



Public Health and Health Planning Council

Project # 111531-C

Lenox Hill Hospital

County: New York (New York)
Purpose: Construction

Program: Acute Care Services
Submitted: June 23, 2011

Executive Summary

Description

Lenox Hill Hospital, a 652-bed not-for-profit hospital located at 100 East 77th Street, New York, requests approval to certify a 2-bed hospital division at 30 Seventh Avenue, New York, to provide 24-hour Emergency Department care and other medical services. The facility will be known as the Center for Comprehensive Care (Center), and will be located in the historic landmarked National Maritime Building (also known as O'Toole Pavilion), which is across the street from where the former St. Vincent's Catholic Medical Center Hospital operated.

Contingent approval was granted by the Public Health and Health Planning Council on June 16, 2011 (CON #102453-E) to authorize the addition of Franklin Hospital, Huntington Hospital, Lenox Hill Hospital, Southside Hospital and Staten Island University Hospital to the North Shore Long Island Jewish Health Care, Inc. Obligated Group. The Department issued final approval on August 23, 2011.

Lenox Hill Hospital is proposing to develop a hybrid model of care, which incorporates the emergency access and ambulatory surgery elements of a community hospital with specialized diagnostic and treatment services. This model of care is bound to its community through information technology and an inter-operable health record so it can serve as the "new front door" to community access and coordination of health services.

Total project costs are estimated at \$125,621,357.

DOH Recommendation

Contingent approval

Need Summary

The hospital division's Emergency Department will be complemented by a full service imaging center, an

ambulatory surgery facility, ambulance transport services and ancillary support services in order to provide health care services to the residents of the service area.

Program Summary

Based on the most recent surveillance information, Lenox Hill Hospital is deemed to be currently operating in substantial compliance with all applicable State and Federal codes, rules and regulations.

Financial Summary

Project costs will be met with \$115,621,357 in accumulated funds from Lenox Hill Hospital, and \$10,000,000 pledge as a contribution from Rudin Development, LLC.

Incremental Budget:	<i>Revenues:</i>	\$ 33,644,700
	<i>Expenses:</i>	<u>32,462,300</u>
	<i>Gain/(Loss):</i>	\$ 1,182,400

Subject to the noted contingencies, it appears that the applicant has demonstrated the capability to proceed in a financially feasible manner.

Architectural Summary

The existing 160,886 SF building, built in 1964, currently comprises six stories plus a cellar. The proposal includes the gut renovation of the cellar, 1st and 5th floors. Structural demolition will occur at portions of the 1st, 2nd and 6th floors. Some additional space will be enclosed at the 1st floor level. Interior demolition of the 2nd and 4th floors will provide shell space for future private practice areas and additional uses not yet determined at this time, in order to consider and potentially incorporate some recommendations of the West Village Community Health Needs Assessment Study. The resultant building area will be reduced by 20,042 SF to 140,844 SF. There will be no disruption to patient care as the building is unoccupied.

Recommendations

Health Systems Agency

There will be no HSA recommendation for this application.

Office of Health Systems Management

Approval contingent upon:

1. Submission of a check for the amount enumerated in the approval letter, payable to the New York State Department of Health. Public Health Law Section 2802.7 states that all construction applications requiring review by the Public Health and Health Planning Council shall pay an additional fee of fifty-five hundredths of one percent of the total capital value of the project, exclusive of CON fees. [PMU]
2. Submission of documentation of the pledge from Rudin Development, LLC to be used as a source of financing acceptable to the Department of Health. [BFA]

Approval conditional upon:

1. The submission of State Hospital Code (SHC) Drawings for review and approval, as described in BAEFP Drawing Submission Guidelines DSG-01. [AER]
2. The submission of Final Construction Documents, as described in BAEFP Drawing Submission Guidelines DSG-01, prior to the start of construction. [AER]
3. The applicant shall complete construction on or before November 1, 2015. In accordance with 10 NYCRR Part 710.2(b)(5), if construction is not completed on or before that date, this shall constitute abandonment of the approval. In accordance with Part 710.10(a), this approval shall be deemed cancelled, withdrawn and annulled without further action by the Commissioner. [AER]

Council Action Date

October 6, 2011.

Need Analysis

Background

Lenox Hill Hospital and the Center for Comprehensive Care certified beds and services:

Certified Beds					
	<i>Lenox Hill</i>			<i>Center for Comprehensive Care</i>	
<u>Category</u>	<u>Current</u>	<u>Proposed</u>	<u>Upon Completion</u>	<u>Proposed</u>	<u>Upon Completion</u>
AIDS	12		12		
Coronary Care	27		27		
Intensive Care	15		15		
Maternity	33		33		
Medical / Surgical	478	-2	476	+2	2
Neonatal Continuing Care	10		10		
Neonatal Intensive Care	10		10		
Neonatal Intermediate Care	8		8		
Pediatric	32		32		
Psychiatric	27		27		
Total Beds	652	-2	650	+2	2

