



**REPORT TO THE SUBCOMMITTEE ON
EXECUTIVE REORGANIZATION AND
GOVERNMENT RESEARCH
COMMITTEE ON
GOVERNMENT OPERATIONS
UNITED STATES SENATE**

**Planning, Construction,
And Use Of Medical Facilities
In The Jacksonville, Florida, Area**

B-167966

**BY THE COMPTROLLER GENERAL
OF THE UNITED STATES**

AUG. 27, 1971

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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-167966

Dear Mr. Chairman:

This is our report on the results of our review of the planning, construction, and use of medical facilities in the Jacksonville, Florida, area. The review was made in response to your request of September 18, 1969.

The responsible Federal, State, and local health organizations have not been given an opportunity to formally examine and comment on this report, although most of the matters were discussed with their representatives during the review.

We plan to make no further distribution of this report unless copies are specifically requested, and then we shall make distribution only after your agreement has been obtained.

Sincerely yours,

A handwritten signature in black ink, appearing to read "A. Kellner".

Arthur Kellner
Comptroller General
of the United States

The Honorable Abraham A. Ribicoff
Chairman, Subcommittee on
Executive Reorganization and
Government Research
Committee on Government Operations
United States Senate

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ABBREVIATIONS

FHA	Federal Housing Administration
GAO	General Accounting Office
HEW	Department of Health, Education, and Welfare
PHS	Public Health Service

D I G E S T

WHY THE REVIEW WAS MADE

At the request of the Chairman, Subcommittee on Executive Reorganization and Government Research, Senate Committee on Government Operations, the General Accounting Office (GAO) examined into the coordination among Federal and State agencies and local health organizations in planning and constructing acute-care hospitals and skilled-nursing-care facilities in certain metropolitan areas.

GAO also reviewed the extent to which certain medical facilities and services were shared among hospitals.

The reviews were made in Baltimore, Maryland; Cincinnati, Ohio; Denver, Colorado; Jacksonville, Florida; San Francisco, California; and Seattle, Washington. These areas were selected on the basis of geographic distribution and the levels of Federal financial participation in the construction of hospital and skilled-nursing-care facilities. GAO did not review the quality of care being provided by hospitals and skilled-nursing-care facilities. This report presents the results of GAO's review in the Jacksonville area.

Federal, State, and local health organizations have not been given an opportunity to formally examine and comment on the contents of this report.

FINDINGS AND CONCLUSIONS

Background

The Bureau of Community Medical Facilities in the Florida Department of Health and Rehabilitative Services (State agency) administers grants made under title VI of the Public Health Service Act (42 U.S.C. 291), commonly known as the Hill-Burton program, by the Public Health Service (PHS) of the Department of Health, Education, and Welfare (HEW) for construction and modernization of hospitals and other medical facilities.

The State agency annually prepares a plan setting forth an estimate of the number of acute-care hospital beds and skilled-nursing-care beds needed for 5 years in the future. Although GAO verified the mathematical accuracy of the State agency's computation of future bed needs, an evaluation was

not made of the appropriateness of the methodology prescribed by PHS for use by the State planners in determining future bed needs. (See pp. 4 and 37.)

Need for hospital beds

According to the 1970 State plan, Duval County (which consists mainly of the city of Jacksonville) will need 2,510 hospital beds by 1974. The capacity of non-Federal hospitals in Duval County at December 31, 1969, was 637 fewer beds than the projected need. By 1974 the capacity, as estimated by GAO on the basis of plans for future construction, will about equal the projected need. (See p. 8.)

Although the State agency used the PHS formula in computing hospital bed needs, it made adjustments to its computations that were not in accordance with PHS regulations. Had the State computed its needs without these adjustments, the projected need by 1974 would have been 1,847 beds, or 663 fewer beds than shown as needed in the State plan. GAO noted that such adjustments were not made in computing bed needs for the 1971 State plan. (See p. 12.)

Federal financing can be made available for the construction of a medical facility only if the State agency issues a certificate of need for the proposed facility. The certificate of need must be based on a comparison of the current bed capacity of facilities in service or under construction with the projected need as shown in the State plan. Consequently an overstated estimate of future bed needs may lead to Federal financial assistance for the construction of facilities not actually needed. (See p. 16.)

Four hospitals, containing 788 beds and involving \$31.8 million in Federal grants (\$3 million) and mortgage insurance (\$28.8 million), are under construction or planned for construction in Duval County. Because the need for hospital beds in Duval County as shown in the 1969 and 1970 State plans was overstated, Federal financial assistance has been made available for construction of these hospitals for which a need would not have been determined had the future bed need been determined in accordance with the PHS formula. (See p. 16.)

The State agency established individual counties or groups of counties in Florida as service areas rather than followed PHS regulations which required that in establishing service areas consideration be given to locations where hospital patients lived and obtained their hospital care and where medical manpower was readily available. (See p. 20.)

Duval County hospitals have medical specialists and specialized equipment which are not available in the hospitals in the neighboring counties. Many hospital patients who reside in the six counties neighboring Duval County receive their care in Duval County hospitals. Hospitals in the neighboring counties are experiencing low occupancy rates. Therefore it appears that the six counties and Duval County should be combined into one service area for planning purposes. (See p. 20.)

Need for skilled-nursing-care beds

According to the 1970 State plan, Duval County will need 1,379 skilled-nursing-care beds by 1974. The capacity of skilled-nursing-care facilities in Duval County at December 31, 1969, was 1,247 beds. By 1974 the capacity, as estimated by GAO on the basis of plans for future construction, will be about 1,897 beds, or about 518 more beds than the projected need. (See p. 24.)

The 1970 State plan did not include 548 beds in facilities which did not conform to Hill-Burton construction standards in the inventory of skilled-nursing-care beds that would be available to meet the projected bed requirements by 1974. These facilities complied with State and local licensing and safety requirements. (See pp. 28 and 29.)

PHS regulations, however, require that such beds be considered in determining whether the number of bed spaces in facilities in operation or under construction is sufficient to meet future bed requirements.

Had the 1970 State plan recognized these beds, the plan would have shown that the bed capacity of skilled-nursing-care facilities as of December 31, 1968, exceeded the projected need in 1974 by 307 beds rather than showed a need for 241 additional beds. Exclusion of nonconforming beds in computing bed capacity to meet estimated needs in the 1970 State plan resulted in the issuance of certificates of need by the State agency for the construction of additional skilled-nursing-care facilities. Federal financial assistance later was approved for the construction of these facilities. (See pp. 24 and 29.)

Sharing of medical equipment and services

Seven non-Federal hospitals in Duval County (each with over 100 beds) generally provide the same types of specialized medical services, such as neurosurgery, and have similar medical equipment. At each of these hospitals, neither the volume of work nor the number of patients was sufficient to utilize fully the available equipment. Low utilization of equipment results in higher charges for each unit of service. GAO believes that State planning organizations should make detailed studies to determine the potential for sharing specialized medical services and that the State agency should know what services are available and needed before it approves new projects for an area. (See pp. 30 to 36.)

Recent legislation--Public Law 91-296--increases Federal financial participation in projects involving the sharing of health services. It should provide hospitals which are seeking Federal grant funds with incentive to share services.

CHAPTER 1

INTRODUCTION

HILL-BURTON PROGRAM

Title VI of the Public Health Service Act (42 U.S.C. 291), commonly known as the Hill-Burton program, authorizes the Public Health Service to make grants to States for the construction of medical facilities. PHS, under the Hill-Burton program, requires each State to designate a single agency to administer the program and to prepare a State plan annually, projecting for each designated service area of the State the need for medical facilities and comparing that projected need with the resources expected to exist.

