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## Summary of Capital Improvement Reports Submitted by Hospitals

One of the tasks requested in Burns & Associates' (B&A) contract with the Nevada Legislative Counsel Bureau is to conduct an analysis of the information provided by Nevada's Department of Health and Human Services (DHHS) concerning capital improvement reports submitted by hospitals pursuant to subsection 2 of NRS 449.990. This analysis stems from the provision in NRS 449.520 that the Legislative Committee on Health Care shall include this analysis in its review of the health care needs in the State.

Specifically, B&A was tasked with reviewing the reports submitted by hospitals to the DHHS between January 1, 2006 and May 15, 2006. In consulting with DHHS staff, we learned that there were no capital improvement reports submitted by hospitals to DHHS during this time. This is because of the timing of reporting requirements stated by DHHS to hospitals as to when the report is due. The capital improvement report is a portion of a larger report of data elements that hospitals are required to submit to the DHHS per NRS 449.490. The DHHS requires that all data elements on the report be submitted no sooner than six months after the hospital's year-end.

### Background

Because NRS 449.490 was passed during the 2005 Session, hospitals were not required to submit capital improvement information to the DHHS prior to the DHHS Annual Report submitted October 1, 2005 to the Governor, the Legislative Committee on Health Care, and the Interim Finance Committee. This annual report, which is mandated in NRS 449.520, will include analysis of hospital capital improvements beginning with the October 2006 report.

The hospitals that meet the criteria to submit reports did provide interim data to the DHHS regarding capital improvements in late 2005. This interim data was summarized and presented by DHHS to the Legislative Committee on Health Care at its February 9, 2006 meeting. Ten of the fifteen hospitals required to submit capital improvement information will be doing so by June 30, 2006. This more current information will be included in the DHHS October 2006 report.

Because the data presented to the Committee thus far is considered preliminary, this report will not offer an analysis of the impact of the information provided on the capital improvement reports. Rather, a summary of the preliminary data submitted thus far is presented along with an analysis of how the data was submitted. B&A offers suggestions on how the data that is submitted regarding capital can be strengthened to better guide future tracking of hospital capacity and services.

Subsection 2 of NRS 449.490, which was passed during the 2005 Legislative Session, states the requirements for hospitals with respect to what they must report:

Each hospital with 100 or more beds shall file with the Department, in a form and at intervals specified by the Director but at least annually, a capital improvement

report which includes, without limitation, any major service line that the hospital has added or is in the process of adding since the previous report was filed, any major expansion of the existing facilities of the hospital that has been completed or is in the process of being completed since the previous report was filed, and any major piece of equipment that the hospital has acquired or is in the process of acquiring since the previous report was filed.

Fifteen hospitals in the state meet the criteria for mandatory reporting. Other hospitals are encouraged to submit this information but are not required to do so. Each hospital is given six months after their fiscal year end to submit capital expenditures incurred in the prior fiscal year. Characteristics of the hospitals required to submit this information include:

- ❑ Nine hospitals are for-profit and six hospitals are not-for-profit
- ❑ Eleven hospitals are in Clark County and four are in Washoe County or Carson City
- ❑ These 15 hospitals represent 97% of the inpatient days and 96% of inpatient admissions reported by hospitals in CY 2004<sup>1</sup>

### **Summary of Information Submitted to DHHS Thus Far**

The preliminary information submitted by hospitals to the DHHS was primarily for activities in 2004 and early 2005. Because the information submitted is based on each hospital's fiscal year, the time period that the preliminary information covers is as follows:

- ❑ One hospital had a year-end of September 30, 2004
- ❑ Nine hospitals has a year-end of December 31, 2004
- ❑ Five hospitals had a year-end of June 30, 2005