Certified Services		
<u>Services</u>	<i>Lenox Hill</i>	<i>Center for Comprehensive Care</i>
AIDS	✓	
AIDS Center	✓	
Ambulance	✓	✓
Ambulatory Surgery - Multi Specialty	✓	✓
Audiology O/P	✓	
Cardiac Catheterization - Adult Diagnostic	✓	
Cardiac Catheterization - Electrophysiology (EP)	✓	
Cardiac Catheterization - Percutaneous Coronary Intervention (PCI)	✓	
Cardiac Surgery - Adult	✓	
Certified Mental Health Services O/P	✓	
Clinical Laboratory Service	✓	✓
Coronary Care	✓	
CT Scanner	✓	
Dental O/P	✓	
Emergency Department	✓	✓
Intensive Care	✓	
Magnetic Resonance Imaging	✓	✓
Maternity	✓	
Medical Social Services	✓	✓
Medical/Surgical	✓	
Neonatal Continuing Care	✓	

Certified Services		
<u>Services</u>	<i>Lenox Hill</i>	<i>Center for Comprehensive Care</i>
Neonatal Intensive Care	✓	
Neonatal Intermediate Care	✓	
Nuclear Medicine - Diagnostic	✓	
Nuclear Medicine - Therapeutic	✓	
Pediatric	✓	
Pharmaceutical Service	✓	✓
Psychiatric	✓	
Radiology - Diagnostic	✓	✓
Radiology-Therapeutic	✓	
Renal Dialysis - Acute	✓	
Therapy - Physical O/P	✓	
Therapy - Speech Language Pathology	✓	

Lenox Hill Hospital is authorized to operate four hospital extension clinics providing care such as Certified Mental Health Services, Psychology, Medical Social Services, Dental, Primary Medical Care, Speech Language Pathology, Audiology, Ambulatory Surgery - Multi Specialty, Lithotripsy, Optometry, Immunology, Nursing, Venereal Disease Prevention, Well Child Care, Health Education, and Multiphasic Screening.

State Designations:

- AIDS Center;
- Level 3 Perinatal Center; and
- Stroke Center

Elements of the Proposal

In August 2010, a number of elected officials and community leaders came together to initiate the West Village Community Health Needs Assessment (Needs Assessment). North Shore-LIJ volunteered to make available its community health planning resources to the community, as North Shore-LIJ had reviewed relevant community health data used to prepare its proposal to DOH to operate an Urgent Care Center. The Assessment Study evaluated the demographics of the community, the health status of residents, availability of current health care resources, access to care and historic utilization patterns. The goal of the study is to identify opportunities to improve the delivery system to meet the needs of the communities affected by the closure of St Vincent's. The study has produced some initial results profiling the health status of the community, and documented where patients sought inpatient and emergency care pre- and post-closure.

The Needs Assessment is ongoing; however, the need to access health care on an emergency basis is a recurring theme in all interactions with the community.

The Center for Comprehensive Care will be established as a hospital division of Lenox Hill Hospital. It will focus on meeting the emergency and medical needs of the surrounding communities. This hybrid model of care will be anchored by a 24-hour Emergency Department. The Emergency Department will be complemented by a full-service Imaging Center, an Ambulatory Surgery facility, ambulance transport services and ancillary support services.

Lenox Hill Hospital intends to provide emergency medical care that is efficient, readily accessible and linked to a continuum of care. Care will be provided to patients without regard to insurance status. Patients and the community will also benefit from:

- 24-hour access to Board-Certified Emergency Medicine Physicians, as well as about 30 specially trained nurses and other staff experienced in treating a wide range of symptoms and conditions;

- 24-hour access to specialist consultations through the network of North Shore-LIJ physicians in order to provide additional clinical resources to determine the best course of treatment;
- Access to an observation and clinical decision unit that provides clinicians the ability to follow patients under less than 24 hours care, ensuring that their condition is properly evaluated and that safe, informed judgments are made before they are treated and discharged;
- Two (2) inpatient beds for patients requiring observation and/or treatment for 24 hours or greater;
- When indicated, rapid transfer to an appropriate local physician or hospital chosen by the patient or by the emergency room physician's assessment of the best location for treatment;
- The ability for patients to actively participate in their care and decide which doctors or hospitals they will go to for follow-up care;
- The presence of on-site imaging, diagnostic and laboratory testing capabilities, which will enable staff to respond more rapidly in caring for its patients and reduce waiting times;
- A multi-slice CT scanner for rapid detection or exclusion of cardiac blockages;
- A picture archiving and communication system (PACS) that will transmit images to Lenox Hill Hospital/North Shore-LIJ system radiologists, who will quickly interpret results;
- Coordinated follow-up care to either the patient's physician, a neighboring primary care provider or a range of specialists;
- For those returning home and require in-home assistance, access to the home care provider of their choice or services provided through the North Shore-LIJ Home Care Network;
- Follow-up referrals to manage a patient's chronic conditions or other medical issues discovered during the course of treatment;
- Referrals to preventative care or education and support programs that will help avoid illnesses or injuries from worsening;
- An inter-operable electronic medical record accessible to all providers in the Health System's network who provide post-visit care to the patient; and
- An emergency care center that is accountable and meets all the same regulatory standards as traditional on-site hospital Emergency Departments (The Joint Commission Accreditation, NYS Article 28 and U.S. Centers for Medicare and Medicaid Services).

