

Delaware Health Resources Board
Beebe Healthcare 4th Floor Fit out Specialty Surgical Hospital Review Committee Meeting
Minutes
Friday, January 31, 2020 10:00 AM
Thomas Collins Building
Division of Developmental Disabilities Conference Room 106
540 South Dupont Highway Dover DE 19901

Review Committee Members Present: Cheryl Heiks, Pamela Price and Edwin Barlow

Staff Present: Latoya Wright

Call to Order and Welcome

The meeting of the Review Committee for Beebe was called to order at 10:05 a.m.

Review of Beebe Healthcare Services (CPR) Application

It was stated that the application for Beebe was deemed complete on October 31, 2019. At the November 14, 2019 Health Resources Board (HRB) meeting, Beebe representatives provided the HRB members with a formal presentation of the project.

Project Summary and Background Information

On November 19, 2018, the Delaware Health Resources Board (HRB) approved an application by Beebe Healthcare to construct a Specialty Surgical Hospital on John J. Williams Highway between Rehoboth Beach and Millsboro. The approved project, currently under construction, was approved with 12 short stay, private inpatient rooms fully constructed and furnished. The approved project also included unfinished space on the same floor to accommodate 12 additional private inpatient rooms. Beebe Healthcare now seeks permission to fit out the remaining 12 private inpatient rooms, which, if approved, will be available and operational when the facility opens in 2022. These 12 private rooms will allow Beebe Healthcare to move additional scheduled, low-acuity surgical patients from its older campus on Savannah Road in Lewes to the newer and more conveniently located Specialty Surgical Hospital. The beds will be used for both short-stay inpatients and outpatient recovery. Existing patient rooms that currently serve this cohort of patients at the Savannah Road campus will eventually be converted to private rooms. This application does not include remodeling of the existing rooms at the Medical Center in Lewes. This application does not seek to increase the total number of licensed beds at Beebe Healthcare.

The total number licensed beds for Beebe Healthcare will remain 210. Since the application in 2018 for the Specialty Surgical Hospital was submitted, average daily census of inpatient and observation patients at the Medical Center on Savannah Road has continued to grow. Average daily census in the fiscal year that ended June 2018 was 139.4 and was 147.2 in the fiscal year that just ended in June 2019. For the past 5 months of the fiscal year, the census has been 10% above projected levels. Since 2016, average daily census has grown by 12.25%. The census patterns at Beebe Healthcare's Lewes Medical Center have severe peaks, with many days in the last year being in the 170-180 range. Total construction and equipment costs for the project are estimated at \$3.2 million. Beebe Healthcare will use existing bond proceeds for the project, so no new additional debt or debt financing will be incurred. All rooms at the Specialty Surgical Hospital will

be private patient rooms, a requirement for new hospital construction, and an important feature that supports infection prevention, privacy, inclusion of family members, and patient experience.

Conformity of Project with Review Criteria

The Review Committee reviewed the CPR application and the responses to the seven criteria.

Criterion I: The relationship of the proposal to the Health Resources Management Plan.

Beebe's mission is to encourage healthy living, prevent illness, and restore optimal health with the people residing, working, or visiting the communities they serve. This mission guides Beebe towards providing care for all in their community, regardless of their ability to pay. Beebe is a provider of care to Medicare and Medicaid beneficiaries. The health system is accredited by the Joint Commission on Accreditation of Health Care Organizations (JCAHO). The Specialty Surgical Hospital in which these beds will be located will also be accredited by The Joint Commission. Beebe is an active participant and supporter of the Delaware Health Information Exchange (DHIN).

Charity Care

Beebe Healthcare has a formal Charity Care Policy (Attachment D.2 in the application). It is hospital policy that no one will be denied medically-necessary hospital services based upon the patient's ability to pay for those services. Patients with income up to 400% of the Federal Poverty Level are eligible for charity care or financial assistance.

The Review Committee discussed that the project will be less disruption to patients and will not drive up excess costs.

The Review Committee agreed the application met criterion I.

Criterion II: The need of the population for the proposed project.

The population of Sussex County, and South Eastern Sussex County, has grown significantly in the last 10 years and is expected to continue growing. This growth has put a burden on the current healthcare infrastructure and planning for future demand is at the core of this proposed expansion. Average daily census of inpatients at Beebe Healthcare grew 12.25% between 2017 and 2019. And it grew 22.3% from 2014 to 2017. This rate of growth is unprecedented in their recent history. The growth was sustained throughout the calendar year and could not be attributed to seasonal spikes during the flu or summer seasons.