Pursuant to Florida law, the Bureau of Community Medical Facilities was designated as the State agency responsible for administering the Hill-Burton program. The State agency annually prepares a plan setting forth an estimate of the number of acute-care hospital beds and skilled-nursing-care beds needed for the ensuing 5 years. Separate estimates are made for each service area.

The basic data used by the State agency to estimate the need for hospitals and skilled-nursing-care facilities consists of current and projected population data furnished by the Bureau of the Census and hospital and skilled-nursing-care-facility utilization data, expressed in terms of patient-days during the most recent year, furnished by the facilities. The PHS guidelines for preparing the State plan do not require that PHS; Veterans Administration; or military facilities, or the days of care that were rendered in these facilities, be considered in the planning process.

To arrive at an estimated average daily census of patients, the State agency multiplies the projected population by the current use rate (the number of days of inpatient care in the most recent year for each 1,000 population) and divides the result by 365. The resulting average daily census is divided by 80 percent for hospitals and 90 percent for skilled-nursing-care facilities to arrive at an estimate of beds needed, assuming an 80-percent occupancy rate for hospitals and a 90-percent occupancy rate for

skilled-nursing-care facilities. This provides an estimated 20- or 10-percent vacancy rate to meet emergencies. An extra 10 beds are added to the estimated number of hospital beds needed as an additional precaution to ensure that emergency patients can be treated.

JACKSONVILLE AREA HEALTH COMPLEX

The State agency has divided the State into 58 service areas, primarily on a county basis. According to PHS regulations, a service area is:

"The geographic territory from which patients come or are expected to come to existing or proposed hospitals *** or medical facilities ***."

Duval County is considered to be a service area by the State agency. The six counties which neighbor Duval County constitute five service areas.

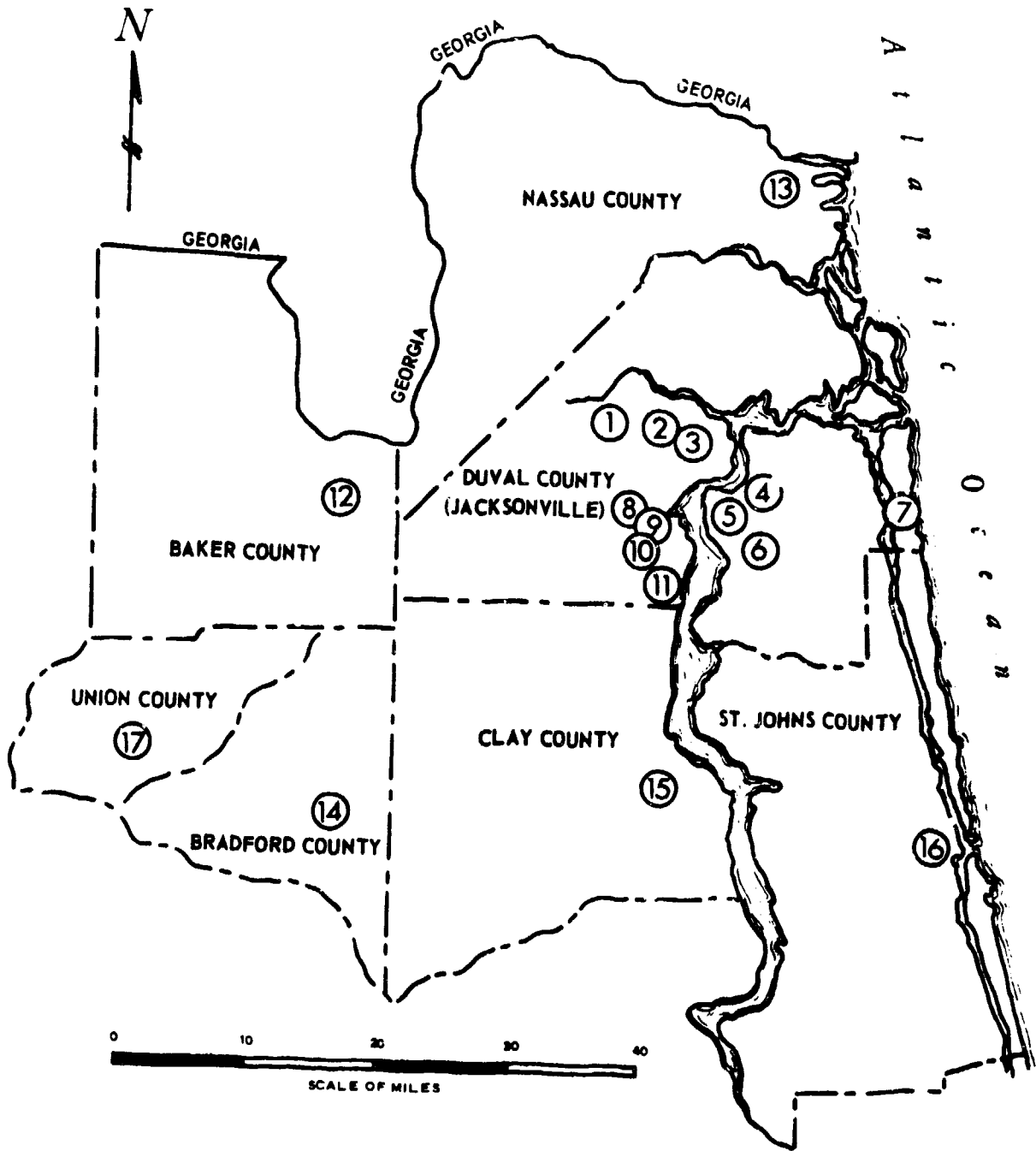
There are 11 hospitals, including a facility operated by the U.S. Navy, and 13 skilled-nursing-care facilities in Duval County. In the neighboring six counties, there are five hospitals and six skilled-nursing-care facilities. The map on page 6 shows the location of the hospitals in the Jacksonville area.

Generally there are two types of nursing-care facilities: (1) those which provide care for convalescent or chronic-disease patients requiring skilled nursing care and which are under the general direction of persons licensed to practice medicine or surgery in the State and (2) those which provide domiciliary care. Only the facilities providing skilled nursing care qualify for Hill-Burton grants. Our review included only those facilities providing skilled nursing care.

OTHER HEALTH PLANNING ORGANIZATIONS

In accordance with the Hill-Burton legislation, the Governor of Florida appointed a State Hospital Advisory Council. Its membership includes representatives of non-governmental organizations or public agencies concerned with the construction, operation, or utilization of hospitals

MAP OF HOSPITALS IN JACKSONVILLE AREA



- | | |
|----------------------------------|----------------------------------|
| 1. DUVAL MEDICAL CENTER | 10. DOCTOR'S HOSPITAL |
| 2. ST. LUKE'S HOSPITAL | 11. U.S. NAVY HOSPITAL |
| 3. METHODIST HOSPITAL | 12. ED FRAZER MEMORIAL HOSPITAL |
| 4. HOPE HAVEN CHILDRENS HOSPITAL | 13. HUMPHREY'S MEMORIAL HOSPITAL |
| 5. BAPTIST MEMORIAL HOSPITAL | 14. BRADFORD COUNTY HOSPITAL |
| 6. MEMORIAL HOSPITAL | 15. CLAY MEMORIAL HOSPITAL |
| 7. BEACHES HOSPITAL | 16. FLAGLER HOSPITAL |
| 8. RIVERSIDE HOSPITAL | 17. UNION COUNTY HOSPITAL |
| 9. ST. VINCENT HOSPITAL | (UNDER CONSTRUCTION) |

and other facilities and representatives of consumers familiar with the need for services provided by the facilities. The council meets at least once each year to consider the annual revisions in the State plan and the construction schedule of projects proposed under the plan.