The applicant indicates that with few exceptions, its proposed hospital division will offer emergent care services and diagnostic capabilities similar to that of a community hospital, including advanced life support services. The emergency clinicians will be able to treat a full range of illnesses and injuries, including-but not limited to-the following:

- Chest pain and other cardiac symptoms;
- Early-onset stroke;
- Shortness of breath;
- Respiratory illnesses (asthma, pneumonia, chronic bronchitis and emphysema);
- Concussions;
- Fractures and joint injuries;
- Motor vehicle injuries;
- Severe cuts;
- Mild to moderate burns;
- Abdominal pain;
- Allergic reactions;
- Ear infections;
- Gastrointestinal illnesses;
- Influenza (flu);
- Occupational injuries;
- Sports injuries; and
- Behavioral health issues.

North Shore-LIJ has undertaken a significant effort to inform and educate community leaders about this project and address a myriad of questions that were been posed.

The new Emergency Department will be designed to accommodate over 30,000 emergency patient visits annually. It will serve as a 911 receiving facility and possess the expertise, facilities and equipment to provide care to the majority of patients seen at most community hospitals without a trauma center. Physicians who are board-certified in either

adult or pediatric emergency medicine will staff it. Patients requiring diagnostic or interventional cardiac catheterization, electrophysiology studies, cardiac bypass surgery, complex neurosurgery, or major orthopedic or microsurgery will be evaluated, stabilized and then transferred to a hospital of the patient's choice or to Lenox Hill Hospital, which provides all of these services.

The facility will be able to access the clinical expertise at Lenox Hill Hospital and the resources available throughout North Shore-LIJ Health System and community providers. The Center will enter into affiliation and transfer agreements with neighboring hospitals such as:

- Beth Israel;
- Roosevelt Hospital;
- New York Downtown;
- NYU; and
- Bellevue.

Specifically, relationships will be developed with Bellevue Hospital for major trauma and with New York Presbyterian Hospital and Staten Island University Hospital for burn patients.

In the event an admission is required, community residents will have the ability to be transferred to the institution and physician of their choice. If a patient has no physician, one will be made available at Lenox Hill Hospital.

From a patient safety and quality standpoint, a major benefit of the facility is its inclusion in North Shore-LIJ's investment in an Electronic Health Record system that automates inpatient and outpatient records in all medical settings.

North Shore-LIJ states that they will work closely with DOH and FDNY Emergency Medical Services to develop protocols based on the capabilities and limitations of the facility. These protocols will serve to guide medical control decisions about when to bring a patient to the Center or another facility. An ambulance will be available at the facility to provide for the rapid transport of patients to a higher level of care.

Hours of Operation

The hours of operations for the programs at the Center for Comprehensive Care are:

- Emergency Department: 24 hours 7 days a week;
- Diagnostic Imaging:
 - Outpatient 8AM-6PM Monday-Friday (May be adjusted to accommodate patient care needs and preferences).
 - Emergency Department: 24/7 - CT, X-ray, and Ultrasound located within ED; MRI after outpatient hours on call.
- Ambulatory Surgery: 7AM-6PM Monday-Friday (May be adjusted to accommodate patient care needs and preferences).

Transfer Agreements

The Center will enter into transfer agreements as required by regulation or for services that would be needed at area hospitals including:

- Trauma - HHC Bellevue Hospital (1.3 miles);
- Burns - SIUH (11.5 miles) and NYP- Weill Cornell (3.0 miles);
- Level 3 Perinatal- Beth Israel (0.9 miles);
- Stroke Center- Beth Israel (0.9 miles);
- New York University Medical Center (1.4 miles);
- New York Downtown (1.8 miles);
- St. Luke's Roosevelt- Roosevelt Hospital (2.4 miles); and
- Other Area Hospitals (as needed)

Service Area

The Center for Comprehensive Care will be located in the Greenwich Village community of Manhattan at the site of the former St. Vincent's O'Toole Building, also referred to as the National Maritime Building. The facility's service area was based on a patient origin analysis conducted for the Community Health Assessment Steering Committee. Thus, the applicant utilized the Service Area boundaries as described by the community believed most impacted by the closure of St. Vincent's. The service area as defined by the Steering Committee is comprised of the following communities:

- 10001 - Herald Square;
- 10002 - Knickerbocker;
- 10003 - Cooper;
- 10009 - Peter Stuyvesant;
- 10011 - Old Chelsea;
- 10012 - Prince;
- 10013 - Canal Street;
- 10014 - Village; and
- 10038 - Peck Slip;

The service area is comprised of 385,792 residents. The service area is racially and ethnically diverse with 45% non-White. One in four residents is Asian (25.4%), followed by Hispanic (12.0%), Black (4.1 %), Multiracial (2.5%) and Other (0.6%). The aging population in the services area is expected to increase in the next five years by 12.1%. This age group uses emergency services at a higher rate and demand for emergency care will be increasing as the population ages.