Average Daily Census at Beebe grew from 124 in 2014 to 147 in 2019. While population growth has spurred demand for hospital beds, Beebe Healthcare has initiated many programs to help reduce hospital utilization. These include a team of care coordinators in the Advance Care Clinic, which focuses on lowering readmissions, and the Beebe C.A.R.E.s program that lowers utilization of those who are high utilizers of the emergency department and inpatient services. Fitting out and bringing into operation 12 additional rooms at the Specialty Surgical Hospital will allow Beebe to move the less complex surgical patients from the site of the Medical Center in Lewes, allowing for the conversion of additional rooms in that facility to private rooms, while offering private rooms at a more convenient location to patients at the site of the Specialty Surgical Hospital.

The Review Committee agreed there is still a need for the additional 12 rooms as mentioned in the application approved in 2018 as the population in Sussex County continues to grow.

The Review Committee agreed the application met criterion II.

Criterion III: The availability of less costly and/or more effective alternatives to the proposal of Delaware, including alternatives involving the use of resources located outside the State.

The goals of this project include:

- Meeting the demand for convenient access to care of a population that is growing to the west of Route 1 and south of Lewes
- Increasing the number of private rooms available to inpatients served by Beebe Healthcare
- Providing for innovative surgical care that is designed purposefully to support extremely efficient operations that are required by insurers and private payers for healthcare
- Grouping like-patients to enable better implementation of standardized care protocols and processes to improve outcomes and patient experience

Beebe stated in the application there are no feasible less costly alternatives to achieve these goals. There is no building currently constructed adjacent to the existing Medical Center in Lewes in which to convert space for inpatient capacity.

The Review Committee discussed the other hospital systems close by that may provide similar services. It was mentioned that perhaps Beebe can expand a little further on their evaluation of the other hospital systems as it relates to Criterion III. Staff will send the follow up question to Beebe. The Review Committee also considered Beebe's application approved in 2018 that mentioned that the additional rooms will be completed at another date and this may be related to their reasoning for stating this was the only alternative to achieve their goals.

The Review Committee agreed the application met criterion III.

Criterion IV: The relationship of the proposal to the existing health care delivery system.

The Specialty Surgical Hospital will benefit from the corporate infrastructure and resources that are provided by Beebe Healthcare, including access to capital, human resources, financial management, billing services, facilities, nutritional services, information technology, materials management, quality programming, clinical planning and support.

Referral Relationships

As part of Beebe Healthcare, the Specialty Surgical Hospital will be part of the ongoing clinical partnerships that Beebe has, including the 52 organization with which the health system has transfer agreements. These include all the tertiary hospitals in Delaware, Hospital of the University of Pennsylvania, Jefferson University Hospital, Nemours A.I. DuPont Children's Hospital, Children's Hospital of Philadelphia, and many others. Beebe Healthcare has a large and active Medical Staff, including primary care physicians who care for patients pre- and post-surgically, as well as the surgeons who would perform procedures in the proposal Specialty Surgical Hospital. Beebe's discharge planning team will coordinate with the surgeons and primary care physicians for post-surgical care. Beebe's Advance Care Clinic will be available to help coordinate care

following discharge for those patients who need additional help. Presently, all patients discharged from Beebe Healthcare are contacted by phone to confirm that the patient understands their discharge instructions, medication instructions, and has an appropriate follow up appointment.

Employment, Diversity and Patient Choice

The addition of a Specialty Surgical Hospital will have a positive impact on the choice of consumers for healthcare services. No patients are predicted to move their care from other inpatient providers in Sussex County, so no negative impact is predicted for these health systems.

The Review Committee agreed the application met criterion IV.

Criterion V: The immediate and long-term viability of the proposal in terms of the applicant's access to financial, management and other necessary resources.

The current and projected demand for short-stay and outpatient surgical care in Beebe's Primary Service Area is sufficient to support construction and operation of the Specialty Surgical Hospital, including the proposed additional 12 rooms. It is difficult to accurately carve out expenses and revenue for only the additional 12 beds of this proposed expansion. Schedule 4 on page C-2 includes the projection of patient revenue and operating expenses of the full Specialty Surgical Hospital, with the full complement of 24 inpatient beds. In the first year of operation, total patient care revenues are projected to be \$83.4 million, with operating expenses of \$66.7 million. Beebe Healthcare will use existing bond proceeds for the project, so no new additional debt or debt financing will be incurred. It was noted that Schedule 11, 12, and 13 provide details of Beebe's existing bond financing, financial feasibility, and debt financing.

