non-combustible

Beds: 83

The most serious LSC violations associated with this building pertain to means of egress (door widths, stair dimensions, stair landings and exit through wards). These deficiencies could require major renovation to correct. The hospital proposes to demolish this ^{/building} building. In addition to the LSC violations, forty of the beds in the West Wing are located in 10-bed open wards. Individual bathrooms are not provided, which the applicant states are an essential element in rehabilitation. The hospital also states that these wards do not enhance the psychological and social requirements of the therapeutic environment for chronic hospital care.

The West Wing houses three patient care floors and two floors of offices. Other services included in this building are radiology, social services, admitting, pre-admission screening, restorative services administration, and utilization review.

According to the applicant, the present facilities offered in both the Main Wing and the West Wing do not include bathrooms of sufficient space to accommodate program requirements. The hospital asserts that, at present, patient living quarters are crowded, and the nursing units themselves are not efficiently sized or organized to operate cost-effectively. Staff notes that it does appear that the present inpatient space is cramped with approximately 256 net usable square feet (NUSF)/bed overall, and approximately 202 NUSF/bed in the Main Wing and 258 NUSF/bed in the West Wing.

STAFF ANALYSIS: (cont.)4. Standards Compliance (cont.)

Staff concludes that the major rationale for this project does not lie solely in major LSC or JCAH deficiencies, but rather, it is in major functional and service deficiencies relating to spatial, functional, and design inadequacies. Staff believes it is important to recognize the practical economic and operational advantages of accomplishing updating during a single construction/renovation phase where such updating is logically part of long term need to improve hospital systems based on patients' clinical, environmental, and safety needs.

Based on the preceding discussion, Staff finds that a need exists for renovation and/or construction at Youville Hospital to ensure efficient operation and an adequate environment for patient care. However, given the high cost of hospital construction (construction, financing, and equipment) and given the high cost of maintaining such structures (energy, staffing, repair and maintenance), it is imperative that such construction/renovation be approved only for the bed complement which is found to be needed. Thus, while Staff recognizes the need to improve the physical environment, Staff also recognizes that this is the appropriate time to require a reduction in bed complement so as to more accurately reflect the health care needs of the population.

5. Alternatives to New Construction

The applicant presented to Staff a number of alternatives which were considered in the planning of this proposal. The alternatives involve renovation alone, renovation and construction, and new construction alone. The details of the alternatives are presented as Attachment IX. The hospital rejected these alternatives for a number of reasons:

- a) Some patients' units created by renovation would be too small for economical operation.

STAFF ANALYSIS: (cont.)5. Alternatives to New Construction

- b) Some inpatient units created by renovation would be too large for economical operation.
- c) The capital costs for these alternatives exceeded the capital cost for the proposed scheme.

In addition to the various renovation/construction alternatives presented in Attachment IX, the hospital also considered the following alternatives:

- a) Do Nothing - The hospital rejected this alternative on the basis of the previously noted deficiencies and operating inefficiencies. Staff concurs with this assessment.
- b) Earlier Patient Discharge - Rejected on the basis of the paucity of discharge slots. Based on the need of Level I/II beds in the hospital's service area, Staff concurs.
- c) Conversion of Nursing School - Rejected on the basis of the inadequacy of space in the nursing building which if renovated would create operating inefficiencies due to the small size of the nursing units (10-12 beds).
- d) Purchase of Contiguous Property - Rejected on the basis of the initial capital investment being disproportionate to both the potential benefit it would provide the hospital as well as the hospital's financial capabilities.

The hospital believes that the proposed alternative will remedy existing LSC, JCAH, and spatial and functional deficiencies relating to spatial, functional, and design inadequacies. Assuming full approval of the proposal, the applicant estimates cost savings of approximately \$300,000 due to reductions in staffing produced by efficient arrangement of patient care units. Staff assumes that cost savings proportional to the recommended replacement of 130 beds instead of 180 beds could be realized.

