



Public Health and Health Planning Council

Project # 142108-E Long Island Jewish Medical Center

Program: Hospital
Purpose: Establishment

County: Queens
Acknowledged: September 11, 2014

Executive Summary

Description

Long Island Jewish Medical Center (LIJMC), a 1,025-bed not-for-profit acute care facility, requests approval to become the operator of two hospitals through mergers: Forest Hills Hospital, a 312 bed not-for-profit acute care facility in Queens County and Franklin Hospital, a 305 bed not-for-profit acute care facility in Nassau County. Franklin includes a Residential Health Care Facility (RHCF) known as North Shore-LIJ Orzac Center for Rehabilitation, a 120 bed RHCF also located in Nassau County. Both hospitals will become divisions of LIJMC. The Franklin Hospital Certified Home Health Agency is not a part of this application, as it is being closed and the license transferred to another entity under CON 142068.

LIJMC expects that the proposed mergers with Forest Hills and Franklin hospitals will result in savings and efficiencies that will enable the two facilities to remain financially viable and to serve their communities more effectively. Expected benefits include;

Cost Savings

- Reduction in management and administrative costs due to right sizing span of control.
- Improved utilization of resources through standardization of processes across the hospitals and elimination of duplicative costs.
- Integration into a single EMR, as well as a single registration and scheduling system, resulting in several back-end efficiencies in managing IT systems for three separate hospitals.

Additional Benefits

- Facilitate the coordination and the quality of care

provided in this region.

- Ensure flexibility in delivering the most appropriate level of care to patients within the North Shore – LIJ Health System’s Queens and Southwest Nassau regions.
- Streamline administrative oversight resulting in a positive impact to the communities served as measured through quality, efficiency, and patient experience scores.
- A single integrated medical staff across the campuses will improve the timeliness of provider communication, increase the integration of best clinical practices, and provide greater ability for physicians to refer and follow patients across the care continuum, regardless of which facility patients choose.

North Shore Long Island Jewish Health Care, Inc. is the active parent/co-operator of LIJMC. Franklin and Forest Hills are already members of the North Shore-Long Island Jewish Health System, Inc. (NS-LIJ), a comprehensive integrated delivery system formed to ensure the delivery of a broad range of quality healthcare services to the communities it serves and to achieve economies of scale through consolidation, cooperation and joint planning among its members. Also, the Hospitals are members of the NS-LIJ Obligated Group, formed to provide its members an enhanced credit position and expanded access to capital markets

OPCHSM Recommendation

Contingent Approval

Need Summary

This project will not change utilization, services, or beds in any of the involved facilities. They will continue to operate but as different campuses of a single article 28 facility operated by Long Island Jewish Medical Center.

There is no anticipated change in utilization rates due to this project.

Program Summary

Based on the information reviewed, staff found nothing that would reflect adversely upon the applicants'

character and competence or standing in the community.

Financial Summary

There are no project costs associated with this application.

| | | |
|---------|-------------|------------------------|
| Budget: | Revenues: | \$1,654,476,100 |
| | Expenses: | <u>\$1,647,440,500</u> |
| | Gain(Loss): | \$7,035,600 |

It appears that the applicant has demonstrated the capability to proceed in a financially feasible manner.

Recommendations

Health Systems Agency

There will be no HSA recommendation for this project.

Office of Primary Care and Health Systems Management

Approval contingent upon:

1. Submission of documentation of approval by the Office of Mental Health. [PMU]
2. Submission of the executed Certificate of Merger of Forest Hills Hospital into Long Island Jewish Medical Center, acceptable to the Department. [CSL]
3. Submission of the executed Agreement of Merger between Forest Hills Hospital and Long Island Jewish Medical Center, acceptable to the Department. [CSL]
4. Submission of the executed Certificate of Merger of Franklin Hospital into Long Island Jewish Medical Center, acceptable to the Department. [CSL]
5. Submission of the executed Agreement of Merger between Franklin Hospital and Long Island Jewish Medical Center, acceptable to the Department. [CSL]
6. Submission of an executed amendment to the Certificate of Incorporation of Long Island Jewish Medical Center, acceptable to the Department. [CSL]
7. Submission of executed Certificates of Assumed Name of Long Island Jewish Medical Center, acceptable to the Department. [CSL]

Approval conditional upon:

1. The project must be completed within three years from the date of the Public Health and Health Planning Council recommendation letter. Failure to complete the project within the prescribed time shall constitute an abandonment of the application by the applicant and an expiration of the approval. [PMU]

Council Action Date

December 4, 2014

Need Analysis

Background

Long Island Jewish Medical Center (LIJMC) is seeking approval to acquire through mergers two hospitals, which will become division of LIJMC. LIJMC is a 1,025-bed hospital located at 270-05 76th Ave, New Hyde Park, 11040, in Queens County. The two facilities to be acquired are Forest Hills Hospital, a 312 bed hospital at 102-01 66th Road, Forest Hills, 11375, in Queens County and Franklin Hospital, a 305 bed hospital located at 900 Franklin Ave, Valley Stream, 11580, in Nassau County. There would be no change in beds and services at these facilities as a result of this CON. Franklin Hospital includes a Residential Health Care Facility, the North Shore-LIJ Orzac Center for Rehabilitation, a 120 bed nursing home located at 900 Franklin Ave, Valley Stream 11580.