The Review Committee discussed the concerns of a workforce shortage across the state as it pertains to recruitment and retention of healthcare professionals. It was stated that particularly in the Sussex County area, there is a shortage in the workforce and Delaware should address this issue. It was also mentioned that Beebe's viability is strong. The Review Committee believes they have the financial resources to support the additional 12 beds.

The Review Committee agreed the application met criterion V.

Criterion VI: The anticipated effect of the proposal on the costs of and charges of healthcare.

Financial Impact (first full year of operations)

Estimated effect on annual expenses: \$66,742,392
Estimated effect on annual revenue: \$83,431,766
Estimated effect on individual charges: \$0.00

The majority of revenue associated with this project is already accruing to Beebe Healthcare through these same services at the Medical Center in Lewes. Most of this revenue is then shifting to this site of care and does not represent new utilization. Beebe Healthcare does not anticipate any direct impact on the individual charges or costs to insurers or payers for the patient care delivered at the proposed Specialty Surgical Hospital. The purpose-designed space will be efficient to operate because of its focus on elective surgical patients both inpatient and outpatient. The new

design and construction will also be more efficient on energy consumption than the older infrastructure at the Medical Center in Lewes.

Beebe Healthcare is actively committed to value-based care initiatives that are focused on the triple aim of improving care, care experiences, and lowering total costs. Beebe Healthcare has participated in the Medicare Shared Savings Program since 2014, and the Bundled Payment for Care Improvement program since 2015. In addition, the organization has been an active participant in the Delaware Center for Health Innovation, with team members serving on several committees. These initiatives ensure that Beebe's culture and their processes do not incentivize overutilization of healthcare services.

The Review Committee reviewed and discussed the expenses and revenues documented in Schedule 4 of the application. It was noted that it is a benefit that Beebe is participating in value-based payments and bundled payments.

The Review Committee agreed the application met criterion VI.

Criterion VII: The anticipated effect of the proposal on the quality of health care.

The proposed Specialty Surgical Hospital will impact quality and patient experience on a variety of measures:

- Standardized operating room and patient room design will enable consistent work flow for physicians and nurses, reducing variation in physical layout that can undermine consistent application of protocols and workflow.
- Adequate patient room size will support bedside care while also including family and caregivers who are important for patient engagement and healing.
- The all-private-room model will protect patient privacy, improve patient satisfaction with their experience, and reduce risk of infection inherent in dual occupancy rooms.
- The focus on scheduled surgical patients will enable teams to hone standardized protocols for these patients, lowering infection risks, improving recovery times, reducing length of stay, expediting discharge processes, and enhancing patient experience.

Technology

The proposed Specialty Surgical Hospital will be the home of the Center for Robotic Surgery, supported by the da Vinci Xi Robotic Surgery System. Robotic surgery has been demonstrated to reduce complication and infection rates, shorten length of stay and recovery time, and reduce readmissions.

The Review Committee discussed the benefits for adding Robotic Surgery to the health care system.

The Review Committee agreed the application met criterion VII.

Other Review Considerations

The project will offer economies of scale and improvements to the delivery of service. With an improved layout, reduced workflow travel distances, technology support and state of the art building mechanical and electrical services will reduce operational cost in respect to clinical and support staffing, energy efficiency through improved systems, LED lighting, sustainable materials

and plant maintenance protocols. The project will employ energy conservation principles and will eliminate all barriers to accessibility.

The Review Committee sent the following questions to the applicant:

- As it relates to Criteria III: The availability of less costly and/or more effective alternatives to the proposal, including alternatives involving the use of resources located outside the State of Delaware: did Beebe evaluate other alternatives such as other health systems that offer similar services?
- Why didn't Beebe include the 12 additional rooms in the original application that was approved in November 2018? Why did Beebe wait until now?

Recommendation

Based upon the foregoing findings, the Review Committee hereby recommended approval of the CPR application submitted by Beebe for the 4th floor fit out of 12 rooms in the Specialty Surgical Hospital.

Next Steps

Staff will send the follow up questions to the applicant for responses. The Review Committee will provide their recommendation for the application to the Board at the February 27th Health Resources Board meeting.

Adjourn

The meeting adjourned at 11:09 a.m.