Public Law 89-749, approved November 3, 1966, created the Partnership for Health Program which introduced the concept of comprehensive health planning. Under this new type of planning, it is envisioned that both providers and consumers of health services will participate in identifying health needs and resources, establishing priorities, and recommending courses of action.

The Bureau of Comprehensive Health Planning, Division of Administrative Services, Florida Department of Health and Rehabilitative Services, is responsible for administering and coordinating comprehensive health planning at the State level.

The Health Planning Council of the Jacksonville Area, Inc., is the comprehensive health planning agency for Jacksonville. Its service area encompasses northeast Florida-- Duval, Baker, Bradford, Clay, Nassau, and St. Johns counties. The council, incorporated by the State as a nonprofit corporation in 1963, is a voluntary organization. The council, at its outset, devoted its efforts to studying the manner in which such medical facilities as hospitals and nursing homes should be expanded, taking into consideration hospital and nursing home utilization trends and demographic (population) characteristics of the Jacksonville area.

In October 1968 the council was designated as the area-wide comprehensive health planning agency. It expanded its planning efforts and established the objectives of ensuring that residents have adequate health-care facilities and of securing the highest quality of care consistent with economy.

CHAPTER 2

PLANNING AND CONSTRUCTION OF HOSPITALS

According to the 1970 State plan prepared by the State agency, Duval County will need 2,510 hospital beds by 1974. The bed capacity of non-Federal hospitals in Duval County as of December 31, 1969, was 1,873 beds, or 637 fewer beds than the projected need. We estimate that, if current plans of hospital officials are carried out, the total bed capacity by 1974 would be increased to 2,518 beds, or eight beds in excess of the need as projected in the State plan.

Although the State agency used the PHS formula in computing hospital bed needs for use in the State plan, it made adjustments to its computations that were not in accordance with PHS regulations. Had the State agency computed future bed needs in Duval County in accordance with the PHS formula, the projected need for 1974 would have been 1,847 beds, rather than 2,510 beds.

Four hospitals, containing 788 beds and involving \$31.8 million in Federal grants (\$3 million) and mortgage insurance (\$28.8 million), are under construction or planned for construction in Duval County. Because the need for hospital beds in Duval County as shown in the 1969 and 1970 State plans was overstated, Federal financial assistance has been made available for construction of these hospitals for which a need would not have been determined had the future bed need been determined in accordance with the PHS formula.

Of the 10 non-Federal hospitals in Duval County, five had 399 beds in use or available for use that did not conform to Hill-Burton construction standards. Most of the 399 beds did not conform because the buildings in which the beds were located were not constructed of fire-resistant materials or did not meet other safety requirements of the Hill-Burton construction standards.

One of the five hospitals, containing 29 of these beds, was operating under a provisional State license pending

completion of a replacement facility. The remaining four hospitals complied with State licensing and safety requirements. One of these four hospitals, containing 202 nonconforming beds, was to be replaced by a new facility which was under construction at the time of our fieldwork. According to the State plan, the remaining nonconforming beds would require modernization to conform to Hill-Burton standards.

PHS regulations require that such nonconforming beds be considered in determining whether the number of beds in facilities in operation or under construction are sufficient to meet future bed requirements. The State plan included these beds as being available to meet current and future patient-care needs.

The State agency established individual counties or groups of counties in Florida as service areas rather than related the establishment of service areas to the locations where large numbers of hospital patients lived and where medical manpower was readily available, as required by PHS.

Studies of patients receiving care in Duval County hospitals showed that a large number of these patients lived in the six counties neighboring Duval County. Five of these counties have hospitals which had experienced low occupancy rates. In the other neighboring county, which at the time of our fieldwork did not have a hospital, Federal assistance has been obtained for the construction of a 25-bed hospital. (See p. 22.)

PLANNED CHANGES IN HOSPITAL BED CAPACITY

In accordance with PHS regulations, the State agency in preparing the State plan does not consider planned increases or decreases in bed capacity but considers only additional capacity under construction. Therefore we interviewed hospital officials and local planning officials to determine plans for increasing or decreasing hospital bed capacity.

We were informed that six of the 10 hospitals in Duval County planned to increase their total bed capacity by 645 beds by 1974. Three of the six hospitals were constructing, or planned to construct, additional facilities which would increase their total bed capacity by 366 beds. Another hospital was planning to convert 50 existing beds from skilled-nursing-care beds to use for acute-care beds. The remaining two hospitals were constructing new facilities which would have a capacity of 460 beds and which would replace facilities containing 231 beds, or a net increase of 229 beds.

Following is our analysis of the projected changes in bed capacity--planned and under construction--in Duval County for the period 1970 to 1974.

<u>Hospital</u>	<u>Bed capacity at 12-31-69 (note a)</u>	<u>Increase in beds during 1970</u>	<u>Projected bed capacity at 12-31-70</u>	<u>Increase in beds 1971-74</u>	<u>Projected bed capacity by 1974</u>
St. Vincent	341	38 ^b	379	-	379
Baptist Memorial	391	256	647	-	647
Duval Medical Center	202	154 ^c	356	-	356
St. Luke's	238	72 ^d	310	-	310
Riverside	159	-	159	-	159
Methodist	164	-	164	-	164
Hope Haven Childrens	80	-	80	-	80
Beaches	69	-	69	-	69
Memorial	200	-	200	50 ^e	250
Doctor's	29	75 ^f	104	-	104
	<u>1,873</u>	<u>595</u>	<u>2,468</u>	<u>50</u>	<u>2,518</u>

^aBased on State agency's statistics and information.

^bUnder construction as of December 31, 1970.

^cExisting 202-bed hospital to be replaced by a hospital with a capacity of 356 acute-care beds. Preliminary plans call for the existing hospital to be converted to a skilled-nursing-care facility.

^dFacilities for 72 beds completed in June 1970.

^eSkilled-nursing-care beds to be converted for use as acute-care beds.

^fExisting 29-bed hospital to be replaced by a hospital with a capacity of 104 beds.

Of the five hospitals in Duval County for which new or additional facilities were under construction or were planned for construction, four received Federal financial assistance in the form of Hill-Burton grants or Federal Housing Administration (FHA) mortgage insurance.

<u>Hospital</u>	<u>Esti- mated cost</u>	<u>Federal assis- tance</u>	<u>Type of assistance</u>
	(millions)		
Baptist Memorial	\$34.7	\$25.0	FHA mortgage insurance
Duval Medical Center	14.7	1.5	Hill-Burton grant
St. Luke's	5.2	1.5	Hill-Burton grant
Jacksonville General (note a)	<u>4.2</u>	<u>3.8</u>	FHA mortgage insurance
Total	\$58.8	\$31.8	

^aName of proposed new 104-bed osteopathic hospital which is to replace 29-bed Doctor's Hospital.

The U.S. Navy operates a 463-bed general hospital in Duval County. This facility provides medical service to active duty military personnel and their dependents and to retired military personnel and their dependents. These personnel constitute about 37 percent of the estimated population of 500,000 of Duval County. Hospital officials told us that there were no plans to change the capacity of the hospital.