### **Costs Reported Across All Improvements**

Total capital improvements reported by the 15 hospitals during these time periods totaled \$406 million. Costs reported per hospital varied widely, from a low of \$2.1 million (Saint Rose- Rose de Lima) to a high of \$137.4 million (Southern Hills, which had just opened in March 2004). In fact, almost three-quarters of total capital improvements were reported among four hospitals. The distribution of capital improvements reported by hospital is shown on the next page:

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<sup>1</sup> Source: Department of Human Resources, Division of Health Care Finance and Policy's Year End December 31, 2004 Summary Financial Report, Statement of Revenues and Expenses. (Compiled by UNLV Center for Health Information Analysis based upon hospital submissions)

<b>Hospital Name</b>		<b>Capital Improvements (in millions)</b>
<i>Clark County</i>		
1	Southern Hills Hospital	\$137.4
2	Sunrise Hospital	\$28.0
3	University Medical Center	\$25.7
4	Summerlin Hospital	\$13.0
5	MountainView Hospital	\$9.3
6	Valley Hospital	\$8.8
7	Desert Springs Hospital	\$8.4
8	North Vista	\$5.0
9	Saint Rose (Siena)	\$4.8
10	Spring Valley Hospital	\$2.9
11	Saint Rose (Rose de Lima)	\$2.1
<b>Subtotal for Clark County</b>		<b>\$245.4</b>
<i>Washoe County/Carson City</i>		
12	Carson Tahoe Hospital	\$84.3
13	Washoe Medical Center	\$44.5
14	St. Mary's Regional Medical Center	\$30.0
15	Northern Nevada Medical Center	\$2.2
<b>Subtotal for Washoe County/Carson City</b>		<b>\$161.0</b>
<b>Total Across All Hospitals</b>		<b>\$406.4</b>

The costs of capital improvements were not delineated on the report by all hospitals between new service lines, major expansions, and major equipment. The distribution of capital improvements were fairly evenly distributed during this reporting period by tax status. For-profit hospitals comprised \$215 million and not-for-profit hospitals comprised \$191 million of the total costs incurred. This finding may not be representative of a pattern, however, since some hospitals had extraordinary improvement costs during this period.

#### Major Service Lines Cited

The costs of specific activities (e.g. major service lines, major expansions, and major pieces of equipment) were not clearly identified in the submissions. The narrative descriptions, however, showed that the types of improvements varied to a great degree across the hospitals. Among the category of major service lines added, nine hospitals did not report any activity. The remaining six hospitals reported the following details:

<b>Hospital</b>	<b>New Service Line</b>
Carson Tahoe	Expansions of outpatient imaging, urgent care, lab and therapy centers
Desert Springs	Diabetes Treatment Center, Cardiac Progressive Care Unit, and Latino Center of Excellence developed
Southern Hills	New hospital; facilities cost of \$60.7 million and equipment cost of \$76.6 million
Spring Valley	NICU Level II and Cath lab
St. Mary's	Mammography suite and angio interventional suite
Sunrise	Initiated the Nevada Neurosciences Institute at Sunrise

### Major Expansions Cited

There was also wide variation among the seven hospitals that reported major expansions (the other eight did not report any expansions). The types of expansions reported include:

<b>Hospital</b>	<b>Major Expansions</b>
Carson Tahoe	Professional center in Dayton
Southern Hills	Expansion defined as part of new hospital
St. Mary's	Parking garage
Summerlin	Patient tower
Sunrise	Major renovations and expansions made to improve patient safety
Valley	Added 27 emergency critical beds (now at 53 beds)
Washoe	Expanded pediatric ICU

### Major Pieces of Equipment Cited

All but two of the hospitals reported major equipment purchases during their reporting year. Examples of equipment purchases include:

- ❑ Medical equipment: radiology equipment, surgical equipment, lab equipment, ventilators, surgically invasive video equipment, light speed CT scanner, regular CT scanners, mobile MRI, mammography machines, PET/CT machine (for neuroscience and cancer services), cardiac monitor for intensive care neonatal babies), angio suite (provides neurological intervention)
- ❑ Infrastructure: PACS (picture archive computer system) reported by two hospitals, nurse call system, telephone system, eMAR bar coding equipment (to diminish medical errors) reported by three hospitals