In view of the age and inadequacies (both patient care and space) of the Main and West Wings, Staff concurs that there is a need for new construction. However, Staff is recommending that only enough space be approved to replace 130 CD/R beds and to provide space for administrative and support services.

STAFF ANALYSIS: (cont.)5. Alternatives to New Construction (cont.)

This recommendation, along with the reduction of 50 beds will allow the hospital to alleviate the patient care and space inadequacies which exist in the present facility.

6. Space Analysis

In the absence of specific guidelines or criteria for space requirements for CD/R hospitals, Staff's analysis of the proposed space was somewhat problematic. In areas where the services of a CD/R hospital parallel an acute care hospital, Staff's analysis is based on DPH guidelines, and normative standards accepted by the Public Health Council on DoN projects. In other areas, Staff relied on information provided by the applicant and two existing DoN's (Project Number #4-2780, Massachusetts Rehabilitation Hospital and Project Number 4-2728, St. John God of Hospital issued via a "circumvention bill" approved by the Legislature) for CD/R hospitals.

Staff's recommendations for space allowance are based on the replacement of 130 CD/R beds, and the addition of ancillary and support space as needed. Staff notes that the applicant may choose to construct a single building to house all of the services or to construct as originally proposed two buildings which (due to the reduced complement and some reduction in the new ancillary/support space) would be smaller in size. The applicant will have to explore the implementation options, but the total space shall not exceed Staff's recommended allowance.

A. Nursing Units

As originally proposed, the project involved the new construction of two buildings, which combined would contain six 30-bed nursing units and would involve 68,580 NUSF. The new construction is for 381 NUSF/bed. Staff notes that this allowance is higher than some typical acute care hospital DoN projects approved by Council (Norwood - #4-2660: 332 NUSF/bed; Bon Secours Hospital - #3-2818: 336 NUSF/bed), but lower than the allowance of St. John of God Hospital of 411 NUSF/bed. According to the

STAFF ANALYSIS: (cont.)A. Nursing Units (cont.)

applicant the additional space for the CD/R nursing units is required to provide additional activity area and to provide restorative and rehabilitative services within the unit.

Given the nature of the CD/R patients and their functional disabilities which require various activity regimens and therapies over a prolonged period of time, Staff finds the proposed allowance of 381 NUSF/bed to be reasonable. However, based on Staff's recommendation of replacing 130 beds, the total NUSF should be 49,530 (130 x 381 NUSF/bed).

B. Outpatient Services

The outpatient services of this project encompass several specialty clinics (eye, podiatry, dental, and psychiatric) and a support service area for both the specialty clinics and the existing rehabilitation services (physical therapy and occupational therapy). The total requested NUSF for the outpatient area is 5078. The total visits for the specialty clinics combined is projected to be 4950. The visits for PT and OT in 1980 were 37,298 combined. Therefore, the total number of visits is 42,248 and visit to NUSF ratio is 3.1. The DPH Ambulatory Care Guidelines specify a ratio of 2.8 visits/NUSF for 28,000 and 3.4 visits/NUSF for 56,000 visits. Staff recommends that the requested 5078 NUSF be allowed.

C. Radiology

At present, the hospital has 980 NUSF for radiology and is requesting 2025 NUSF. The hospital projects 3200 radiology procedures annually. According to DPH Guidelines for Diagnostic Radiology, the space allowance should be 4.1 to 4.6 procedures/NUSF. Applying this guideline to the hospital's projection results in a range of space requirements of 695-780 NUSF, which is less than the present space. The applicant states that two factors should be considered. First, the nature of the typical patient slows down the patient flow (i.e. a routine chest x-ray which would take five minutes

STAFF ANALYSIS: (cont.)C. Radiology (cont.)

for a CD/R patient). As a result, x-ray utilization could be half as space efficient. Secondly, the 2025 NUSF includes Nuclear Medicine, Ultrasound, and portable x-ray. X-ray alone may be 500 NUSF less than 2025, or 1525 NUSF.