Prevention Quality Indicators

The Prevention Quality Indicators (PQIs), developed by the federal Agency for Healthcare Research and Quality (AHRQ), are used in assessing the quality of outpatient care for "ambulatory care sensitive conditions (ACSCs). ACSCs are conditions for which good and timely outpatient care can potentially prevent the need for hospitalization or for which early intervention can prevent complications or more severe disease. PQIs measures are expressed as rates of admission to the hospital for these conditions in a given population. The PQIs can be used as a "screening tool" to help flag potential health care quality problem areas that need further investigation; identify unmet community health care needs; monitor complications from a number of common conditions that are being avoided in the outpatient setting, and compare performance of local health care system across communities.

For the service area, there are higher rates of PQIs for Dehydration, Bacterial Pneumonia, Urinary Tract Infection, and Chronic Obstructive Pulmonary Disease (COPD). These conditions are most prominently found in the elderly whether living at home or in a skilled nursing home setting. The service area also had high rates of hospitalization for Congestive Heart Failure, Adult Asthma and Diabetes Long-Term Complications although these conditions did not have higher rates when compared to the rest of Manhattan (Table 1).

Table 1: Prevention Quality Indicators (PQIs)		
<u>PQI Conditions</u>	<u>Service Area</u>	<u>Rest of Manhattan</u>
Dehydration	122.0	121.0
Bacterial Pneumonia	418.0	391.0
Urinary Tract Infection	179.0	174.0
Hypertension	55.0	70.0
Congestive Heart Failure	343.0	442.0
Angina without Procedure	32.0	34.0
Diabetes Short-Term Complications	40.0	60.0
Diabetes Long-Term Complications	159.0	201.0
Uncontrolled Diabetes	34.0	48.0
Lower Extremity Amputation among Patients with Diabetes	36.0	44.0
Chronic Obstructive Pulmonary Disease	131.0	125.0
Adult Asthma	193.0	232.0

Emergency Services Utilization

In 2008, residents of the service area recorded 111,422 total Emergency Department visits; by 2009, said visits increased by 2.7 percent to 114,438 and stood at 110,471 in 2010. During this period, about 80.0 percent of the total ED visits from the service area were treated and released. In 2008 and 2009, the last full years of operation, about 20.7 percent of the residents from the service area in need of ED care utilized the Emergency Department at St. Vincent's Hospital.

Service Area Demand for Emergency Services

In response to a New York State DOH request for applications to create an urgent care center (UCC) in the Greenwich Village community, a HEAL 16 grant (RGA #. 1004071212) was awarded to North Shore Long Island Jewish Health Care Inc, the parent to Lenox Hill Hospital. North Shore-LIJ formed a partnership with longtime community healthcare provider, Village Care of NY, which provided a temporary location for the UCC at 121A West 20th Street, New York 10011. The UCC provides services utilizing the primary care facilities of Village Care Community Health Center during hours it is not operational. As a result, there is now 24/7 health care coverage at the site. The UCC opened on March 8, 2011 and is operational at the following times: Monday through Friday 7pm-8am; Saturday 5pm-8am; Sunday 8am-Monday 8am).

Once the proposed Center has become formally established as a part of the health care delivery infrastructure of the community and demonstrates high quality and patient satisfaction. The total visit volume for the first and third years of operation is 60,522 and 85,331, respectively. These visits are expected to be distributed thus:

- ED Treat and Release - 33%;
- Clinical Decision Unit - 1 %;
- Ambulatory Surgery - 4%; and
- Imaging - 62%.

LHH will build 22 treatment spaces for the Emergency Department. The ED will be able to accommodate the projected volume based upon the DOH utilization standard of 1,500 visits per treatment bay. The Center will provide a critical public health resource in a densely populated geographic region of the city.

New Housing Development

The service area is an attractive housing option in Manhattan and several significant residential projects are planned to be developed in the years ahead. The applicant indicates that the New York City Department of City Planning, anticipates that 12,900 new residential housing units are being proposed in and around the immediate service area. Some of these developments include: Hudson Yards, located in the northwest portion of the service area; the redevelopment of St. Vincent's site located across the street from the Center which would add 300 housing units; and additional projects in the West Chelsea portion of the service area referred to as the High Line. Research conducted by Reis, Inc. a provider of real estate development information identified 16,307 units that are either under construction, newly constructed or in development since 2009. Using an average household size of 2.3 this would indicate that the potential exists that between 30,000 and 38,000 residents may move into the service area over the next several years. When the projected additional population is applied to the 2009 emergency department visit rate of 280 per 1,000 population there may be an additional demand for between 8,000 and 10,000 more emergency department visits. This volume represents an additional five to seven treatment bays of emergency department activity. The planned housing development would further tax the current emergency department capacity of the neighboring hospitals. The availability of the Center for Comprehensive Care would provide an additional resource to accommodate a portion of the projected demand generated by residential development within the service area.

Surge Capacity to Manage Public Health Crises

With the closure of St. Vincent's, the community lost a resource that would have otherwise been able to respond to a public health emergency. The Center would become a new resource, which could assume a vital role in accommodating the need for city-wide inoculations, triaging volume away from other emergency departments during disaster scenarios with multiple trauma or mass casualties or the need to rapidly treat large volumes of patients without otherwise disrupting inpatient operations of neighboring facilities.

