

under s. HSS 123.08 (12). If the criteria set out in this section are met, the criteria of ss. HSS 123.13 to 123.19 shall not be used in the review of applications subject to this section.

(2) **DEFINITIONS.** In this section:

(a) "Conditions beyond the control of the hospital" means a natural disaster or actual inflation rates which exceed those established using the hospital market projections of data resources, inc.

(b) "Weighted average" means each hospital's average rate prior to merger multiplied by the number of cases each rate is based on divided by the total number of cases for both hospitals.

(3) **REVIEW CRITERIA.** The department shall not approve an application under this section unless the applicant demonstrates that:

(a) The project will result in a net bed decrease for the proposed merged or consolidated hospital which meets the requirements of ss. HSS 123.13 (13) (e) and 123.27 (10) for the merging or consolidating hospital which has the greatest number of excess beds, as measured under those provisions;

(b) For service consolidation projects there will be an actual reduction in financial requirements in the third and subsequent years following completion of the project when compared to total financial requirements of the hospitals prior to merger or consolidation;

(c) The proposed rates exclusive of increases associated with conditions beyond the control of the merged or consolidated hospital to be established in the approval under s. 150.75 (3), Stats., will be less than the weighted average of the rates of the hospitals prior to merger or consolidation;

(d) Resources will be more efficiently and economically used, when compared to the hospitals prior to merger or consolidation; and

(e) There will be a net reduction in the full-time equivalent employees by the third year after merger or consolidation.

History: Cr. Register, March, 1985, No. 351, eff. 4-1-85; reprinted to correct error in (3) (a), Register, May, 1985, No. 353.

**HSS 123.27 State medical facilities plan. (1) PLAN REQUIREMENT.** The department shall prepare and adopt a state medical facilities plan (SMFP) at least once every 3 years, pursuant to s. 150.83, Stats., in order to determine the number and type of hospital beds needed in each acute care service area of the state. The plan shall designate acute care service areas, describe the hospital system in the state, identify needed and surplus hospital beds, describe needed and surplus health services and include other components useful to the department in reviewing project applications. Applications submitted for review under s. HSS 123.08 (4) shall be consistent with the standards and findings set forth in the SMFP.

(2) **ACUTE CARE SERVICE AREAS.** The department shall designate acute care service areas in the SMFP. The department shall define those areas using the methodology provided in this subsection and the SMFP, and shall update the areas at least every 3 years. Acute care service areas shall not be construed to limit or inhibit the development of multihospital systems, hospital consolidations or mergers between hospitals in different service areas. Calculations used in determining acute care ser-

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vice areas shall be based on information contained in the hospital discharge survey conducted by the department. Hospitals seeking approval under this chapter shall participate in the discharge survey and the department's annual survey of hospitals.

(a) *Methodology*. 1. Definitions. In this paragraph:

a. "Market strength" means the number of patients from a zip code area that go to a hospital divided by the total number of patients from the zip code area that are hospitalized.

b. "Milwaukee area hospitals" means those hospitals located in the cities of Brookfield, Cudahy, Menomonee Falls, Milwaukee, New Berlin, Oconomowoc, Waukesha, Wauwatosa and West Allis.

c. "Zip code area" means the delivery boundaries used by the U.S. postal service and mapped by the department in a publication entitled, *Population Estimates and Maps for Five-Digit Zip Code Areas in Wisconsin*.

2. Criteria for defining areas. Acute care service areas shall be defined by means of a methodology which:

a. Identifies where persons from a given geographic area go for hospital care; and

b. Groups hospitals which, based on recorded use, draw patients from the same service population base. Groupings of hospitals sharing service populations shall be generated by a computer analysis, using the methodology set forth in this paragraph and the SMFP.

3. Areas defined by population served. Acute care service areas shall be defined by the population served by the hospitals rather than by governmental or other common geographical boundaries. A specific geographic area may be included in more than one service area, depending upon the relevant portion of the population seeking care in 2 or more service areas.

4. Market strength. An acute care hospital's market strength in a zip code area shall be calculated for all zip codes from which the hospital draws patients. The hospital's market strength in a zip code area shall be equal to the number of patients from the zip code area that go to the hospital divided by the total number of patients from that zip code area that are hospitalized.

a. The hospital's overall average market strength shall be the weighted average of all of its individual market strength ratios. The overall market strength shall be computed for every hospital. Hospitals shall be rank-ordered by their average market strength from lowest to highest.

b. The hospital with the lowest overall market strength shall be selected and the average market strength for all other hospitals in the state shall be calculated for those zip code areas served by the hospital with the lowest overall market strength.

c. The combined market strength of the hospital with the lowest market strength and the hospital with the highest market strength shall be compared to the average market strength of the hospital with the lowest market strength. If there is a significant improvement of at least 10% in the overall market strength, the hospitals shall be combined into one ser-