OVERSTATEMENT OF BED NEEDS IN 1970 STATE PLAN

Although the State agency used the PHS formula in computing hospital bed needs, it made adjustments to its computations that were not in accordance with PHS regulations. The 1970 State plan shows that Duval County will need 2,510 beds by 1974; however, if future needs had been computed solely on the basis of the PHS formula, the projected need would have been 1,847 beds by 1974, or 26 fewer beds than the 1,873 beds that were available at December 31, 1969. Three adjustments made by the State agency in computing future bed needs in Duval County are discussed below.

Adjustments to use rate

PHS regulations state that a service area's use rate (number of days of patient care each year for each 1,000 people) is the best measure of use for planning purposes. PHS regulations provide that a use rate be based on the most current hospital use experience available.

In computing bed needs for Duval County, the State agency applied the use-rate data for calendar year 1968, the most current data available at the time the State plan was prepared. In preparing the State plan, however, the State agency increased the 1968 use rate by 23 percent for all service areas in Florida, including Duval County. This increase in the use rate was based on State-wide data which showed that the hospital use rate throughout Florida had increased by 23 percent during the period 1963-68. Over the same period, however, the use rate for Duval County had increased by only 11 percent. The State agency had made use-rate adjustments annually from 1966.

The chief of the State agency informed us that he believed that an adjustment in the use rate was needed. He explained that, because the use rate increased by 23 percent from 1963 to 1968, it was reasonable to assume that this increase in hospital use would continue. He said, however, that, in preparing future State plans, the State agency would consider adjusting the use rate for each service area on the basis of each service area's experience, rather than on the basis of State-wide experience.

The State agency, in estimating future bed needs for inclusion in the State plan each year, is required by PHS to use the most current hospital use data to compute a use rate. A change in the use rate of a service area from the previous year's rate would change the estimated future bed requirements in the new State plan. Therefore the adjustment to the use rate for Duval County in the 1970 State plan resulted in an overstatement of future bed requirements in the plan.

We were informed by a PHS official that the adjustment of the use rate had been deleted from the formula used in computing bed needs for the 1971 State plan.

Adjustments for Medicare beneficiaries

The projected need for beds was increased by 10 percent to meet the anticipated needs of persons aged 65 or over who were eligible for Medicare benefits.

The 10-percent increase was used for the 1967 and 1968 State plans because sufficient statistics were not available at the time these plans were prepared to forecast the increased need as a result of the Medicare program. From July 1966, however, Medicare patients have been using Florida hospitals and the impact of the program was reflected in hospital use data. Therefore adjustments to the State plans for 1969 and 1970 to provide for Medicare patients did not seem appropriate.

The chief of the State agency agreed that the 10-percent adjustment was no longer needed since Medicare patient-days were already included in hospital patient-days. This adjustment was not made in computing bed needs for the 1971 State plan.

Adjustment for tourists

The State agency added about one million tourists, or an increase of about 14.5 percent, to the State's projected resident population in estimating bed needs. Although the addition of tourists appears to have increased estimated bed needs, it actually had the opposite effect, because it

caused the projected area use rate to be less than it would have been if the tourists had not been included.

The inclusion of tourists in population data appears to have been contrary to title VI of the Public Health Services Act, as amended in 1964 by section 3(a) of Public Law 88-443 which provides that the State plan set forth the number of general hospital and long-term-care beds for inpatient care of persons residing in the State. Inasmuch as Florida tourists generally are residents of other States, they are therefore included in the resident populations used by those States in computing bed needs.

Also PHS regulations provide that the projected population of all service areas in a State not be more than the projected State-wide population estimate furnished by PHS, except as may be required by (1) exclusion of large population groups served by facilities not included in the State plan (i.e., Indians served by PHS facilities) and (2) adjustment for State border areas which serve an interstate population group. The adjustment for tourists was not made in computing bed needs for the 1971 State plan.

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A comparison of bed needs for Duval County by 1974 for the 1970 State plan, as determined by using the State agency method and the PHS formula, is shown below.

	<u>State agency method</u>	<u>PHS formula</u>
Area use rate--1968:		
(1) Duval County Hospital patient-days--1968	477,218	477,218
(2) Duval County population (thousands)--1968	544.6 ^a	500.5 ^b
(3) Duval County area use rate (per thousand) (1) ÷ (2)	876	953
Projected area use rate--1974:		
(4) State-wide patient-days per thousand population--1968	1,034	
(5) State-wide patient-days per thousand population--1963	841	
(6) Percentage increase in State-wide patient-days per thousand population	23	
(7) Duval County projected area use rate--1974: 876 x 123 percent	1,077	
953 x 100 percent		953
Projected average daily census--1974:		
(8) Projected area use rate	1,077	953
(9) Projected population (thousands)--1974	616.1 ^a	562.3 ^b
(10) Projected average daily census (8) x (9) ÷ 365	1,818	1,469
Projected bed need--1974:		
(11) Projected average daily census	1,818	1,469
(12) Percent occupancy	80	80
(13) Additional beds for programming purposes	10	10
(14) Projected bed need (11) ÷ (12) + (13)	2,282	1,847
Percent increase in bed need for Medicare patients	10	
(16) Additional beds for Medicare patients	228	
(17) Total projected bed need	2,510	1,847

^a Includes tourist population and population, except active duty military personnel, supported by the Navy hospital.

^b Excludes tourist population but includes population, except active duty military personnel, supported by Navy hospital.

We discussed the 1970 State plan with the Associate Regional Program Director, PHS, who stated that the bed needs shown in the plan were overstated due to adjustments to the use rate and adjustments for Medicare beneficiaries and tourists. He said that the bed needs were so overstated that the plan's effectiveness as a planning document was lost and that it was possible for nearly any project sponsor to obtain a certificate of need for the construction of a hospital.

The Associate Regional Program Director informed us that he had met with the chief of the State agency to discuss these adjustments. He informed us also that, in preparing the 1971 State plan, the State agency had deleted the three adjustments--for use rate, for Medicare beneficiaries, and for tourists. If the State agency had continued to make these adjustments, the bed need in future State plans would have been overstated.

Federal financial assistance, in the form of Hill-Burton grants, FHA mortgage insurance, or Small Business Administration loans, can be made available for the construction of a medical facility only if the State agency issues a certificate of need for the proposed facility. The decision to issue a certificate of need is based on a comparison of the existing bed capacity of facilities (in service and under construction) with the projected need as shown in the State plan.

As stated previously, four hospitals, containing 788 beds and involving Federal assistance of \$31.8 million, are under construction or planned for construction in Duval County. Because the need for hospitals in Duval County as shown in the State plans for 1969 and 1970 has been overstated due to the adjustments made by the State agency, Federal financial assistance has been made available for the construction of four hospitals in Duval County (see p. 11) which, had the future bed need been determined in accordance with the PHS formula, would not have been needed according to the State plan.

UTILIZATION OF EXISTING HOSPITAL BEDS

The average occupancy rate for nine of the 10 non-Federal hospitals in Duval County for the period October 1, 1968, to September 30, 1969, was about 82 percent. Data was not available for the remaining hospital. A local planning official advised us that a desirable level of occupancy was 90 percent for hospitals of 100 beds or more and 80 percent for hospitals of fewer than 100 beds. PHS guidelines prescribe an occupancy factor of 80 percent for use in computing the number of beds required in a service area.