Ambulatory – Surgery

The Center is also proposing to perform ambulatory surgery which will fill a gap in access to this level of care left by the closure of St. Vincent's. There are no Article 28 ambulatory surgery centers operating in the lower west side of Manhattan. The St. Vincent's 2008 Institutional Cost Report stated that, 13,525 ambulatory surgeries were performed at the hospital. Using SPARCS ambulatory surgery data for St. Vincent's, 23% or 3,110 of St. Vincent's ambulatory surgery patients came from the service area. According to SPARCS, the service area residents accounted for over 28,000 ambulatory surgery discharges. The Center will have two multi-specialty operating rooms able to accommodate the volume of service area patients who had ambulatory surgery at St. Vincent's.

Diagnostic Imaging

In the Lower West Side there is one Article 28 comprehensive diagnostic imaging center, the former St. Vincent's Comprehensive Cancer Center site at 325 W. 15th Street, which is currently being operated by Beth Israel. In its 2008 Institutional Cost Report, St. Vincent's reported it performed 2,857 MRIs and 3,688 CT scans on an ambulatory basis, however, it is not possible to separate the number of ambulatory scans by site of care.

The Center for Comprehensive Care will have state-of-the-art imaging in the emergency department and a dedicated area for physician referred ambulatory imaging. The emergency department imaging will have 2 digital x-ray rooms and one multi-slice CT scanner. The multi-slice CT will be able to be used for routine CT emergency department examinations and for cardiac imaging to quickly rule out problems related to cardiac insufficiency (heart attacks or blockages). The ambulatory imaging center will possess a comprehensive array of imaging modalities including CT, 3T MRIs, ultrasound, digital x-ray, and mammography. A PACS System will be located in the emergency department and the Ambulatory Imaging Center to quickly retrieve previous images and transmit images to radiologists at Lenox Hill Hospital or other facilities across the Health System for immediate consultation by the appropriate specialist (e.g., musculo-skeletal, neurological).

Community Need

Lenox Hill Hospital's Community Service Plan places a strong emphasis on community involvement and community education. Lenox Hill Hospital and the North Shore-LIJ Health System have reached out and increased community involvement in the lower west side. Their first action was to open a new urgent care center followed by sharing information and knowledge with community leaders about the health status and needs of the community.

Education will be an integral part of this model. Through specific programs, this model will seek to influence the following audiences:

- Residents/Patients - Community programs will education residents and patients about the new level of care available and the importance of seeking care appropriate to their medical needs. Patients will also be made aware of the benefits of follow-up care and compliance with medical advice;
- Community Physicians - Physicians practicing in the community will be encouraged to refer their patients needing care after-hours to this facility. They will be confident that the service will be available 24/7 and that the care available will meet their patients' needs. They will also benefit from enhanced communication through the availability of interoperable medical information; and
- FDNY-EMS and Local Ambulance and Rescue Squads - Emergency responders will learn that a significant portion of emergency care particularly for those conditions which predominantly result in a treat and release visit can be safely provided in this setting.

Conclusion

Lenox Hill Hospital seeks CON approval to establish a 2-bed hospital division to provide 24-hour Emergency Department care and other medical services in lower Manhattan. The new facility will fill the outpatient services need in the community that was created by the closure of St. Vincent's Hospital. The proposed model of health care access will strengthen the collegial and institutional relationships which will be established with partner organizations that are bound by their unifying mission to serve the residents of lower Manhattan.

Recommendation

From a need perspective, approval is recommended.

Programmatic Analysis

Background

The construction of a new division of Lenox Hill Hospital, to be called the Center for Comprehensive Care, is in response to the closure of St. Vincent's Catholic Medical Center in April 2010. The division will include:

- 2 medical surgical beds,
- emergency department,
- diagnostic radiology (including MRI and CT),
- ambulatory surgery,
- pharmaceutical service,
- clinical laboratory service,
- medical social services, and
- ambulance transportation service

The division will operate a 24 hour/7 days a week emergency department, with two beds for observation and/or treatment requiring a longer than 24-hour stay, prior to transfer. Patients requiring inpatient care will be transferred to a hospital chosen by the patient or by the emergency room physician's assessment of the best location for treatment. The division will enter into transfer agreements with several area hospitals for specialized services including trauma, burns, perinatal, and stroke.

Upon completion of the project the main site of Lenox Hill Hospital will decertify two medical surgical beds.

Staffing

Staffing will consist of 175 FTEs in Year One, and 202 FTEs in Year Three.

Compliance with Applicable Codes, Rules and Regulations

The medical staff will ensure that procedures performed at the hospital conform to generally accepted standards of practice and that privileges granted are within the physician's scope of practice and/or expertise. The hospital's admissions policy will include anti-discrimination regarding age, race, creed, color, national origin, marital status, sex, sexual orientation, religion, disability, or source of payment. All procedures will be performed in accordance with all applicable federal and state codes, rules and regulations, including standards for credentialing, anesthesiology services, nursing, patient admission and discharge, a medical records system, emergency care, quality assurance and data requirements.