Activities in Progress Cited

Hospitals are also required to report activities in progress as of the end of their fiscal reporting period. Eight of the 15 hospitals reported construction in progress. These activities should be tracked to the following year reports to ensure that the hospitals reported these improvements during the next reporting period and their associated costs:

<b>Hospital</b>	<b>Activities in Progress</b>
Carson Tahoe	IP surgical and OP imaging hospital; land acquisition for a new hospital
MountainView	144-bed expansion tower (includes critical care and emergency services), 12-bed observation unit, parking garage, expanded cardiac cath lab, expansion of therapy services
North Vista	Women’s center and gerontology psych expansion
Spring Valley	4-bed rehab unit and additional cath lab
St. Mary’s	Professional office building
Sunrise	Children’s hospital expansion and renovation
University	Master plan facility expansion
Washoe	10-story tower addition, parking garage

**Critique of the Submissions Process and Information Reported**

Based upon the parameters given to hospitals to submit capital improvements, the 15 hospitals submitting information fulfilled the requirements. Because of the ability to provide open-ended responses, however, the information submitted across hospitals was not reported consistently.

The parameters given to hospitals to submit the capital improvements requirements are shown below:

Capital Improvements for the period

- Additions: \$ \_\_\_\_\_
- A. Major service lines (narrative)
  - B. Major equipment (narrative of items > \$500,000)
  - C. Major expansions (narrative of items > \$500,000)

The instructions given to complete these fields are shown below:

- A. Major Service Lines: Write a brief description of any new service line implemented or in progress (e.g. NICU, rehabilitation unit, trauma, etc.).
- B. Major Equipment: Write a brief description of any major equipment purchased (including capital leases), if the total amount capitalized exceeds \$500,000.
- C. Major Expansion: Write a brief description of any expansion of the facilities (including capital leases), if the capitalized amount exceeds \$500,000.

The data submitted on the capital improvement reports can provide helpful information with respect to measuring capacity and overall strategic planning activities in the State. However, it appears that for this information to be used in comparisons across hospitals or across years, some standardization of terms and more specific information may need to be added to the collection tool.

With respect to the definitions of terms used, the DHHS may want to consider working with the hospitals submitting the data on working definitions of the following:

- “New service line”
  - How is “new” defined? If it is intended that “new” should be items implemented during the most recent hospital fiscal year, then this should be defined in the instructions.
  - How is “service line” defined? One possibility would be to provide a schedule that lists common “service lines” in hospitals and have the hospitals check the box next to the service line that they are adding. There should be a place for hospitals to write in a service line as well if they do not think that their new service line fits into one of the standard categories.
  - DHHS should provide guidance on service lines that get implemented across multiple years as well. Hospitals could submit either the incremental amount that was implemented each year or the full amount of the new service line in the year that the investment was put in full operation. Specific guidance should be given in the instructions as the method that the DHHS would like hospitals to use.
- “Major equipment purchased”
  - Although the instructions specify that the total amount capitalized should exceed \$500,000 to be included, it is not clear whether this means that *each* specific piece of equipment should exceed this amount or if the hospital had cumulative costs of over \$500,000 in the year for major equipment purchased.
  - Further, the instructions should provide clarity as to how the equipment should be defined. For example, in order for a specific piece of equipment to be put into service, there may be one major piece of equipment and also some ancillary pieces purchased separately but required for the major piece of equipment to work. For example, the

purchase of a home computer includes not only the computer itself but the keyboard, mouse, speakers, etc. The DHHS should provide guidance as to how they want hospitals to report this.