The following table shows the bed capacity and the occupancy rates of the non-Federal hospitals in Duval County.

<u>Hospital</u>	<u>Capacity at December 31, 1969</u>		<u>Average occupancy rate (note a)</u>	
	<u>Licensed (note b)</u>	<u>Survey (note c)</u>	<u>Licensed capacity</u>	<u>Survey capacity</u>
St. Vincent	361	341	87.7%	92.8%
Baptist Memorial	400	391	81.7	83.6
Duval Medical Center	256	202	69.1	87.6
St. Luke's	239	238	88.7	89.1
Riverside	159	159	69.9	69.9
Methodist	174	164	75.9	80.5
Hope Haven Childrens	72	80	54.1	48.7
Beaches	68	69	54.3	53.5
Memorial	310	200	(d)	(d)
Doctor's	<u>29</u>	<u>29</u>	<u>58.8</u>	<u>58.8</u>
	<u>2,068</u>	<u>1,873</u>	<u>77.8</u>	<u>81.8</u>

^aBased on occupancy statistics for the period October 1, 1968, to September 30, 1969. At the time of our fieldwork, these were the most recent statistics available.

^bLicensed beds represent the maximum number of beds that the State authorized the facility to use.

^cSurvey beds represent the available capacity as determined by the State agency by applying PHS formula. This determination is based primarily on a minimum requirement standard of square footage of usable floor space for each bed. Minimum required square footage is defined as 100 square feet for each bed in a single room and at least 80 square feet for each bed in a multibed room.

^dNew facility which began operation in May 1969.

As shown in the above table, certain hospitals in Duval County are experiencing relatively low occupancy rates--less than 80 percent. If current plans of hospital officials are carried out, total bed capacity in Duval County will be increased to 2,518 beds, or 671 more beds than the need that would have been projected in the State plan if the State agency had computed future bed requirements in accordance with the PHS formula. Since the estimate of future bed needs for Duval County in the State plan was overstated due to the adjustments, however, the State plan showed that there was a substantial need for additional hospital bed spaces in Duval County. Therefore organizations which sought Federal assistance for the construction of medical facilities received certificates of need from the State agency.

As shown on page 11, four hospitals in Duval County, for which new or additional facilities were being constructed or were planned for construction, received Federal assistance in the form of Hill-Burton grants or FHA mortgage insurance.

Facilities excess to needs result in underutilization of facilities, and underutilization generally results in higher operating costs for each patient-day. Since the Government reimburses hospitals and skilled-nursing-care facilities under the Medicare and Medicaid programs, the Government can be expected to share in the higher operating costs.

Newly constructed hospitals can affect substantially the occupancy rate of existing hospitals. For example, two hospitals, Baptist Memorial and Methodist, experienced a substantial decline in their occupancy rates when Memorial Hospital, a 200-bed facility, opened in May 1969. During the 12-month period prior to the opening of Memorial Hospital, Baptist Memorial had an occupancy rate of 93.9 percent. The occupancy rate of Baptist Memorial Hospital declined to 86.3, however, during the first year that Memorial Hospital was open.

The occupancy rate of Methodist Hospital during the same 12-month period prior to the opening of Memorial Hospital was 85.6 percent. During the first year of operation of Memorial Hospital, the occupancy rate of Methodist Hospital dropped to 72.1 percent.

Further, during the 6-month period July to December 1970, Memorial Hospital had a 92.9-percent occupancy rate while the occupancy rates of Baptist Memorial and Methodist Hospitals dropped to 74.1 percent and 62.2 percent, respectively.

We noted that Baptist Memorial had obtained an FHA-insured loan to finance the construction of a facility that would provide 256 additional bed spaces. This facility was under construction at the time of our fieldwork. In view of the declining occupancy rates the hospital experienced since the opening of Memorial Hospital, it is reasonable to assume that the occupancy rate of Baptist Memorial will further decline after the addition of 256 bed spaces.

LACK OF CONTROL BY PLANNING AGENCIES
OVER CONSTRUCTION OF HOSPITALS AND
SKILLED-NURSING-CARE FACILITIES

The only direct control over the construction of hospitals and skilled-nursing-care facilities that is available to State agencies applies to facilities to be constructed with Federal assistance, in that, before such assistance can be furnished, a certificate of need must be issued by the State agency. (See p. 16.)

If a proposed project is to be financed privately and if its design and specifications meet State construction standards, the State agency cannot disapprove the project even though the facilities will be excess to projected needs. Also the Health Planning Council of the Jacksonville Area, Inc., which is responsible for comprehensive health planning at the local level, has no effective means of preventing construction of facilities excess to projected needs; it can only recommend that construction not be undertaken and attempt to persuade project sponsors to curtail construction plans.

HOSPITALS IN NEIGHBORING COUNTIES

There are six counties neighboring Duval County which constitute five separate service areas in the Florida State plan. Bradford, Clay, Nassau, and St. Johns Counties each represent a service area, and Baker and Union Counties represent one service area. (See p. 6.) Most of the towns in the six neighboring counties are within 45 miles of Jacksonville. Also the Duval County hospitals have medical specialists and specialized equipment which are not available in the hospitals in neighboring counties.

Studies made by the council of hospital patients showed that a large number of patients living in the counties neighboring Duval County received care in Duval County hospitals. In each of five neighboring counties, hospitals were experiencing low occupancy rates. In the sixth county, Union County, a 25-bed hospital was under construction at the time of our fieldwork. This hospital was financed primarily with Federal funds. Federal, State, and local health officials informed us that facilities in adjacent counties could serve the medical needs of the people intended to be served by the new hospital and expressed doubt as to whether Union County had, or could get, the resources to staff and operate the new hospital.

PHS regulations require that the State agency establish service areas on the basis of (1) locations of hospital patients' homes, (2) availability of medical manpower, (3) distance and travel time to hospitals, and (4) the socioeconomic, demographic, trade, and transportation characteristics of the areas. The regulations also provide that county boundaries not be used to define service areas unless they represent the most logical areas for planning health facilities and services.

Studies conducted by the council showed that, for the 12-month period ended June 1969, 53 percent of the residents of Baker County who were hospitalized in the six-county area (Duval, Baker, Bradford, Clay, Nassau, and St. Johns) surveyed by the council went to Duval County hospitals. During this same period, the occupancy rate for the Ed Fraser Memorial Hospital in Baker County was only

22 percent. Further, during the same period, 41 percent of the residents of Clay County who were hospitalized in the six-county area went to Duval County hospitals. The occupancy rate during this period for the Clay Memorial Hospital in Clay County was 59 percent.

The following table shows the bed capacity and the occupancy rates for the five hospitals in the counties neighboring Duval County.

County	Hospital	Capacity at December 31, 1969		Average occupancy rate (note a)	
		Licensed	Survey	Licensed capacity	Survey capacity
Baker	Ed Fraser Memorial	25	25	20.5	20.5
Bradford	Bradford County	50	50	66.3	66.3
Clay	Clay Memorial	60	60	65.6	65.6
Nassau	Humphrey's Memorial	53	56	54.4	51.5
St. Johns	Flager	131	122	70.1	75.2

^aBased on occupancy statistics for the period July 1, 1969, to June 30, 1970.

Planned changes in hospital bed capacity

A new hospital was under construction in a neighboring county at the time of our fieldwork. Further, plans were being formulated for the construction of two new hospitals and for the conversion of an existing hospital for use as a skilled-nursing-care facility. Following is an analysis of planned changes in bed capacity in the six counties neighboring Duval County.