This facility has no outstanding Article 28 surveillance or enforcement actions and, based on the most recent surveillance information, is deemed to be currently operating in substantial compliance with all applicable State and Federal codes, rules and regulations. This determination was made based on a review of the files of the Department of Health, including all pertinent records and reports regarding the facility's enforcement history and the results of routine Article 28 surveys as well as investigations of reported incidents and complaints.

Conclusion

Based on the results of this review, a favorable recommendation can be made regarding the facility's current compliance pursuant to 2802-(3)(e) of the New York State Public Health Law.

Recommendation

From a programmatic perspective, approval is recommended.

Financial Analysis

Assignment of Contract Of Sale (As Amended and Restated)

On June 7, 2007, the United States Bankruptcy Court Order approved a Memorandum of Understanding between SVCMC and Rudin Development, LLC, regarding the related real estate. Rudin Development, LLC is one of the largest companies in the New York City area to develop and manage real estate holdings. On March 9, 2011, an amended and restated contract of sale was executed between SVCMC (seller) and RSV, LLC (purchaser) whereas the O'Toole Building was assigned to NS-LIJ assuming all rights and obligations of Purchaser under the agreement. RSV, LLC is an affiliate of Rudin Development, LLC and Rudin can act through an affiliate.

Total Project Costs

Total project costs for renovations and the acquisition of movable equipment is estimated at \$125,621,357, broken down as follows:

Renovation & Demolition	\$79,728,300
Site Development	175,000
Asbestos Abatement or Removal	4,039,503
Surveys and Test Borings	70,000
Design Contingency	5,300,000
Construction Contingency	4,000,004
Planning Consultant Fees	1,457,104
Architect/Engineering Fees	6,157,822
Pre-Construction Manager Fees	435,000
Other Fees (Consultant)	6,886,137
Movable Equipment	16,751,157
Application Fee	2,000
Additional Processing Fee	<u>619,330</u>
Total Project Cost	<u>\$125,621,357</u>

Project costs are based on a February 1, 2012 construction start date and a twenty-two month construction period. Lenox Hill Hospital will finance total project costs through accumulated funds and a \$10 million contribution from Rudin Development, LLC.

The Bureau of Architectural and Engineering Facility Planning has determined that this project includes shell space costs of \$12,394,556 for future expansion. As a result, the total approved project cost for reimbursement purposes shall be limited to \$113,226,801 until such time as the shell space is approved for use (under a future CON) by the Department.

The applicant has submitted an incremental operating budget in 2011 dollars, for the first and third years of operation, summarized below:

	<u>Year One</u>	<u>Year Three</u>
Revenues:	\$24,016,700	\$33,644,700
Expenses:		
Operating	\$21,065,300	\$26,210,100
Depreciation and Rent	<u>6,252,200</u>	<u>6,252,200</u>
Total Expenses	\$27,317,500	\$32,462,300
Net Income	<u>\$(3,300,800)</u>	<u>\$1,182,400</u>
Utilization: Inpatient Discharges	242	363
Outpatient Visits	60,522	85,331

Utilization for the first and third years is as follows:

Inpatient Cases

<u>Payor</u>	<u>Years One and Three</u>
Medicaid Fee-For-Service	18.5%
Medicaid Managed Care	13.2%
Medicare Fee-For-Service	8.2%
Medicare Managed Care	2.9%
Commercial Managed Care	34.8%
Private Pay	22.4%

Outpatient Visits

<u>Payor</u>	<u>Year One</u>	<u>Year Three</u>
Medicaid Fee-For-Service	6.6%	6.9%
Medicaid Managed Care	7.2%	7.5%
Medicare Fee-For-Service	18.3%	17.8%
Medicare Managed Care	6.4%	6.3%
Commercial Managed Care	53.5%	53.1%
Private Pay	8.0%	8.4%

Expense assumptions are based on the historical experience of Lenox Hill Hospital inpatients and outpatients. Utilization assumptions are based on both the historical utilization of the former St. Vincent’s Catholic Medical Center, as well as a recently conducted community health assessment.

Feasibility Study

NS-LIJ has provided internal feasibility assumptions relative to this project regarding the new Division of Lenox Hill Hospital known as The Center for Comprehensive Care. BFA Attachments present forecasted results pertaining to the hospital’s utilization and financial performance. Following are significant assumptions.

Demand

Lenox Hill Hospital is requesting to certify at this Division, two Medical/Surgical beds to adequately accommodate future demand; the two beds will be transferred from Lenox Hill Hospital’s current licensed medical surgical beds on its operating certificate.

In projecting the demand for the Emergency Department, the following factors were taken into consideration: the historic utilization and market share of service area residents who used the St. Vincent’s Emergency Department; an estimate for the percent of patients that would require inpatient care (based on normative admission percentages of existing Emergency Departments), and an annual growth rate.

Inpatient Utilization

BFA Attachment I presents forecasted demand for inpatient services, based on the following assumptions:

- Increases in discharges are based on a methodology that takes into account population and growth trends in the market area.
- Increases in inpatient cases from 2014 to 2016 are attributed to the start up of the new division and are projected to remain constant from 2016 to 2018. Inpatients will be discharged from the Center or transferred to Lenox Hill Hospital or neighboring facilities.

