

STATE AGENCY ACTION REPORT

CON APPLICATION FOR CERTIFICATE OF NEED

A. PROJECT IDENTIFICATION

1. Applicant/CON Action Number:

Oglethorpe of N.E., LLC/CON #10219

15310 Amberly Drive, Suite 300
Tampa, Florida 33647

Authorized Representative: Mr. James E. O'Shea
Chief Operational Officer
(813) 978-1933

Palm Coast Behavioral Health, LLC/CON #10220

999 Ponce de Leon Boulevard Suite 950
Coral Gables, Florida 33134

Authorized Representative: Ms. Patti Greenberg
(305) 444-5007

2. Service District/Subdistrict

District 4 (Baker, Clay, Duval, Flagler, Nassau, St. Johns and Volusia Counties)

B. PUBLIC HEARING

A public hearing was requested and a hearing was held on Monday, April 28th, 2014, at the Health Planning Council of Northeast Florida, Inc., in Jacksonville.

No presentation was given on behalf of Oglethorpe of N.E., LLC in support of CON application #10219.

Mr. Geoffrey Smith of Smith & Associates spoke on behalf of Palm Coast Behavioral Health, LLC in support of CON application #10220. Mr. Smith summarized the scope, history and provision of services offered by the applicant and its parent, Universal Health Services. He also discussed the services to be provided at the proposed 63-bed adult

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inpatient psychiatric facility in District 4, Flagler County. Mr. Smith reviewed the reasons for the applicant's selection of Flagler County as the location for the proposed facility, as well as the letters of support for CON application #10220 included with the application.

Mr. Gene Nelson of Health Strategies, Inc., a health care consulting firm based in Tallahassee spoke on behalf of Orange Park Medical Center, Inc., in opposition to Oglethorpe of N.E., LLC (CON application #10219). Mr. Nelson provided a brief overview of Oglethorpe of N.E., LLC's application and the proposed project site in Middleburg, Clay County before he discussed the arguments against this project. These were submitted in writing and summarized below.

Orange Park Medical Center, Inc. d/b/a Orange Park Medical Center (OPMC) is an existing provider of adult inpatient psychiatric services in Clay County, located approximately 10 miles southwest, within a 17-minute drive from the proposed project. OPMC states that the proposed facility (CON application #10219) will adversely impact its psychiatric program.

OPMC stated the Agency published need for a 63-bed adult inpatient psychiatric program in District 4. However, OPMC stated that the high occupancy rate, which supported need for the project was solely due to delicensure of 38 beds at Halifax Health Medical Center in Daytona Beach during the fourth quarter of the relevant reporting period. OPMC maintained that if these 38 beds remained licensed, the annual occupancy rate would have been 73.25 percent, and thus below the 75 percent threshold. The opposition noted the Agency recently approved 66 additional District 4 psychiatric beds through exemption for existing providers and had these beds been included in determination of need, the published net need for District 4 adult psychiatric inpatient beds would have been zero. However, the CON reviewer notes that the beds in these exemptions were approved after the cut-off date for the bed need projections (per Rules 59C-1.040(2) (c) and (4) F.A.C.).

OPMC challenged the alternative need methodology used by Oglethorpe, in CON application #10219 because it is based on the assumption of a relationship between general acute care inpatient utilization and inpatient psychiatric utilization. Per OPMC, there is no evidence any relationship exists, and Oglethorpe provided no academic or scientific evidence to prove otherwise. The opposition contended that the two key zip codes (32043 and 32656) identified by Oglethorpe as being currently outside the 45-minute access standard, are in fact within 45 minutes of existing adult inpatient psychiatric beds. Thus, no additional residents will be brought within the 45-minute drive standard promulgated by the rule.