Staff believes it is appropriate to consider the case-mix of Youville in the analysis of space requirements for radiology. Staff also recognizes that the small number of procedures relative to an acute care hospital will result in diseconomies of scale for support areas. However, Staff believes that the request of 2025 NUSF is excessive.

In 1979, Massachusetts Rehabilitation Hospital (MRH) requested a total of 1,220 NUSF for 7600 procedures. Considering that Youville projects less than half the number of procedures as MRH, Staff believes that Youville Hospital should be allowed no more than 1220 NUSF for radiology.

D. Laboratory

At present, the Hospital has 2,348 NUSF for laboratory and is requesting 3,944 NUSF. The DPH Laboratory Guidelines recommend 48.88 to 56.88 tests/NUSF. The hospital projects a volume of 177,478 tests/year. According to DPH Guidelines, this volume of tests would require 3120-3631 NUSF. The hospital's request of 3,944 NUSF is therefore excessive. Staff recommends 3376 NUSF, the midpoint of the acceptable range, be allowed for the laboratory.

E. Other Functional Areas

A number of functional areas that are included in the proposed project have no firmly established guidelines to evaluate space allotment. Staff evaluated the following areas on the basis of a site visit, interhospital comparisons, and an examination of architectural drawings. According to the Hospital Survey Committee report on which DPH laboratory and radiology guidelines are based, the relationship between space and total beds is marginal or non-existent for the following areas:

STAFF ANALYSIS: (cont.)

E. Other Functional Areas (cont.)

administration, housekeeping, medical records, and social service. There is no indication that the proposals are not reasonable. Therefore, Staff is recommending that these areas be approved as proposed.

	<u>CURRENT</u>	<u>INVOLVED IN PROJECT</u>	<u>PROPOSED</u>
1) Administration	25,418 NUSF	6,093 NUSF	29,450 NUSF
2) Admitting/U.R./Cont. Care	286	2,335	2,335
3) Medical Records	577	1,483	1,483
4) Medical Services Offices	1,750	260	3,679
5) Social Services	1,198	156	2,518
6) Patient/Visitor Amenities	691	2,184	3,649
7) Housekeeping	1,884	2,970	3,337
8) Security	160	160	160

F. Summary Space Analysis

In summary, sizing proposals and recommendations are as follows:

<u>DEPARTMENT</u>	<u>PROPOSAL</u> ¹	<u>RECOMMENDATION</u> ¹
1) Nursing	68,580 NUSF	49,530 NUSF
2) Outpatient Department ²	5,078	5,078
3) Radiology	2,025	1,220
4) Laboratory	3,944	3,376
5) Administration	6,093	6,093
6) Admitting/U.R./Cont. Care	2,335	2,335
7) Medical Records	1,483	1,483
8) Medical Services Offices	260	260
9) Social Services	156	156
10) Patient/Visitor Amenities	2,184	2,184
11) Housekeeping	2,970	2,970
12) Security	95,268	160
13) Power Plant	24,373	21,692
TOTAL	<u>119,641</u>	<u>96,537</u>

1. New Construction only.
2. Includes specialty clinics and support areas.

STAFF ANALYSIS (cont.)7. Financial AnalysisA. Reasonableness of Proposed Capital Expenditure.

The Application proposes a range of capital expenditure as follows:

<u>Category of Expenditure</u>	<u>Minimum</u>	<u>Maximum</u>
<u>Construction costs:</u>		
1. Construction Contract (including bonding costs)	\$17,785,500	\$21,342,600
2. Site Survey and Soil Investigation	50,000	60,000
3. Architect's Fee	1,355,100	1,626,100
4. Architectural Supervision	90,000	108,000
5. Planning Costs	80,000	96,000
6. Net Interest Expense during construction	2,893,000	3,471,600
7. Total Construction Costs	22,253,600	26,704,300
<u>Financing Costs:</u>		
8. Financial Feasibility Study	\$ 50,000	\$ 60,000
9. Costs of securing financing (Legal and Administrative)	459,000	550,800
10. Mortgage Banker's Fee	399,000	478,800
11. Placement Fee	299,000	358,800
12. Total Financing Costs	1,207,000	1,488,400
13. Estimated Range of Total Capital Expenditure	<u>\$23,460,600</u>	<u>\$28,152,700</u>

STAFF ANALYSIS (cont.)