- Similar to the suggestion for new service lines, the DHHS may want to consider developing a schedule (with input from the hospital industry) on categories of major equipment listed so that the hospital can check the box next to the major piece of equipment purchased. Next the equipment category name, the hospital can write in a more specific description of the item purchased as well as the cost of the purchase. A schedule such as this will allow the DHHS to track equipment costs over time by category and also allow easier aggregation of equipment purchases across hospitals.
- There may also be added value in segregating equipment purchased that is related to medical care (e.g. an MRI machine) versus building infrastructure (e.g. a new telephone system).
- DHHS should also provide guidance on major equipment that gets implemented across multiple years in the same manner as suggested for new service lines (i.e. incremental approach or full amount in final year).
- “Major expansion”
  - The DHHS may want to consider providing broad categories on the reporting schedule related to major expansions as well. Depending upon the category, more specificity may be required. For example, two hospitals listed expansion towers in their initial capital improvement submissions. One hospital listed the number of beds in the tower and one did not.
  - There may also be some differences across hospitals in the interpretation of “new service line” versus “major expansion”. The DHHS should offer clear definitions of each so that the categories are mutually exclusive.
  - DHHS should also provide guidance on major expansions that get implemented across multiple years in the same manner as suggested for new service lines (i.e. incremental approach or full amount in final year).

With respect to more specific information, in particular it would be helpful if hospitals separated out the costs of each item listed under the categories of new service line, major equipment, and major expansion. In the initial capital improvement submissions, some hospitals provided cost information by major category (e.g. major service lines, major equipment, and major expansion) whereas others submitted costs across all categories combined. Even for those that provided costs by major category, if multiple items were reported within a category (e.g. multiple major pieces of equipment reported), it is difficult to discern the costs of *specific* capital items.

### **Potential Analysis and Uses for Capital Improvement Report Data**

Because the information discussed above is based on the initial submissions from the hospital, this data will serve as the beginning of what will, over time, be a more

comprehensive longitudinal study of capital improvements among large hospitals in Nevada.

If future reporting requirements include more detailed information, the DHHS (or possibly, a new Office of Health Planning) will be able to provide an inventory of where hospital capital is located as well the cost to purchase or replace it. B&A suggests that capital improvements be tracked based on metrics that can be measured across hospitals. Some metrics to consider include:

*By hospital*

- ❑ The cost of new capital improvements in the most recent fiscal year as a percent of total capital invested (this could be measured based on the full amount of the capital costs or the annual depreciation allocation for the new capital versus the existing capital)
- ❑ Delineation of new capital expenditures that are replacements of existing capital or expansion
- ❑ Delineation of capital expenditures related directly to patient care (e.g. MRI), indirectly to patient care (e.g. electronic patient records system), or general administrative (e.g. parking garage, telephone system).
- ❑ The cost of new capital improvements as a percent of net revenue
- ❑ The cost of new capital improvements as a percent of net income
- ❑ Longitudinal trends in new capital expenditures (e.g. new capital improvements in each of last five years as a percent of net revenue)

*Statewide*

- ❑ Capital expenditures over time by new line of business category
- ❑ Capital expenditures over time by major equipment category
- ❑ Cost per new bed put into service and cost per replacement bed
- ❑ Capital improvements reported by hospital chain
- ❑ Capital improvements reported by for-profit and not-for-profit status

*Both by hospital and statewide*

- ❑ The cost of new capital improvements as a percent of net revenue
- ❑ The cost of new capital improvements as a percent of net income
- ❑ Longitudinal trends in new capital expenditures (e.g. new capital improvements in each of last five years as a percent of net revenue)

B&A encourages the DHHS to work with the hospital on the final format of the reporting tool related to capital improvements. To the extent that information can be comparable across hospitals, the DHHS may want to consider using information reported on the Medicare cost report as a reference point (e.g. measuring new capital expenditures reported on the State's reporting tool as a percentage of total capital expenditures reported on the Medicare cost report).

The complete summary that DHHS reported to the Legislative Committee on Health Care at its February 9, 2006 meeting with respect to hospital submissions on capital improvements is shown on the following pages.