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The opposition noted that slightly more than 73 percent of all Clay County residents who received adult inpatient psychiatric care in District 4 did so at OPMC, and 64 percent of all OPMC discharges were attributable to Clay County residents during the 12 months ending March 31, 2013. OPMC stated that as a Baker Act receiving facility it has provided care to all patients/payer types and provided all adult psychiatric services proposed by Oglethorpe. The opposition maintained that in order to achieve its utilization projections, Oglethorpe must capture most or all of OPMCs existing primary service area patients. OPMC stated that these projections would unduly jeopardize the operations of existing providers who are readily available and accessible to the residents of Oglethorpe's proposed service area. Further, the service area projected population growth does not support Oglethorpe's proposed project location.

OPMC stated that of the two co-batched applicants responding to Agency published need of 63 beds, Palm Coast Behavioral Health (CON application #10220) is better able to meet the needs of District 4 residents for the following reasons:

- Palm Coast proposes to locate its project in Flagler County, which has no existing licensed psychiatric beds.
- Flagler County's rate of adult population growth is the highest in District 4.
- Contrary to Oglethorpe's contention that the Palm Coast Behavioral Health facility would result in over-bedding of the southern end of District 4, approval of Palm Coast project would result in a use rate of .2145 per thousand adults, substantially below that found in Duval County, which Oglethorpe holds up as a standard of comparison.

OPMC concluded that a 63-bed adult psychiatric facility located in Palm Coast would enhance availability and access to services for nearly 500,000 adults, and would be superior to the Oglethorpe facility location of Middleburg which would result in a duplication of services.

Ms. Melissa Holtrop, Director of Behavioral Health at OPMC, also spoke in opposition to Oglethorpe of N.E., LLC (CON application #10219). Ms. Holtrop provided an overview of mental health services provided by OPMC, which include extensive outpatient, partial hospitalization and electro-convulsive therapy. She spoke to the importance of services provided by OPMC to the mental health population of District 4. Per Ms. Holtrop, no access barriers to mental health services exist for patients of District 4. OPMC accepts all patients regardless of payer source or ability to pay. She concluded by stating that no need exists for approval of CON application #10219.

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Ms. Charmaine Chiu of Smith, Hulsey & Busey spoke on behalf of Flagler Hospital, Inc. in opposition to Palm Coast Behavioral Health, LLC CON application #10220. She provided an overview of the history and scope of mental health services at Flagler Hospital. Per Ms. Chiu, Flagler Hospital is ready, willing and able to provide mental health services to all patients in District 4, particularly those in the southern counties, regardless of patient ability to pay. Ms. Chiu next discussed the 2011 statement submitted by UHS (the parent company of Palm Coast Behavioral Health) in opposition to CON application #10126, Avanti Wellness, for the establishment of a 10-bed adult inpatient psychiatric hospital in St. Johns County. She described the applicant's current project as a "flip flop" of opinion by UHS.

Ms. Chiu also stated that the delicensure of 38 beds by Halifax Health Medical Center produced an abnormally high and temporary District 4 annual average occupancy rate, erroneously resulting in publication of bed need. She concluded that there is no need for additional adult inpatient psychiatric beds in District 4.

Mr. Brian Trela, Flagler Hospital Director of Mental Health Services, spoke in opposition to CON application #10220 (Palm Coast Behavioral Health) and submitted four letters of opposition (summarized below). Mr. Trela provided an overview of Flagler Hospital mental health services, which he characterized as a comprehensive and well established program with an average daily census (ADC) of 13 patients. He reviewed current partial hospitalization, intensive inpatient and outpatient programs as well as programs and services implemented by Flagler Hospital for the purpose of improving care, thereby reducing both service costs and lengths of stay. Mr. Trela concluded that future bed utilization in District 4 will not be enhanced by the approval of Palm Coast Behavioral Health.

Flagler Hospital, Inc. submitted a statement of opposition to Palm Coast Behavioral Health, LLC (CON application #10220) which stated that the proposed CON application would lead to inefficient use of mental health resources, particularly in the southern counties (St. Johns, Flagler and Volusia) of District 4. The opposition maintained that CON application #10220 would negatively impact accessibility, availability and quality of mental health services in this same area including existing licensed mental and behavioral health programs.