<u>County and hospital</u>	<u>Bed capacity at 12-31-69 (note a)</u>	<u>Increase in beds during 1970</u>	<u>Projected bed capacity at 12-31-70</u>	<u>Increase or decrease (-) in beds 1971-74</u>	<u>Projected bed capacity by 1974</u>
Baker:					
Ed Fraser Memorial	25	-	25	-	25
Bradford:					
Bradford County	50	-	50	-	50
Clay:					
Clay Memorial	60	-	60	-60 ^b	-
New (unnamed)				150 ^c	150
Nassau:					
Humphrey's Memorial	56	-	56	-	56
St. Johns:					
Flager	122	-	122	-	122
New (unnamed)				51 ^c	51
Union:					
Union County	-	25 ^d	25	-	25

^aAs determined using PHS criteria. (See p. 21.)

^bPlans being prepared for conversion of beds from acute-care beds to skilled-nursing-care beds.

^cIn preliminary planning stage.

^dUnder construction as of December 31, 1970.

Union County Hospital, a 25-bed hospital, which was under construction at the time of our fieldwork, is located in a rural county having about 7,150 residents, about 45 miles southwest of Jacksonville. Of the estimated cost of \$939,000 of the hospital, \$920,000, or 98 percent, is being financed with Federal funds consisting of a Hill-Burton grant of \$365,000 and a loan of \$555,000 from the Department of Housing and Urban Development.

The chief of the State agency and other State and Federal officials informed us that they were opposed to the project because (1) the occupancy rates of four hospitals within 30 miles of the new hospital which would serve Union County were low, (2) Union County did not have a physician to serve the new hospital, and (3) there were not enough people in the county to justify the new hospital. Nevertheless the project was approved by the State Hospital Advisory Council because the 1968 State plan showed that the county, by not having a hospital, had a high priority for Hill-Burton funds.

Because a large number of patients residing in the six counties neighboring Duval County received their care in Duval County hospitals and because hospitals in the neighboring counties are experiencing low occupancy rates, it

appears that the six counties and Duval County should be combined into one service area for planning purposes.

The chief of the State agency informed us that designating the service area was one of the most important factors in planning. He agreed that a county should not necessarily be designated a service area because it did not always represent the true need of an area for medical facilities. He stated that the State agency had not been able to establish service areas throughout the State in accordance with PHS regulations because of the lack of adequate data, such as (1) the locations of hospital patients' homes and (2) the availability of medical manpower.

CHAPTER 3

PLANNING AND CONSTRUCTION OF SKILLED-NURSING-CARE FACILITIES

According to the 1970 State plan, Duval County will need 1,379 skilled-nursing-care beds by 1974. We made an analysis of the capacity of available facilities as of December 31, 1969. Our analysis showed that a total of 1,247 skilled-nursing-care beds were in use in 12 non-Federal facilities and that accommodations for 291 additional beds were under construction.

Local nursing-home and hospital officials had plans to increase the bed capacity of skilled-nursing-care facilities by 359 beds by 1974. If the plans of these officials are carried out, the bed capacity of skilled-nursing-care facilities in Duval County by 1974 will total about 1,897 beds in 17 facilities. Therefore we estimate that by 1974 Duval County may have about 518 more skilled-nursing-care beds than the projected need of 1,379.

The 1970 State plan showed that the capacity of skilled-nursing-care facilities in operation or under construction at December 31, 1968, totaled 1,138 beds, or 241 beds less than the projected need of 1,379 beds by 1974. The State plan showed also that, as of December 31, 1968, 11 skilled-nursing-care facilities, having a total of 548 beds, did not conform to Hill-Burton construction standards because the facilities were not constructed of fire-resistant material. These facilities complied with State and local licensing and safety requirements. The State plan did not include these beds in the inventory of skilled-nursing-care beds that would be available to meet the projected need of Duval County for 1974.

PHS regulations, however, require that such beds be considered in determining whether the number of beds in facilities in operation or under construction will be sufficient to meet future bed requirements. Had these beds been included in the 1970 State plan as being available to meet the projected need for 1974, the plan would have shown that the capacity of skilled-nursing-care facilities as of

December 31, 1968, exceeded the projected need for 1974 by 307 beds, rather than showed a need for 241 additional beds by 1974.

The exclusion of nonconforming beds in computing bed capacity to meet estimated needs in the State plan resulted in the issuance of certificates of need by the State agency for the construction of additional skilled-nursing-care facilities. Federal financial assistance later was approved for the construction of these facilities.

As of January 1970, seven of the 11 nonconforming facilities, having a total of 155 beds, had been closed. The remaining four facilities having a total of 393 nonconforming beds, complied with State and local licensing and safety requirements.

PLANNED CHANGES IN BED CAPACITY OF SKILLED-NURSING-CARE FACILITIES

In accordance with PHS regulations, the State agency, in computing the need for skilled-nursing-care beds, does not consider planned increases or decreases in bed capacity but considers only additional capacity under construction. Therefore we interviewed hospital and nursing-home officials to determine plans for increasing or decreasing the bed capacity of existing skilled-nursing-care facilities.

These officials informed us of definite plans by three skilled-nursing-care facilities to construct facilities for 207 additional beds by 1974 and of plans of one hospital to convert 202 acute-care hospital beds to skilled-nursing-care beds. One skilled-nursing-care facility plans to convert 50 skilled-nursing-care beds to acute-care beds.

Following is our analysis of the projected changes in bed capacity--planned and under construction--in Duval County by 1974.

Skilled-nursing-care facility	Bed capacity at 12-31-69 (note a)	Increase or decrease(-) in beds during 1970	Projected capacity at 12-31-70	Increase or decrease(-) in beds 1971-74	Projected bed capacity by 1974
Cathedral Health Center (note b)	-	128 ^c	128	-	128
Duval Medical Center	-	-	-	202 ^d	202
Memorial Hospital	-	73 ^e	73	-50 ^f	23
Baptist Memorial Hospital (note g)	-	57 ^h	57	-	57
Medicenter of America	176	-44 ⁱ	132	44 ^j	176
Arlington Manor (note g)	-	-	-	120 ^j	120
All Saints Home (note b)	30	30 ^k	60	-	60
Arms of Mercy	48	-	48	-	48
Donovan's	180	-	180	-	180
Eartha M. M. White (note b)	120	-	120	-	120
Jacksonville Convalescent Center (note g)	100	-	100	-	100
Mason Manor	100	-	100	-	100
River Garden Hebrew Home (note b)	90	90 ^l	180	-	180
Rosewood Haven	55	-	55	-	55
St. Jude Manor (note g)	138	-	138	-	138
Southside Center	100	-	100	-	100
Unicare Trowbridge	110	-	110	-	110
Total	<u>1,247</u>	<u>334</u>	<u>1,581</u>	<u>316</u>	<u>1,897</u>

^aBased on State agency's statistics and information.

^bFinanced under a Hill-Burton grant.

^cFacility, which opened in March 1970, was constructed under a Hill-Burton grant of \$768,000.

^dBeds will be converted from hospital use to long-term-care use.

^eFacility, which opened in July 1970, was constructed under a Hill-Burton grant of \$750,000.

^fBeds will be converted from long-term-care use to hospital use.

^gFHA-insured mortgage project.

^hCommitment made by FHA to insure loan; construction to start in 1971.