The schedule of costs is based on May 1, 1981 construction and financing dollars. The hospital has stated that the minimum amount of \$23,460,600 represents a fair estimate of the total project cost and made all financial assumptions and projections based on this figure. Staff's analysis is therefore, based on the minimum cost figure.

The projected construction cost per gross square foot (GSF) is \$110/GSF for the new South and West buildings and \$106/GSF for the Power Plant. These construction costs are reasonable compared to other projects and compared to the Marshall Valuation Service index for new construction.

In point 6 F of the Staff Summary, Staff found a need for 96,53 NUSF of new construction. Staff reduced the total construction cost accordingly by the following calculation:

1. Recommended space to be constructed (Patient Care & Support)	74,845 NUSF x 1.47 ratio of GSF/NUSF in application <hr/> 110,022 GSF	
2. Recommended Space to be constructed (Power Plant)	21,692 NUSF X 1.2 GSF/NUSF <hr/> 26,034	
3. Space to be deleted (Patient Care & Support)	140,044 GSF <hr/> -110,022 GSF <hr/> 30,022 GSF	(proposed) (recommended approval)

STAFF ANALYSIS: (cont.)

4. Space to be deleted (Power Plant)	29,247 (proposed)
	<u>- 26,034 (recommended)</u>
	3,213 GSF
5. Cost to be deleted (30,022 GSF x \$110.00/GSF) + (3,213 GSF x \$106.11/GSF)=	\$3,643,351
6. Cost of Construction (based on Staff recommendation)	\$17,785,500
	<u>3,643,351</u>
	\$14,142,149

Staff finds that based on Staff's recommendation, the cost of new construction should be \$14,142,149.

Financing Costs are dependent on the amount of construction; these costs should be reduced proportionately. Staff finds the recommended maximum capital expenditure should be \$18,637,470, itemized as follows:

Construction Contract	\$14,142,149
Architectural Fees	1,074,803
Architectural Supervision	70,711
Site Survey & Soil Investigation	50,000
Planning Cost	56,569
<u>Total Construction Costs</u>	<u>\$15,394,232</u>
Net Interest During Construction	\$2,305,170
Financial Feasibility Study	35,399
Costs of Securing Financing (Legal and Administrative)	371,687
Mortgage Banker's Fee	300,890
Placement Fee	230,092
<u>Total Financing Costs</u>	<u>\$ 930,068</u>
Estimated Total Capital Expenditure	\$18,637,470

STAFF ANALYSIS: (cont.)B. Financial Feasibility

1. Staff has recommended that the total bed complement of Youville Hospital be reduced from 305 to 255 CD/R beds. The bed reduction raises the issue of whether the hospital can continue to operate with a total of 255 beds. Without a revised pro forma statement based on a reduced bed complement, it is difficult to discuss specific affects of the reduction.

However, Staff believes that the reduction should not affect the operational capability of Youville Hospital. The decrease in operating revenue will be concomitant with a decrease in operating expenses. Additionally, as noted previously the per diem rates for chronic disease hospitals varies tremendously (\$50-\$250). The per diem range is associated with an equally varied range in total bed complements for the chronic disease hospitals.

Staff, therefore, finds that Youville Hospital will be able to operate with a total bed complement of 255 beds.

2. The applicant plans to finance this project by a Federal Housing Administration Insured Mortgage; the terms quoted in the application are 14.5% interest and a period of 25 years. Based on Staff's recommended capital expenditure, the loan principal required would be \$15,136,470 (\$4 Million to be met by other sources including Plant Replacement and Expansion Fund Accumulated non-operating revenue, and Unrestricted Gifts/Bequests).