Flagler Hospital stated it currently provides mental and behavioral health services in a 21-bed adult inpatient psychiatric unit in St. Augustine, Florida (St. John's County). The opposition noted that it is a designated Baker Act Receiving Facility and a recipient of state funds through Lutheran Services Florida (A DCF Managing Entity, for the administration of inpatient psychiatric services to indigent patients).

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Flagler Hospital indicated that it provides partial hospitalization services and provided a thorough overview of their adult psychiatric program.

Flagler Hospital stated three reasons for opposing CON application #10220:

1. PBCH's parent company stated that District 4 already has well distributed mental and behavioral health care resources with no community need for an additional adult inpatient psychiatric hospital.
2. The occupancy rate and resulting purported need for adult inpatient psychiatric beds in District 4 is inflated.
3. The Agency needs to consider proper stewardship of overall health care resources in District 4 when considering whether or not to approve CON application #10220. Any purported need for adult inpatient psychiatric beds in District 4 is best addressed by currently licensed facilities, which have the capacity to address the mental and behavioral health needs of Flagler County patients.

Flagler Hospital discussed a statement of opposition to CON application #10216, submitted by the parent company of PCBH, Universal Health Services, Inc. (UHS), during the August 2011 batching cycle.¹ In this statement, UHS argued against the need for a 10-bed adult inpatient psychiatric unit in District 4, citing:

- An inflated occupancy rate (71 percent) for District 4
- A low occupancy rate (59 percent) at Flagler Hospital's adult inpatient psychiatric unit
- A daily average of 106 vacant adult inpatient psychiatric beds in District 4
- An absence of access problems related to District 4 psychiatric beds
- Broad adverse impact to existing District 4 providers through duplication of adult inpatient psychiatric services upon approval (of the proposed 10-bed project)

Per Flagler Hospital, the submission of CON application #10220 by UHS to build a 63-bed adult inpatient psychiatric unit in District 4 represents a complete reversal of their previous statement opposing additional adult psychiatric inpatient beds in this district.

¹ A copy of this statement is included with Flagler County's opposition statement to CON application #10220.

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The opposition also questioned the average annual occupancy rate of 75.22 percent for District 4 adult inpatient psychiatric services, published by the Agency in *Florida Hospital Bed Need Projections and Service Utilization by District*, dated January 17, 2014. Bed need for District 4 adult inpatient psychiatric services only occurred as the result of a “spike” in occupancy rates during the fourth quarter (April-June, 2013), due to the delicensure of 38 adult inpatient psychiatric beds at Halifax Health Medical Center in Volusia County. Flagler Hospital noted that this might be a temporary situation—reversed if Halifax requests a 24-bed expansion of adult inpatient psychiatric services. The opposition maintained that average annual occupancy rate of 75.22 percent is not an accurate reflection of District 4 bed occupancy. The reviewer notes that the published fixed need pool for adult inpatient psychiatric beds in District 4 for the July 2019 planning horizon was not contested.

Flagler Hospital noted its relatively low annual average occupancy rate of 62.78 percent and Halifax Medical Center’s occupancy rate of 56.13 percent, despite delicensure of 38 beds during the 12 months ending June 30, 2013. The opposition indicated that Pinegrove Crisis Center, a 31-bed crisis stabilization unit, is also located in Daytona Beach. CON application #10220 proposed facility would be located roughly 25 minutes from both Flagler Hospital to the north and Halifax Medical Center and Pinegrove Crisis Center to the south, well within the 45-minute access standard for district patients. Flagler Hospital contends that the Agency should focus on expanding services at existing health care providers instead of approving duplication of services in the southern counties of District 4.

Four unduplicated letters of opposition from additional healthcare providers were submitted by Flagler Hospital:

- Ms. Patricia Greenough, CEO of EPIC Behavioral Healthcare, wrote on behalf of the Board of Directors of EPIC Community Services, Inc. EPIC Behavioral Healthcare provides prevention and outpatient treatment behavioral health care services in St. Johns County. EPIC opened a 16-bed substance abuse inpatient facility on U.S. 1 South in St. Augustine, Florida. Ms. Greenough wrote that the approval of a large facility in an area less than 25 miles from EPIC would adversely impact existing licensed substance abuse and mental health facilities District 4’s southern counties.