ⁱBeds, temporarily leased to St. Vincent Hospital for care of hospital patients, will be returned to long-term-care use.

^jOn November 11, 1970, FHA approved a commitment to insure a loan for construction of this nursing home.

^kOn August 19, 1970, PHS authorized the award of the construction contract.

^lFacility opened in April 1970.

BEST DOCUMENT AVAILABLE

OCCUPANCY RATES OF
SKILLED-NURSING-CARE FACILITIES

On the basis of patient-day statistics provided by the State agency for calendar year 1969, we estimated that the average occupancy rate for 11 of the 12 skilled-nursing-care facilities in Duval County was about 75 percent. Occupancy data was not available for the remaining facility. The following table shows additional data on the capacity and occupancy rates of skilled-nursing-care facilities in Duval County.

<u>Skilled-nursing-care facility</u>	<u>Capacity at</u> <u>December 31, 1969</u>		<u>Average</u> <u>occupancy rate</u> <u>(note a)</u>	
	<u>Licensed</u> <u>(note b)</u>	<u>Survey</u> <u>(note c)</u>	<u>Licensed</u> <u>capacity</u>	<u>Survey</u> <u>capacity</u>
Medicenter of America	176	176	30.7% ^d	30.7% ^d
All Saints Home	30	30	94.1	94.1
River Garden Hebrew Home	120	90	91.8	122.0
Eartha M. M. White	120	120	95.5	95.5
St. Jude Manor	140	138	67.4	68.3
Jacksonville Convalescent Center	100	100	72.5	72.5
Arms of Mercy	48	48	83.3	83.3
Donovan's	180	180	66.7	66.7
Mason Manor	100	100	75.6	75.6
Rosewood Haven	55	55	90.1	90.1
Southside Center	100	100	(e)	(e)
Unicare Trowbridge	<u>110</u>	<u>110</u>	86.3	86.3
Total	<u>1,279</u>	<u>1,247</u>	72.7	74.5

^aBased on patient-day statistics provided by the State agency for the period January 1 to December 31, 1969.

^bLicensed beds represent the maximum number of beds that the State has authorized the facility to use.

^cSurvey beds represent the available capacity as determined by the State agency either from questionnaires returned by the skilled-nursing-care facilities or as a result of onsite inspections.

^dBased on actual data for a 7-month period and projected for a full 12-month period.

^eDue to a change in management, patient statistics were not available.

OVERSTATEMENT OF BED NEEDS
IN 1970 STATE PLAN

Our review showed that, in preparing the State plan, the State agency excluded skilled-nursing-care facilities which did not conform to Hill-Burton construction standards. We noted that, in the 1970 State plan, a total of 548 beds in 11 skilled-nursing-care facilities which did not conform to Hill-Burton construction standards were excluded from the inventory of skilled-nursing-care beds that would be available to meet the projected need of Duval County for 1974.

PHS regulations state that the inventory of facilities include all existing facilities in each area which provides inpatient care. It further states that facilities providing only domiciliary care are to be excluded and that facilities owned and operated by the Federal Government may be included but that all data related to these, such as days of care provided, should be excluded from area totals. The regulations do not provide for the exclusion of facilities which do not conform to Hill-Burton construction standards.

Following is an analysis of the effect of the exclusion of nonconforming beds on the 1970 State plan.

Projected bed need according to 1970 State plan	1,379	1,379
Bed capacity according to State plan	1,138	-
Bed capacity, including noncon- forming beds	<u>-</u>	<u>1,686</u>
Beds needed	<u>241</u>	
Excess beds		<u>307</u>

As discussed on page 16, Federal financial assistance can be made available for the construction of a medical facility only if the State agency issues a certificate of need for the proposed facility. The decision to issue a certificate of need is based on a comparison of the existing bed capacity of facilities (in service and under construction) with the projected need as shown in the State plan.

As noted above, however, the State plan showed a need for more skilled-nursing-care beds in Duval County by 1974 because the State plan excluded beds in facilities which did not conform to Hill-Burton construction standards from the inventory of available beds. Had the State plan included these nonconforming beds, the 1970 State plan would have shown that Duval County had an excess of beds, rather than a need for more beds.

One expansion project, Baptist Memorial Hospital, includes 57 skilled-nursing-care beds. To qualify for FHA mortgage insurance, the hospital had to obtain a certificate of need for the skilled-nursing-care-bed spaces. The State agency issued the certificate of need on the basis of the 1970 State plan.

Another expansion project, the All Saints Home, will provide 30 additional skilled-nursing-care beds under a Hill-Burton grant of \$187,500. On August 19, 1970, PHS authorized the award of the construction contract for the project.

Construction of a new nursing-home facility will provide 120 additional skilled-nursing-care beds. On August 27, 1970, the Health Planning Council of the Jacksonville Area, Inc., approved this project on the basis that the facility would provide needed nursing-home beds at a lower cost. An FHA official informed us that a certificate of need was issued by the State agency on September 18, 1970, for the 120-bed facility. He also stated that FHA had issued a commitment to insure a loan in the amount of \$848,700 for the project on November 4, 1970.

CHAPTER 4

COORDINATION AMONG HOSPITALS

IN PLANNING AND SHARING MEDICAL SERVICES

Our survey of specialized medical services, such as neurosurgery and open-heart surgery, provided by hospitals in Duval County showed that there was a potential for sharing such services. We believe that, before this potential can be fully realized, studies will have to be made to determine specifically what services can be shared and how such sharing can be accomplished to benefit all concerned. To achieve optimum sharing of medical services, these studies should be made at the time that plans are formulated for new facilities.

Seven non-Federal hospitals in Duval County (each over 100 beds) generally provide the same types of specialized medical services and have similar medical equipment. At each of these hospitals, neither the volume of work nor the number of patients was sufficient to utilize fully the available equipment. Low utilization of equipment at these hospitals results in higher charges for each unit of service.

Section 113 of Public Law 91-296, which amends the Public Health Service Act, provides that States are entitled to receive grants amounting to 90 percent of a project's cost if the project offers potential for reducing health care costs "through shared services among health care facilities" or "through interfacility cooperation." It appears that this legislation, which increases Federal financial participation in those projects that involve sharing, should provide hospitals which are seeking Federal grant funds with an incentive to share services. More aggressive action, however, will be required by PHS, State agencies, and local planning groups if the full potential for sharing services is to be achieved.

SIMILAR SPECIALIZED SERVICES AND EQUIPMENT AVAILABLE AT HOSPITALS

Following is a listing of similar specialized services and equipment available at the hospitals in Duval County.

<u>Service</u>	<u>Number of hospitals providing service</u>	<u>Related equipment</u>	<u>Number of hospitals having equipment</u>
Neurosurgery	7	Electroencephalography recorder	7
Cardiovascular surgery	6	Cardiac catheterization unit	4
Open-heart surgery	3	Heart-lung machine	3
Blood analysis	7	Automatic blood-analyzing equipment	7

It is planned that the new Jacksonville General Hospital to be built in Duval County (see p. 11) will also provide these services.

The Navy hospital does not provide neurosurgery or open-heart surgery but does provide cardiovascular surgery and most of the other services available at the Duval County civilian hospitals. The Navy hospital does not have a cardiac catheterization unit or a heart-lung machine. The Navy hospital's facilities, however, can be used only by eligible persons, except in cases of emergency. We were advised by the Navy hospital's Administrative Officer that patients in need of services not available at the Navy hospital were transferred or referred to other hospitals--military patients to other military hospitals and civilian patients to Duval County hospitals.