Analysis

The average Medicaid admission rate for residential healthcare facilities in Nassau County was 18.7% in 2012. The average occupancy rate for Nassau County in that year was 92.6%. Utilization and Medicaid admission rates for the Orzac Center for Rehabilitation are given below.

| Year | Medicaid Admission Rate | Occupancy Rate |
|------|-------------------------|----------------|
| 2010 | 6.1% | 95.6% |
| 2011 | 7.4% | 96.2% |
| 2012 | 4.9% | 96.6% |

This facility has Medicaid admission rates lower than the 75% of county-average Department standard; It is expected that the applicant will implement measures to increase Medicaid admissions going forward.

The bed charts for the involved hospitals are provided below. There will be no changes in bed counts upon completion of this project.

| Bed Category | Certified Beds | Requested Action | Certified Capacity Upon Completion |
|----------------------------|----------------|------------------|------------------------------------|
| Bone Marrow Transplant | 4 | 0 | 4 |
| Coronary Care | 10 | 0 | 10 |
| Intensive Care | 62 | 0 | 62 |
| Maternity | 76 | 0 | 76 |
| Medical / Surgical | 435 | 0 | 435 |
| Neonatal Continuing Care | 4 | 0 | 4 |
| Neonatal Intensive Care | 24 | 0 | 24 |
| Neonatal Intermediate Care | 29 | 0 | 29 |
| Pediatric | 108 | 0 | 108 |
| Pediatric ICU | 37 | 0 | 37 |
| Psychiatric | 236 | 0 | 236 |
| Total | 1025 | 0 | 1025 |

Table 3: Forest Hills Hospital Bed Chart

| Bed Category | Certified Beds | Requested Action | Certified Capacity Upon Completion |
|----------------------------|-----------------------|-------------------------|---|
| Intensive Care | 28 | 0 | 28 |
| Maternity | 20 | 0 | 20 |
| Medical / Surgical | 251 | 0 | 251 |
| Neonatal Continuing Care | 9 | 0 | 9 |
| Neonatal Intermediate Care | 1 | 0 | 1 |
| Pediatric | 3 | 0 | 3 |
| Total | 312 | 0 | 312 |

Table 4: Franklin Hospital Bed Chart

| Bed Category | Certified Beds | Requested Action | Certified Capacity Upon Completion |
|---------------------|-----------------------|-------------------------|---|
| Coronary Care | 8 | 0 | 8 |
| Intensive Care | 8 | 0 | 8 |
| Medical / Surgical | 248 | 0 | 248 |
| Pediatric | 20 | 0 | 20 |
| Psychiatric | 21 | 0 | 21 |
| Total | 305 | 0 | 305 |

Conclusion

This project will have no impact on patient access to healthcare or utilization rates. It should improve efficiencies and allow the organizations involved to more effectively deliver their services to the communities they serve in Nassau and Queens Counties.

Recommendation

From a need perspective, approval is recommended.

Program Analysis

Project Proposal

Long Island Jewish Medical Center (LIJMC) seeks approval to acquire through mergers Forest Hills Hospital and Franklin Hospital and certify them as divisions of LIJMC. Franklin Hospital includes a Residential Health Care Facility known as the North Shore-LIJ Orzac Center for Rehabilitation. There are no anticipated changes to hospital services provided. [Of note, the Franklin Hospital Certified Home Health Agency (PFI 3032) is being closed and the license transferred to another entity (under CON 142068) and is not part this application.]

Combining these hospitals into a single Article 28 facility will result in a single integrated medical staff across campuses that is likely to contribute to improvements in timeliness of provider communication and the sharing best practices. Further, it will provide physicians the ability to refer and follow patients across the care continuum-- regardless of which facility they chose to receive services. In time, the three facilities will integrate into a single EMR as well as a single registrations/scheduling system. Streamlined administrative oversight should contribute to a more financially stable framework through operational effectiveness and efficiencies.

A full Character and Competence Review was conducted on all members of the Long Island Jewish Medical Center board and disclosures were made as part of project CON #141004 which was approved by PHHPC in June 2014.