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- Dr. Todd J. Broder, staff psychiatrist and Medical Director of Flagler Hospital Outpatient Mental Health Programs, wrote that “in almost four years at Flagler Hospital I have rarely seen our facility at full capacity. Furthermore, I do not recall admitting patients referred from Halifax due to lack of resources in Volusia County...I simply do not see a need for a facility of this magnitude and fear its presence would endanger the survival of local community hospitals such as Flagler which have been a needed and integral part of the community for decades”.
- Dr. J. Gregory Dent, Medical Director, Flagler Hospital Psychiatric Unit stated CON application #10220 would “endanger the survival of local community psychiatric units, such as Flagler and Halifax...Additionally Jacksonville and Jacksonville Community Council Inc. is presently evaluating the dismal state of mental health services in Duval, Clay and Nassau counties. That part of the region needs more beds, not Flagler County.”
- Dr. Marcus W. Anderson, Staff Psychiatrist at Flagler Hospital, writes that “in my experience our average daily census ranges from 10 to 20, and has rarely ever exceeded 20 patients per day during my tenure...I believe a 63-bed unit would far exceed the magnitude of need within our local area, and would inevitably siphon patients and resources away from the existing inpatient units at Flagler and Halifax hospitals.”

Geoffrey Smith of Smith & Associates spoke again in rebuttal to Flagler Hospital’s speakers. Mr. Smith referred to the letters of support for CON application #10220, citing statements from local law enforcement officers and public service providers who expressed need for additional adult inpatient psychiatric services in Flagler County. A complete summary of these letters can be found in the “Letters of Support” section of this report. Mr. Smith addressed UHS’s letter of opposition to Avanti Wellness’ CON application from the August 2011 cycle, stating that bed need has been published by the Agency unlike when Avanti applied. Additionally, the Avanti Wellness Center application failed to show demand for services in the north St. Augustine area, and did not propose to serve the southern counties of District 4. Mr. Smith concluded with an analysis of mental health services provided by Flagler Hospital:

- Flagler Hospital has a 21-bed adult psych unit with the lowest occupancy of all providers in District 4 at 62.8 percent in CY 2013 (ADC of 13 patients).
- The average length of stay for Major Diagnostic Category (MDC) 19 adult patients at Flagler Hospital was four days—indicating that it is more a crisis stabilization program than treatment venue.
- In 2013, only one patient was admitted to Flagler Hospital as a “transfer from another healthcare facility”, in contrast to hundreds transferred from Volusia and Flagler Counties to River Point in Duval County.

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- For each of the past three years, 82-83 percent of all adult MDC 19 patients at Flagler Hospital reside in St. Johns and Putnam Counties, demonstrating this is Flagler Hospital's primary service area. Only 3.9 percent of Flagler Hospital's patients were from Flagler County (43 cases last year) and less than one percent from Volusia County (eight cases last year). Flagler Hospital has 13.6 percent market share in Flagler County's adult psychiatric service line. However, given its short length of stay its patient day market share was just six percent.
- St. Johns County residents have the 18th highest adult psychiatric discharge use rates ranking of Florida's 67 counties, demonstrating they are well served in adult psychiatric services. Flagler County is ranked 57th, demonstrating suppressed use rates due to lack of available and accessible services. This confirms the fact that Flagler Hospital does not support Flagler County residents.
- Flagler Hospital is 28 minutes from Palm Coast (northern Flagler County), 47 minutes from southern Flagler County and 55 minutes from Daytona Beach in Volusia County. There is a 62-mile stretch without inpatient adult psychiatric beds between Flagler Hospital (St. Johns County) and Florida Hospital Deland (Volusia County). This gap, paired with high population growth in and around Flagler County, makes it the most appropriate location for the project.
- In 2013, River Point admitted 185 patients who were "deflected" from Halifax Health due to lack of bed availability. River Point also admitted 125 patients transferred from other Volusia and Flagler acute care hospitals. The 310 Volusia and Flagler transfers "passing" St. Johns County to reach Duval County hospitals further confirms the lack of availability of Flagler Hospital's program.