Outpatient Utilization

BFA Attachment H presents forecasted demand for outpatient services, based on the following assumptions:

- Projected visits are based on a conservative 22.3% share of area residents who sought services from SVCMC and 3% growth trends in the market area for the five year period.

- Increases in outpatient cases from 2014 to 2016 are attributed to the start up of the new division and are projected to remain constant from 2016 to 2018 as a conservative approach.

Managed Care Penetration

The hospital has managed care contracts in place with several major managed care companies operating in the hospital's service area, and also accepts volume from all managed care payors for out of network patients.

Forecasted Financial Statements

Presented as BFA Attachment F and G, are statements of forecasted revenues, expenses, and forecasted cash flows for Lenox Hill Hospital. Each statement's underlying results and assumptions are summarized below:

Balance Sheet

- As shown on Attachment F, the hospital's net assets increase annually due to forecasted positive operating results.
- Debt service coverage ratios on outstanding debt for 2010 audited and in the final two years of the projection period:

<u>2010</u>	<u>2015</u>	<u>2016</u>
3.3	6.5	6.8

Forecasted Statement of Revenue and Expenses

Revenues:

- Revenues for all payors have been projected based on existing methodologies and current rates at Lenox Hill Hospital and are not trended between 2014 and 2018. Revenues increase based on volume.
- For the proposed Emergency Department, the applicant provided historical data for ED admissions, and treat and release, for both the service area residents and St. Vincent's Hospital. The applicant chose to use St. Vincent's payor mix for ED treat and release, as it both reflects the payor mix of the community for those residents from out-of-the service area who are likely to use the ED and the likelihood of patients who would be brought to the center by FDNY ambulance.
- For the payor mix of the ambulatory surgery and imaging services, the applicant used the historical St. Vincent's Hospital payor mix for these services as reflected in the hospital's most recent Institutional Cost Report.

Expenses:

- Expenses are forecasted based on historical experience of Lenox Hill Hospital and adjusted for future trends. Expenses remain constant with revenues and increase due to volume.

Statement of Forecasted Cash Flows

- As shown on Attachment H, Lenox Hill Hospital's cash position decreases in 2012 and 2014, due to significant cash outflows for capital expenditures related to the Center. The level of capital expenditures decrease and cash flow provided from operational activities result in an increase in cash from 2015 to 2016 during the forecasted budgeted period.

Capability and Feasibility

Total project cost of \$125,621,357 will be funded through \$10,000,000 in a pledge from Rudin Development, LLC, and the remaining \$115,621,357 as equity from the hospital. Presented as BFA Attachment D, is the 2009-2010 financial summary of Lenox Hill Hospital, which indicates the availability of sufficient resources for this project.

The hospital projects an excess of revenues over expenses of \$1,182,400 by the third year. As shown on BFA Attachment D, the hospital has maintained average positive working capital and net asset positions during the period shown, and generated a net operating revenue excess of \$2,308,000 between May 19, 2010, and December 31, 2010, when Lenox Hill Hospital became a member of the NS-LIJ Health System. Lenox Hill Hospital has had

significant and growing net operating losses during 2009, and prior year 2008. This was the key reason that Lenox Hill issued a request for proposals from several larger health systems for affiliation and ultimately chose NS-LIJ as its preferred partner. The operating losses resulted from a combination of many factors including declining patient volumes, a relatively weak negotiating position with managed care payers as a stand-alone acute care hospital, a limited primary care network; need to upgrade systems and processes for managing revenue cycle and the supply chain issues.

All of these are being addressed since Lenox Hill joined the NS-LIJ health system in May 2010, and NS-LIJ management expects that improvements will continue on multiple fronts over the next several years.

Recommendation

From a financial perspective, contingent approval is recommended.

Architectural Analysis

Background

The applicant is proposing to establish a new facility to be located in an existing building at the former St Vincent's Catholic Medical Center to provide Emergency and Ambulatory Care Services. The existing building is currently 160,886 SF and comprises six stories plus cellar. The proposal includes the gut renovation of the interior of the building, demolition of portions of the first, second and sixth floors, and an addition at the first floor level. Areas of existing floor slab will be removed at interim floor levels to accommodate new elevator systems. The resultant building area will be 140,844 SF. The building's construction classification is non-combustible Type II (222). Bulk oxygen is to be provided in new venter supplied tanks placed in an existing storage structure located directly across 12th Street. A new service line will be installed within an existing trench below the street.