**NEVADA HOSPITALS  
MAJOR SERVICE LINES ADDED  
January 31, 2006**

**CLARK COUNTY HOSPITALS****HCA Inc. Hospitals**

MountainView Hospital  
Southern Hills Hospital & Medical Center

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Sunrise Hospital & Medical Center

**Universal Health Systems Hospitals (UHS)**

Desert Springs Hospital

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Spring Valley Hospital Medical Center  
Summerlin Hospital Medical Center  
Valley Hospital Medical Center

**Saint Rose Dominican Hospitals**

Rose de Lima Campus  
Siena Campus

**IASIS Hospital**

North Vista Hospital

**Clark County Owned Hospital**

University Medical Center

**WASHOE COUNTY/CARSON CITY HOSPITALS****Carson Tahoe Regional Healthcare**

Carson Tahoe Hospital

**UHS**

Northern Nevada Medical Center

**Saint Mary' Health Care Corporation**

St. Mary's Regional Medical Center

**Washoe Health System**

Washoe Medical Center

Data as of Date	Major Service Lines Added
12/31/04	None reported
12/31/04	The hospital opened March 1, 2004. Core services include emergency, OB/GYN, diagnostic imaging, surgical, and other services
12/31/04	Initiated formation of The Nevada Neurosciences Institute at Sunrise. New technology includes The Breast Center, Extracorporeal Membrane Oxygenation for advanced treatment for babies hearts and lungs and Cryoablation (a cardiac procedure for children). Also, the hospital received a Hospital Emergency Incident Command System (a decontamination trailer) for decontamination of patients which may be used by other hospitals as well. Level II Trauma Center opened in 2005.
12/31/04	Diabetes Treatment Center                      Development of Latino Center of Excellence, Cardiac Progressive Care Unit
12/31/04	NICU Level II    Cath lab
12/31/04	None reported
12/31/04	None reported
6/30/05	None reported
6/30/05	None reported
9/30/04	None reported
6/30/05	None reported
12/31/04	Expansions of O/P imaging, urgent care, laboratory and therapy centers
6/30/05	None implemented
12/31/04	Mammography suite and angio interventional suite
6/30/05	None reported

**NEVADA HOSPITALS  
CAPITAL IMPROVEMENTS  
January 31, 2006**

**CLARK COUNTY HOSPITALS****HCA Hospitals**

MountainView Hospital

Southern Hills Hospital &amp; Medical Center

Sunrise Hospital &amp; Medical Center

**Universal Health Systems Hospitals (UHS)**

Desert Springs Hospital

Spring Valley Hospital Medical Center

Summerlin Hospital Medical Center

Valley Hospital Medical Center

**Saint Rose Dominican Hospitals**

Rose de Lima Campus

Siena Campus

**IASIS Hospital**

North Vista Hospital

**Clark County Owned Hospital**

University Medical Center

**CAPITAL IMPROVEMENTS**

Data as of Date	Total Costs of Capital Improvements	Equipment
12/31/04	9,333,557	14 ventilators, radiology equipment including ultrasound, bone densitometer, surgical equipment, laboratory equipment, and other medical equipment eMAR bar coding equipment to diminish medication errors
12/31/04	137,448,496	Hospital opened March 1, 2004 Invested \$76.7 million in equipment eMAR bar coding equipment to diminish medication errors
12/31/04	28,003,540	Surgically Invasive Video Equipment, Light Speed CT scanner and diagnostic radiology mini PAC system (stores images available for remote access). eMAR bar coding equipment to diminish medication errors
12/31/04	8,365,413	CT scanner and other medical equipment
12/31/04	2,890,989	None reported
12/31/04	13,067,690	Telephone system
12/31/04	8,817,904	Diagnostic radiology equipment, infant and surgical equipment
6/30/05	2,145,832	None reported
6/30/05	4,829,567	Radiology flat panel detector for interventional procedures
9/30/04	5,072,756	Mobile MRI and diagnostic radiology unit
6/30/05	25,748,670	Picture Archive Computer SystemPACS