Letters of Support

Oglethorpe of N.E., LLC (CON application #10219) submitted 11 letters of support. All letters were signed and nine letters were dated between April 1 and April 8, 2014. Two were undated.

Ms. Irene M. Toto, LMHC and CEO of Clay Behavioral Health Center (CBHC), Inc., a community mental health center located in Clay County, states that she recently met with representatives from Oglethorpe and was impressed with their proposed project, "we believe that the 63 beds that Oglethorpe is requesting will be welcomed not only by CBHC but by other local providers as well".

Ms. Christina St. Clair, Licensed Clinical Social Worker and Executive Director of Lutheran Services Florida Health Systems, the Managing Entity for the State of Florida Substance Abuse and Mental Health funding in the Northeast and North Central Region of Florida, states that

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there are no freestanding psychiatric hospitals in Clay County, and “many of our clients in need of this service are transported to the public Baker Act receiving facility in Duval County, which can cause additional stress to our service system and our clients.”

Dr. William Charles Leach, a Longwood physician who writes that he has been in practice in Gainesville, Daytona Beach, Orlando and Jacksonville during the past 40 years states “the people of Clay County have been neglected in their psychiatric needs for so very long and have needed to travel such long distances for their care. Their continuity and quality of care has suffered dramatically.”

Four related health care companies and one ministry that have worked with Oglethorpe, Inc. facilities in Florida voiced their support for the proposed project. Three members of the District 4 business community submitted letters of support.

Palm Coast Behavioral Health, LLC (CON application #10220)

submitted 10 letters of support, signed and dated from February 26 through March 11, 2014. One letter was received directly by the Agency.

Mr. Steve Harrell, CEO of Bert Fish Medical Center wrote that there is need for adult psychiatric beds in this area, and that he “looks forward to the possibility of a collaborative relationship with Palm Coast Behavioral Health and fully support this proposal”.

Mr. Hayes Basford, Jr., President of the National Alliance on Mental Illness (NAMI) Jacksonville, writes that “River Point and Wekiva Springs Behavioral Health, Palm Coast Behavioral Health’s sister facilities, have provided behavioral health treatment to our Jacksonville community for years. Both hospitals have collaborated with NAMI Jacksonville to meet the demands of mental health patients by offering office space and support that have enabled NAMI to expand our programs and services.

Flagler County Sheriff Mr. James L. Manfre and Volusia County Sheriff Ben F. Johnson, submitted identical letters with two fundamental reasons for their support of the applicant: the insufficient adult inpatient psychiatric beds in Flagler County and their familiarity with the programs and services provided by Palm Coast Behavioral Health’s sister facilities, River Point and Wekiva Springs.

Mr. David Abramowitz, Northeast Regional Managing Director for the State of Florida Department of Children and Families, recognizes that there is a need and demand for adult mental health services in Flagler County. He continues by stating, “Palm Coast Behavioral Health’s sister facilities, River Point and Wekiva Springs, have a longstanding history of providing behavioral health treatment. These facilities have collaborated

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with the Department of Children and Families to meet the demands of this patient population by adding, improving and expanding upon its programs and services as the need arises.”

Ms. Angeline Bushy, PhD, RN and Professor and Bert Fish Chair, wrote on behalf Flagler Hospital and the University of Central Florida College of Nursing-Daytona Beach Campus. In her letter she stated that the proposed project would “provide additional education opportunities for our students” and that “Given the community need (for adult inpatient psychiatric beds), we look forward to a collaborative relationship with Palm Coast Behavioral Health.” She concludes by stating, “On behalf of Flagler Hospital, we fully support UHS’ proposal to establish this hospital and urge AHCA to approve its application.”