STAFF ANALYSIS: (cont.)

A general examination of financial data indicates that the hospital should be able to undertake the project as revised. Although revenue would be decreased due to the bed reduction, the bed reduction would presumably be phased in through attrition during the life of the project (estimated to be 40 months). Therefore, there will be no sudden decrease in revenue and as previously noted a decrease in operating revenue will in large part be matched by a decrease in operating expense.

However, if the hospital's financial operation were to change between now and the anticipated time of project implementation, it would, of course, be prudent to consider reducing the scope of the project in order to focus on the highest priority areas (i.e. the nursing units).

C. Impact on Operating Costs

The applicant's projection of total operating expenses to the Hospital in 1986, the first year after completion was:

Assuming Project Approval: \$36,488,600

Assuming Project Denial: \$32,906,500

Difference \$ 3,582,100

Based on the applicant's projection of 109,098 patient days, this is an increase of \$32,83 per patient day. The applicant projected an equal increase in net patient services. Based on the 82% paid by Medicaid in 1980, the incremental impact of the project as originally proposed on the Medicaid budget can be roughly estimated at \$2,937,322 for the year 1986 alone. This estimate is in 1986 dollars, used by the Hospital in completing financial reports.

STAFF ANALYSIS: (cont.)

Although Staff's recommendation to reduce the scope of the project based on a reduction of 50 beds results in savings in capital expenditure from that proposed, the recommended reduction will result in even more substantial operating cost savings over the life of the project. The project which is approved can be conservatively expected to have a useful life of 30 years.

The reduced capital expenditure will, of course, result in a decrease in the operating expense categories of depreciation and interest over what the applicant estimated for full project approval. However, the greatest operating cost savings will be realized through the reduction of 50 beds, which will eliminate expenses associated with the operation of two nursing units.

The largest expense category is salaries and wages. The applicant estimated the following overall staffing changes based on this project:

Actual (1980)
728.4

Number of FTE's
Assuming Approval (1986)
747.5

Assuming Denial (1986)
756.4

The applicant projected a cost savings of \$300,000 based on staffing efficiencies resulting from project approval. While Staff recognizes that the increased size in the physical plant will necessitate increases in staffing for repairs and maintenance, laundry and linen, and housekeeping proportional to the increased size of the physical plant, these staff increases should be more than offset by reductions in the nursing staff. Staff believes that there is nothing associated with this project that would cause an overall increase in the hospital staff. Further, Staff would expect that the

STAFF ANALYSIS: (cont.)

operating efficiencies projected by the hospital should still be realized as Staff's recommendation still allows the efficient distribution of patients in nursing units which would produce these savings. Therefore, Staff recommends that the approved hospital staffing changes associated with this DON application should be:

<u>Cost Center</u>	<u>PRESENT TOTAL FTE'S</u>	<u>APPLICANT'S PROPOSED (DECREASE) INCREASE FTE'S</u>	<u>STAFF'S RECOMMENDED INCREASE (DECREASE) FTE'S</u>
Repairs & Maintenance	20.2	1	0.8
Housekeeping	45.7	2	1.6
Medical/Surgical Routine	317.4	(11.9)	(48)
All others	345.1	0	0

All other personnel categories should not be affected by this DON application and should not change. It is important to note that this recommendation does not bind the Hospital to the maintenance of a specific staffing complement. The Hospital may implement any staffing changes it believes are appropriate so long as they fall within the broad requirements of licensure agencies and within the third party payor agencies. Rather, this recommendation states clearly that this determination of need, in authorizing the renovations and new construction, does not include an exemption or pass through of additional operating costs related to staffing. Instead the recommendation provides for a change in operating costs equivalent to the sum of: 1) the above noted staffing changes; and 2) an increase in depreciation and interest associated with the approved MCE and financing method.