As of July 1970 radiation therapy was available at two hospitals in the area--Duval Medical Center and Baptist Memorial Hospital. The other hospitals referred their patients to these hospitals if they needed radiation therapy.

USE OF SPECIALIZED MEDICAL EQUIPMENT

We reviewed the hospitals' use of four selected specialized items of equipment. According to hospital officials, most of the equipment was not being used to capacity (on the basis of tests made or patients treated). The average daily use of the equipment, as reported by hospital personnel, in November and December 1970 was as follows:

	Equipment							
	Electro-encephalography recorder		Cardiac catheterization unit		Heart-lung machine		Automatic blood-analyzing equipment	
	Daily capacity (note a)	Average daily use	Daily capacity (note a)	Average daily use	Daily capacity (note a)	Average daily use	Daily capacity (note a)	Average daily use
Baptist Memorial	5 to 7	5	3	0.43	1	0.24	400	60
Memorial	4	4	-	-	-	-	800	(b)
Riverside	3	1.8	(b)	(b)	(b)	(b)	330	21
St. Vincent	4.5	4.5	-	-	-	-	400	40 to 50
St. Luke's	16	6	4	1	-	-	400	35
Methodist	4.5	2.3	-	-	-	-	800	100
Duval Medical Center	(b)	(b)	(b)	(b)	(b)	(b)	(b)	(b)
Navy	6	3	-	-	-	-	425	175

^aAverage number of treatments or tests which can be provided in a workday, as estimated by hospital officials.

^bHospital has equipment but use data has not been obtained.

The administrator of Baptist Memorial Hospital told us that, because of the shortage of physicians in the area, each hospital had made an effort to attract physicians by having available--without regard to the equipment available at other hospitals--a full range of modern, expensive equipment. He said that, as a result, there had been a duplication of costly equipment within the area.

He cited the proliferation of blood-analyzing equipment and cardiac catheterization units as examples of duplicated equipment. He said that equipment of this type in one or two of the hospitals would be sufficient to meet the needs of the area.

He stated that at one hospital the number of tests or patients treated did not constitute sufficient use of the equipment. As a result, the cost of the equipment was being allocated to a small number of patients and the charges made to patients were higher than the normal charges for such services.

In a letter dated April 22, 1970, to the executive secretary of the Health Planning Council of the Jacksonville Area, Inc., concerning the duplication of equipment in the area, the administrator of Baptist Memorial Hospital stated that:

BEST DOCUMENT AVAILABLE

"In addition to this, over the past few months we have seen the installation of SMA-12/60's [blood-analyzing equipment] in laboratories. One or two of these instruments, located strategically in the city, could handle this particular laboratory testing for every patient in the community, including those going to the private doctor's offices. We have seen, with the advent of two neurologists coming to the community, a proliferation of EEG [electroencephalography] departments to the point that it is no longer possible to charge a reasonable fee for this service and break even on it. In addition to that, I suddenly find that St. Luke's Hospital is developing a cardiac catheter laboratory and that St. Vincent's is also considering the same thing.

"Undoubtedly, Memorial has some plans in the vault along this line too.

"I cannot deny that each individual hospital probably has the feeling it needs everything it is doing, but somewhere sanity must prevail or the \$100 per day cost estimate will come true."

ROLE OF COUNCIL IN CONTROLLING
SERVICES PROVIDED BY HOSPITALS

We noted that the Health Planning Council of the Jacksonville Area, Inc., did not have any control over services being planned or provided by hospitals in Duval County.

We noted also that, in its October 1969 report on radiation therapy, the council--recognizing not only the existing radiation therapy needs but also, and possibly more important, the costs involved and the difficulty of recruiting trained personnel to staff a facility--stated that perhaps only one facility should be planned at that time. The council stated also that it was imperative that planning be done prior to building radiation facilities and that the additional cost of providing more than one facility be recognized and considered.

Prior to the release of the council's report, both Duval Medical Center and Baptist Memorial Hospital had plans for major radiation facilities. Baptist Memorial Hospital had plans to install a complete radiation-therapy unit which the council had originally approved in 1964. The Duval Medical Center already had some radiation-therapy capability and had plans for a major radiation facility.

The executive secretary of the council stated, at a council meeting in November 1969, that the council should be concerned with the planning and installation of a complete radiation-therapy unit. The administrator of Baptist Memorial Hospital stated at this meeting that he agreed with the concepts of comprehensive health planning but that he believed that such planning should be done before developments, such as the planning for the installation of a complete radiation therapy unit at Baptist Memorial Hospital, were initiated.

Subsequently the administrator of Baptist Memorial Hospital told us that he believed that the council, to avoid unnecessary duplication, should have more control in determining what equipment and services would be available at local hospitals.

BEST DOCUMENT AVAILABLE

The administrator of St. Luke's Hospital told us that there was almost no coordination among Jacksonville hospitals and that, as a result, some equipment had been duplicated unnecessarily. He said that one reason for the duplication was that hospital administrators just did not know what the other hospitals were planning or doing. He explained that one hospital might order an expensive piece of equipment only to find out that another hospital had already ordered the same type of equipment. He stated that, if the Health Planning Council of the Jacksonville Area, Inc., had the authority to review hospitals' proposed purchases of costly equipment, it could help to prevent duplication.

The Navy hospital had not kept the council advised of its activities or functions. The Navy hospital's Administrator told us that the council was concerned primarily with area planning and that the Navy hospital really was not involved.

POLE OF STATE AGENCY IN CONTROLLING SERVICES PROVIDED BY HOSPITALS

PHS Health Grants Manual, part 23-2, dated January 29, 1968, provides that the State agency develop administrative policies related to (1) prevention of unnecessarily duplicated services, (2) coordination of services, and (3) limitations relating to size of facility and services provided. We found no evidence, however, that any such policies had been developed.

The chief of the State agency stated that there was nothing that could be done by the State agency regarding the number of similar specialized services available at Duval County hospitals, because the State agency did not get involved in the administration of the separate hospitals. He stated that this was a problem area resulting from various factors--primarily the lack of coordination among the hospital administrators who each wanted his hospital to offer the full range of services and facilities to satisfy staff physicians. He said that physicians did not like to transfer patients to other hospitals for treatment.

He stated that controlling and coordinating services should be the responsibility of the local health planning council.

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We believe that detailed studies should be made by State and local planning organizations to determine the potential for sharing specialized medical services and that the State agency should know what services are available or needed before it approves new projects for an area.

CHAPTER 5

SCOPE OF REVIEW

We reviewed the coordination among Federal and State agencies and local organizations in planning and constructing acute-care hospitals and skilled-nursing-care facilities in the Jacksonville area. We reviewed the planning and construction of medical facilities financed either with private funds or through Federal financial assistance. We compared the existing and planned capacity of acute-care hospitals and skilled-nursing-care facilities with projected needs as determined by the State agency. Although we verified the mathematical accuracy of the State agency's computation of future bed needs, we did not evaluate the appropriateness of the method prescribed by PHS for use by the State agency in determining future bed needs.

We also considered the actions taken to effect the sharing of certain facilities and equipment among the various hospitals.

Information was developed primarily on the basis of discussions with Federal, State, and local officials. We made our review at the State agency; the Health Planning Council of the Jacksonville Area, Inc.; and at Jacksonville area hospitals, skilled-nursing-care facilities, and other health organizations.