First Floor (28,870 SF renovation, 4642 SF addition*, 1609 SF removed)

**Additional occupiable floor area enclosed within the existing structure.*

The total proposed area of the First floor is 28,870 SF. The first floor will accommodate a new Emergency Department and small inpatient unit. The ED program will provide twenty-two patient modules, including three CDU beds, two resuscitation beds, one psych bed and sixteen exam/treatment rooms for ob/gyn, isolation, pediatrics, ophthalmology, forensic and general. In addition, the ED will provide one 320 slice CT room and two X-Ray rooms. The inpatient unit will provide two patient bedrooms, one of which will accommodate bariatric patients. The ED walk in entrance will be located to provide a drop off for cars, taxis and mass transportation. Reception, triage and patient waiting are located adjacent to this entrance. A three-bay covered ambulance driveway and entrance will be provided. A separate loading dock is also provided. A separate public lobby, including reception/concierge, will serve ambulatory surgery, diagnostic radiology and future private practice space. Reconfiguration of the plan will result in the elimination of 1609 SF of existing floor area.

Second Floor

The Second floor includes 14,777 SF and is designated for the fit-out of private practices facilities and is not included in this project. Sprinklers and egress lighting will be installed, and structural modifications will include removing a portion of floor slab to extend the ceiling height at the first floor level within the ED.

Third Floor

The usable floor area of the Third floor is 6,391 SF. Existing partitions are to be removed to provide shell space for future development. An area of floor slab is to be removed to provide access from the Second level. Sprinklers and egress lighting are to be provided.

Fourth Floor

This floor includes 27,286 SF designated for the future fit-out of private practice space not included in this project. Sprinklers and egress lighting will be provided.

Fifth Floor (30,274 SF renovated)

The total floor area of the Fifth floor is 30,274 SF and includes diagnostic radiology, ambulatory surgery, shared

prep/recovery, and administration offices. Radiology includes two MRI's (one initial plus one future), one CT scan, two X-ray (one initial plus one future), two ultra-sound and one mammography room. In addition, a mobile C-arm will be provided. Ambulatory surgery will include two operating rooms with sterile core and associated support spaces as well as two exam rooms, one consultation room, and a prep/recovery area with 14 stations.

Cellar (26,118 SF renovated, 794 SF removed)

The Cellar is 26,118 SF and currently houses a parking garage. This space is to be renovated and repurposed for clinical support spaces, core building systems, building support services, ED support, and MEP and other utility services. A 6,373 SF area is designated for future support functions not included in this project. Sprinklers and egress lighting will be provided. Removal of an access ramp and other modifications will result in a loss of 794 SF of enclosed floor area.

Clinical support functions include stat laboratory, blood refrigerator, materials management, waste management (universal, infectious waste, hazardous and other waste) and food services. Building support services include environmental services, soiled linen, receiving and materials management, sterile processing and storage, building staff lockers/toilet/lounge, and maintenance facilities. Mechanical/Electrical spaces include IT and UPS rooms and also fuel oil storage for the emergency generator.

Sixth Floor (3,700 SF renovated, 12,488 SF removed)

The proposed floor area of the Sixth floor is 3,700 SF. Some existing administrative and conference facilities will be demolished. New construction will include rooftop air handling units, cooling tower and an emergency generator. A total of 12,488 SF of existing interior floor space will be removed or partitioned so as to not be usable.

The existing building is a designated landmark constructed in 1964. Extensive renovations are needed to properly support the LHH Center for Comprehensive Care program, and are intended to comply with LEED Silver standards.

The interior will be completely gutted, and all MEP systems, all elevators and one stair will be replaced. One additional exit stair will be added. A total of three elevators will be provided under this project, including two for patients and one for service. The interior of each floor will be completely reconstructed for code compliance. The entire building will be sprinklered. New electrical and IT closets will be provided at each floor. Radiation shielding will be provided for X-ray and CT-scan at the first floor and for MRI, CT-scan, X-ray, ultrasound and the operating rooms on the Fifth floor.

Extensive exterior renovation will also be performed to update the building to the new program. With landmark designation status, the building will therefore be subject to review by the New York City Landmarks Preservation Commission from whom a 'Certificate of Appropriateness' will be requested. Existing ceramic tile cladding will be removed, allowing for the restoration of an original precast concrete panel facade. Bronze window walls on levels 4 and 5 will be replaced with an energy efficient curtain wall system. An extensive existing 12" glass block wall at ground level will be replaced with energy efficient glass block and thereby allowing the use of adjacent interior space for the ED.

Environmental Review

The Department has deemed this project to be a TYPE I Action and the lead agency shall be the City Planning Commission, City of New York.

Recommendation

From an architectural perspective, approval is recommended.

Attachments

BFA Attachment A	NS-LIJ Organizational Chart
BFA Attachment B	2009-2010 Financial Summary, North Shore-Long Island Jewish Health System, Inc.
BFA Attachment C	June 30, 2011 Internal Financials for North Shore-Long Island Jewish Health System, Inc.
BFA Attachment D	2009-2010 Financial Summary, Lenox Hill Hospital
BFA Attachment E	June 30, 2011 Internal Financials for Lenox Hill Hospital
BFA Attachment F	Forecasted Balance Sheet
BFA Attachment G	Forecasted Statement of Revenues and Expenses
BFA Attachment H	Forecasted Statement of Cash Flows
BFA Attachment I	Forecasted Statistics, Ratios and Payor Mix
BFA Attachment J	Projected Inpatient and Outpatient Volume
BFA Attachment K	Financial Cost Analysis
BHFP Attachment	Map