In summary, Staff believes that cost savings from the Hospital's projections associated with Staff's recommendation should be considerable. These potential savings to the system are the particular concern of reimbursement agencies. This project will have a significant impact on the medical budget, as well over 80% of the revenue at Youville Hospital comes from Medicaid. The Department of Public Welfare is concerned, in general, with a pressing need to reduce the rate of increase to the Medicaid budget associated with Youville Hospital.

STAFF ANALYSIS: (cont.)

Potential cost savings are a major factor in Staff's recommendation, which would include a reduction of 50 CD/R beds when the project is completed. It should be stressed that the reduction in beds and operating costs would result in no decrease in the quality of care at Youville Hospital. In Staff's view, the system cannot afford a capital expenditure for services for which need cannot be clearly demonstrated.

8. Environmental Impact

Youville Hospital submitted an environmental notification form to the Executive Office of Environmental Affairs (EOEA). EOEA determined that the project did not require an Environmental Impact Report (Attachment 1).

EOEA staff did not note, however, that a number of issues relating to potential environmental impacts of the project were raised by ten-taxpayer groups. EOEA advised that the hospital should continue to meet periodically to inform them of design plans as they become finalized and to work with them to resolve matters of neighborhood concern.

In a memo to the DON Program Director, the Director of Massachusetts Environmental Protection Agency summarized the commitments which that office considered essential to ensure that environmental impacts of the project are minimized. Further, the MEPA Director requested that the DON office ascertain that certain steps enumerated in the memo be incorporated into the project proposal before a Certificate of Need is granted (Attachment 1, pp. 3 & 4).

STAFF ANALYSIS: (cont.)

At this point, Staff notes that the hospital has been meeting with the ten taxpayer groups, and although a final agreement has not yet been reached, the hospital and the ten taxpayer groups have been able to reach agreement on a number of the recommended items. Staff is recommending that a condition be attached which pertains to the finalization of an agreement between the hospital and the ten taxpayer groups. This condition will be more fully discussed in the following section.

COMMENTS BY THE TEN TAXPAYERS GROUPS:

Four ten taxpayer groups have requested and been recognized as formal parties in the review process of this application. All of the taxpayer groups have raised issues concerning the impact of the proposed project on the neighborhood during the construction process and upon its completion. The Department held a public hearing on this application on July 8, 1981, to gather information and comments on the proposal from the ten taxpayer groups and concerned individuals. Written comments have been submitted by the ten taxpayer groups and a number of individuals. Both the comments from the Public Hearing and written comments are summarized below.

Public Hearing Comments

Some individuals attending the Public Hearing expressed support for the Youville Hospital DON application; a number of others raised a variety of issues and concerns. One area of concern which was raised was the lack of involvement of the neighborhood in the planning of this project.

COMMENTS BY THE TEN TAXPAYER GROUPS: (cont.)
Public Hearing Comments (cont.)

Staff has addressed this concern in point 2 of the Staff Analysis. However, Staff again notes that community input is an important component to sound hospital planning.

A desire was expressed by the ten taxpayer groups to participate in the design process for the project. At this point in time, the hospital has agreed to the formation of a site overview committee composed of hospital and neighborhood representatives. The responsibilities and authority of this committee have not as yet been determined.

Another major issue is that of the construction process itself. Concern regarding asbestos removal, truck traffic, noise, parking, and air pollution has been expressed. These concerns raised by the ten taxpayer groups and other individuals have been echoed by the Director of MEPA (point 8 of the STAFF ANALYSIS). These concerns must be satisfactorily addressed by the hospital before construction commencement.

Neighborhood residents also expressed distress over possible future expansion of the hospital into the residential area. Staff notes that this neighborhood is also the site of Cambridge City Hospital, the Harvard Community Health Plan, and a new high school complex. The residents of the area are feeling hemmed in by institutions. The Hospital has stated that it has no plans to expand beyond the area where it is presently located. Staff believes however, that the hospital should involve the community in the planning process for any future projects.