In conducting the aforementioned Character and Competence Review, staff from the Division of Certification & Surveillance reviewed the disclosure information submitted regarding licenses held, formal education, training in pertinent health and/or related areas, employment history, a record of legal actions, and a disclosure of the applicant's ownership interest in other health care facilities. Licensed individuals were checked against the Office of Medicaid Management, the Office of Professional Medical Conduct, and the Education Department databases as well as the US Department of Health and Human Services Office of the Inspector General Medicare exclusion database.

Additionally, the staff from the Division of Certification & Surveillance reviewed the ten-year surveillance history of all associated facilities. Sources of information included the files, records, and reports found in the Department of Health. Included in the review were the results of any incident and/or complaint investigations, independent professional reviews, and/or comprehensive/focused inspections. The review found that any citations were properly corrected with appropriate remedial action.

Recommendation

From a programmatic perspective, approval is recommended.

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| Financial Analysis |
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Operating Budget

The applicant has submitted an operating budget, in 2014 dollars, for the first and third years, which are summarized below:

| <u>Inpatient and Outpatient</u> | <u>Year One and Three</u> |
|---------------------------------|---------------------------|
| Total Net Patient Revenue | \$1,556,640,300 |
| Other Operating Revenue* | <u>97,835,800</u> |
| Total Revenue | \$1,654,476,100 |
| Expense: | |
| Operating | \$1,533,762,700 |
| Interest | 37,433,800 |
| Depreciation | <u>76,244,000</u> |
| Total Expense | \$1,647,440,500 |
| Excess Revenue(Loss) | \$7,035,600 |
| Inpatient Discharges | 83,197 |
| Visits | 524,857 |

*Other Operating Revenues are made up of physician practice revenues, net assets released from restrictions which are donations that offset operating expenses, capitation and grant revenues, distributions from the hemophilia consortium and cafeteria revenue.

Utilization by payor source, for the first and third years, is projected as follows:

| <u>Inpatient</u> | <u>Year One and Three</u> |
|--------------------------|---------------------------|
| Commercial Managed Care | 35.2% |
| Medicare-Fee-For-Service | 20.5% |
| Medicare Managed Care | 12.9% |
| Medicaid Managed Care | 27.4% |
| Private Pay | 4.0% |
| <u>Outpatient</u> | <u>Year One and Three</u> |
| Commercial Managed Care | 33.3% |
| Medicare-Fee-For-Service | 19.8% |
| Medicare Managed Care | 6.2% |
| Medicaid Managed Care | 31.7% |
| Private Pay | 9.0% |

Expenses and utilization assumptions are based on the combined historical operations of LIJMC, Franklin Hospital and Forest Hill Hospital, as well as market trends. Projected revenues and expenses exclude the Orzac Center for Rehabilitation, off-site CFAM ambulatory surgery and cancer clinics, home care and medical groups.

Capability and Feasibility

There are no project costs for this application.

The submitted budget projects a net profit for the first and third years of \$7,035,600. Management continues to focus on various initiatives such as revenue cycle improvement, supply chain savings and productivity and efficiency initiatives to counteract programmatic losses. Revenues are based on prevailing payment methodologies and current payment rates. The budget appears reasonable.

As shown on BFA Attachments B and C, for the year ending December 31, 2013, and the six-months ended June 30, 2014, LIJMC has maintained positive working capital, net asset position, and experienced net operating loss of \$2,987,000 and a net operating income of \$27,935,000, respectively. LIJMC's net loss in 2013 is due to the inclusion of the full value of certain paid time off and third party liabilities that may be resolved and paid in more than a one year period.

As shown within BFA Attachments B and C, for the year ending December 31, 2013, and the six-months ended June 30, 2014, Forest Hills and Franklin experienced negative working capital and net assets. Forest Hills had maintained positive net operating income of \$8,418,000 and \$6,006,000, respectively, and Franklin has experienced a \$3,036,000 net operating loss for the year ending December 31, 2013, and maintained a \$732,000 net operating profit as of June 30, 2014.

Management is continually working to improve net assets by managing operating expenses and investing in the facility's programs to enhance capacity. This includes:

- Strategic program growth and physician recruitment to improve volume,
- Managing overtime utilization and flexing staff levels in conjunction with volume.

Based on the preceding, it appears that the applicant has demonstrated the capability to proceed in a financially feasible manner; approval is recommended.

Recommendation

From a financial perspective, approval is recommended.

Attachments

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| BFA Attachment A | Organization Chart- Current and Proposed |
| BFA Attachment B | 2013 Financial Summary for North Shore-Long Island Jewish System Inc. and Obligated Group |
| BFA Attachment C | June 30, 2014 Financial Summary for North Shore-Long Island Jewish System Inc. and Obligated Group |
| BFA Attachment D | Pro Forma Balance Sheet- Long Island Jewish Medical Center |