**NEVADA HOSPITALS  
CAPITAL IMPROVEMENTS  
January 31, 2006**

**CLARK COUNTY HOSPITALS****HCA Hospitals**

MountainView Hospital

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Southern Hills Hospital & Medical Center-----  
Sunrise Hospital & Medical Center**Universal Health Systems Hospitals (UHS)**

Desert Springs Hospital

Spring Valley Hospital Medical Center

Summerlin Hospital Medical Center

Valley Hospital Medical Center

**Saint Rose Dominican Hospitals**

Rose de Lima Campus

Siena Campus

**IASIS Hospital**

North Vista Hospital

**Clark County Owned Hospital**

University Medical Center

**CAPITAL IMPROVEMENTS Continued**

Major Expansions	Construction in Progress
None reported	A 144 bed expansion tower project to include expansion of critical care and emergency services Parking garage, 12 bed observation unit, relocation and expansion of therapy services Expansion of cardiac cath lab
Hospital opened March 1, 2004 Total costs reported \$137,449,496 less equipment of \$76.6 million = facilities costs of \$60.7 million	
Major renovations and expansion to improve patient safety and upgrades in equipment	Children's Hospital expansion and renovation to support pediatric cardiac surgery, oncology and hematology programs.
None reported None reported Patient tower Expanded emergency critical from 26 to 53 beds	None reported 4 Bed rehab unit, additional cath lab None reported None reported
None reported None reported	None reported None reported
None reported	Women's center and gero psych expansion
None Reported	Master plan facility expansion

**NEVADA HOSPITALS  
CAPITAL IMPROVEMENTS  
January 31, 2006**

**WASHOE COUNTY/CARSON CITY HOSPITALS**

**Carson Tahoe Regional Healthcare**

Carson Tahoe Hospital

Sierra Surgery & Imaging LLC

Carson Tahoe Regional Medical Center

**UHS**

Northern Nevada Medical Center

**Saint Mary' Health Care Corporation**

St. Mary's Regional Medical Center

**Washoe Health System**

Washoe Medical Center

**CAPITAL IMPROVEMENTS**

Data as of Date	Total Costs of Capital Improvements	Equipment
12/31/04	84,343,336	2 Mammography machines 1 CT scanner
Open Mid 2005 Open Dec 2005		
6/30/05	2,236,079	1 CT scanner 1 MRI
12/31/04	30,084,259	Nurse call system, PACS Project (Picture Archive Computer System)
6/30/05	44,503,000	Innova 2000 Digital Cardiac System PET/CT GE Discovery ST – supports neurosciences and cancer services Siemens Artis BA Angio Suite – Provides neurological intervention Cardiac Monitor for ICN – upgrade to existing cardiac monitors for intensive care neonatal babies.

2/6/2006

EXHIBIT 6

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**NEVADA HOSPITALS  
CAPITAL IMPROVEMENTS  
January 31, 2006**

**WASHOE COUNTY/CARSON CITY HOSPITALS**

**Carson Tahoe Regional Healthcare**

Carson Tahoe Hospital

Sierra Surgery & Imaging LLC

Carson Tahoe Regional Medical Center

**UHS**

Northern Nevada Medical Center

**Saint Mary' Health Care Corporation**

St. Mary's Regional Medical Center

**Washoe Health System**

Washoe Medical Center

**CAPITAL IMPROVEMENTS Continued**

Major Expansions	Construction in Progress
Professional center in Dayton, NV, houses OP imaging, urgent care, lab and therapies	IP surgical and OP imaging hospital Land acquisition, new hospital
None reported	None reported
Plaza parking garage	Professional office building (capital lease)
Expanded pediatric intensive care unit	Parking garage, 10 story tower addition to hospital