A number of individuals expressed concern at the expenditure associated with the project through questions about the alternatives which the hospital considered

COMMENTS BY THE TEN TAXPAYER GROUPS: (cont.)
Public Hearing Comments (cont.)

and the impact on cost per patient day. Staff shares this concern and has addressed it throughout this analysis in assessing need for services and evaluating the costs which might be saved without any loss of needed services as a basis for recommending an approval in part of this proposal.

Hospital - Ten Taxpayer Group Negotiations

During the pendency of this application, the hospital and ten taxpayer groups have been meeting in an effort to develop an agreement which would address the concerns discussed above. The major issues which the TTG's have presented pertain to site planning, the construction process, and future land use. At this point in time, the hospital and TTG's have reached agreement on a number of issues. Staff has attached the most recent proposals from the hospital and the TTG's (Attachment XI).

The negotiation process has at times frustrated both parties. Staff believes that the process has been fruitful and that a satisfactory agreement can be implemented. Both parties had in fact expressed a strong desire to complete this agreement before the proposal was presented to the Public Health Council. Because the staff analysis is completed and a written agreement has not been completed, Staff is recommending as a condition of the approval in part this application:

That a written agreement between Youville Hospital and the ten taxpayer groups shall be submitted to the Department at the time of submission of final plans. The agreement shall contain commitments from the Hospital addressing the issues raised by the Massachusetts Environmental Protection Agency (Attachment 1, pp. 3 and 4) and shall contain assurances that the ten taxpayer groups will be consulted throughout the planning, design, and implementation phases of this project.

STAFF FINDINGS:

1. Staff finds that Youville Hospital proposes to construct a new Energy Power Plant and to construct New South and West Buildings for replacement of 180 beds, clinical, and supportive services.
2. This application has been declared comparable to the application of St. John of God Hospital (IV-2984) which requests an increase in the licensed bed capacity of SJOG from 60 to 70 CD/R beds.
3. On balance, Staff finds that the Hospital's planning process has been adequate.
4. There is an oversupply of CD/R beds based both on a statewide service area and a regional service area encompassing HSA's IV and VI.
5. Staff finds that between 20 and 96 patients at Youville Hospital should be cared for at a lower level of care.
6. Based on the preceding finding, Staff is recommending a reduction of 50 beds from Youville Hospital's bed complement resulting in a total bed complement of 255 CD/R beds. This bed complement reflects the actual number of CD/R patients at Youville Hospital. The corollary to this recommendation is that given the area need for LI/II beds, Youville Hospital should explore the possibility of establishing a free-standing nursing home which would include 50 LI/II beds.
7. Staff finds that there is a need for LI/II (SNF) beds in LTCSA 4-35 where Youville Hospital is located.

STAFF FINDINGS: (cont.)

8. Based on the discussion in Point 4 of the Staff Analysis, Staff finds that the major rationale for the project does not lie in major LSC or HCAH deficiencies, but that a need exists for renovation and/or construction at Youville Hospital to ensure efficient operation and an adequate environment for patient care.
9. In view of the age and inadequacies (both patient care and space) of the Main and West Wings and the cost of major renovations, Staff finds that the West Wing should be demolished and that there is need for newly constructed space to house 130 beds and relocate administrative and support services.
10. Staff finds that there is a need to replace 130 CD/R beds and that the space allocated for these beds should be 49,530 net usable square feet (381 NUSF/bed).
11. Staff finds need has been demonstrated for expansion or relocation of the following areas: radiology; laboratory; administration; admitting, utilization review, and continuing care; medical records; medical services offices; social services; patient/visitor amenities; housekeeping; security; and a new power plant. Staff finds that the space recommendations for each area, summarized in Point 6F of this analysis, are appropriate.
12. Based on Staff's recommended reduction in the scope of the project, Staff finds that the maximum capital expenditure should be reduced to \$18,637,470.
13. Based on the range of chronic disease hospital bed-complements and the associated range of per diems for them, Staff finds that Youville Hospital will be able to operate with a total bed complement of 255 beds.

STAFF FINDINGS: (cont.)

14. A general examination of financial data indicates that the hospital should be able to undertake the project as revised.
15. Staff finds that, the impact of the project, as proposed, on the Medicaid budget of \$2,937,322 in 1986 is not reasonable given that need has not been demonstrated for the total project as proposed.
16. Staff finds that the applicant's projected operating costs are not reasonable based on its projection of increased costs related to construction and operation of services for which Staff did not find need.
17. Due to the increase in physical plant size, Staff finds a need to increase the staff of maintenance by .8 FTE and housekeeping by 1.6 FTEs. Based on the recommended reduction of total beds from 305 to 255, Staff recommends a decrease of 48 FTE's in routine medical/surgical services.
18. Staff finds that the recommended reduction in the scope of the project would result in operating cost savings.
19. Based on concerns expressed by the Massachusetts Environmental Protection Agency and by the ten taxpayer groups, Staff finds that the following should be a condition of approval in part of this application:

That a written agreement between Youville Hospital and the ten taxpayer groups shall be submitted to the Department at the time of submission of final plans. The agreement shall contain commitments from the Hospital addressing the issues raised by the Massachusetts Environmental Protection Agency (Attachment I, pp. 3 and 4) and shall contain assurances that the ten taxpayer groups will be consulted throughout the planning, design, and implementation phase of this project.

not make sure

~~amendment~~ P.S. Will you also type up and endorse

the attached order as amended for 9 A.M.

after ten tap payed in 2nd to last line the follow:
and any other appropriate neighborhood group
which indicated they wish to be consulted"

STAFF RECOMMENDATION: Approval in Part with Condition

Based on the above Staff Analysis and Findings, Staff recommends approval in part with condition of this application at a maximum capital expenditure of \$18,637,470. Staff recommends approval of new construction to house 130 CD/R beds, radiology, laboratory, Administration, Admitting/Utilization Review/Continuing Care, Medical Records, Medical Services Offices, Social Services, Patient/Visitor Amenities, Housekeeping, Security and Power Plant in 96,537 net usable square feet of space, as indicated in Point 6 of the Staff Analysis. The resulting bed complement will be 255 CD/R beds.

Staff recommends denial of new construction proposed for 50 CD/R beds.

Staff recommends denial of 23,104 nusf of new construction.

Staff recommends that the following condition accompany this approval in part:

c/c
order

"That a written agreement between Youville Hospital and the ten taxpayer groups shall be submitted to the Department at the time of submission of final plans. The agreement shall contain commitments from the Hospital addressing the issues raised by the Massachusetts Environmental Protection Agency (Attachment 1, pp. 3 and 4) and shall contain assurances that the ten taxpayer groups will be consulted throughout the planning, design, and implementation phases of this project.

STAFF RECOMMENDATION: (cont.)

The revised project costs associated with this approval in part are as follows:

Category of ExpenditureConstruction Costs

1. Construction Contract (including bonding costs)	\$14,142,149
2. Site Survey and Soil Investigation	50,000
3. Architect's Fee	1,074,803
4. Architectural Supervision	70,711
5. Planning Costs	56,569
6. Net Interest Expense during construction	2,305,170
7. Total Construction Costs	<u>\$17,699,402</u>

Financing Costs:

8. Financial Feasibility Study	\$35,399
9. Costs of Securing Financing (Legal and Administrative)	371,687
10. Mortgage Banker's Fee	300,890
11. Placement Fee	230,092
12. Total Financing Costs	<u>\$930,068</u>
13. Estimated Total Capital Expenditure	\$18,637,470

These costs are stated as if construction commencement were May, 1981, the application filing date, and are therefore eligible for an inflation increase up to the actual commencement of construction.

S-724A

Comm. from Youville Hospital enclosing a Staff Summary for Determination of Need by the Public Health Council Re: construction of a new Energy Power Plant & construction of new South & West buildings.

November 23, 1982