Additional letters were received from one educator, one member of the health care business sector, and three psychiatrists contracted at PCBH’s sister facilities, stating their support for the proposed project.

Letters of Opposition

Halifax Health submitted a letter to the Agency, signed and dated April 9, 2014 by Mr. Jeff Feasel, President and CEO of Halifax Health, in opposition to CON application #10220, Palm Coast Behavioral Health, LLC.

Mr. Feasel writes that Halifax operates a 54-bed adult psychiatric service known as Halifax Health Behavioral Service that serves both Volusia and Flagler Counties. He continues by stating that his facility “has a long and successful history of serving the residents of Flagler County, regardless of insurance status. Halifax believes that a new psychiatric hospital in Flagler County will unnecessarily duplicate services currently being provided by Halifax and will draw patients that otherwise would have been served by Halifax.” Mr. Feasel contends that the proposed facility threatens the viability of Halifax Health psychiatric services. Mr. Feasel indicates that Halifax intends to convert 24 acute care beds to 24 adult psychiatric beds in order Halifax to “continue to meet the needs of patients residing in Volusia and Flagler Counties”.

C. PROJECT SUMMARY

Oglethorpe of N.E., LLC (CON application #10219), a newly created entity and wholly owned subsidiary of Oglethorpe, Inc. (the parent), proposes to establish a new 63-bed adult inpatient psychiatric program in District 4, Clay County, Florida. Oglethorpe states that the project will provide a full range of psychiatric services as well as adult partial hospitalization program, an adult intensive outpatient program, emergency evaluation and screening. The applicant states its intent to become a Baker Act Receiving Facility.

Oglethorpe, Inc. operates three psychiatric hospitals in Florida:

- Springbrook Hospital (District 3)
- The Willough at Naples (District 8)
- Port St. Lucie Hospital (District 9)

The proposed project involves a total cost of \$16,558,681. The total project cost includes: land, building, equipment, project development, financing and start-up costs. The applicant indicates that the project consists of 47,200 gross square feet (GSF) of new construction and a total construction cost of \$10,570,000.

The applicant proposes to condition the project as shown below.

- The facility will be located within Clay County.
- The facility will become a Baker Act Receiving Facility.
- A commitment to the provision of Medicaid HMO and non-payment patient days (which includes charity care) at a minimum of 6.84 percent of total days for the 63-bed adult psychiatric hospital.

Palm Coast Behavioral Health, LLC (CON application #10220), was formed by the parent company Universal Health Services, Inc. (UHS) for the purpose of filing the proposed project. The applicant proposes to establish a 63-bed adult inpatient psychiatric hospital in District 4, Flagler County, Florida. An additional five adult substance abuse beds will be added by notification upon project approval. PCBH states the proposed project will also offer a partial hospitalization program and intensive outpatient programming.

UHS's Behavioral Health Division operates a total of 193 behavioral health facilities worldwide, with 10 adult psychiatric hospitals in Florida, and an 11th hospital approved in Martin County:

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- Atlantic Shores Hospital
- Central Florida Behavioral Hospital
- Emerald Coast Behavioral Hospital
- Fort Lauderdale Hospital
- Gulf Coast Treatment Center
- River Point Behavioral Health
- The Vines Hospital
- University Behavioral Center
- Windmoor Healthcare of Clearwater
- Wekiva Springs Center
- Treasure Coast Behavioral Health (Approved)

The proposed project involves a total cost of \$19,592,168. The total project cost includes: land, building, equipment, project development, and financing and start-up costs. The applicant indicates that the project consists of 50,392 GSF of new construction and a total construction cost of \$11,045,926.

The applicant proposes to condition the project as shown below:

- Palm Coast Behavioral Health will be located in Flagler County.
- Palm Coast Behavioral Health will become a designated Baker Act Receiving Facility upon licensure and certification.
- Upon licensure and certification, Palm Coast Behavioral will seek Joint Commission Accreditation.
- The applicant will provide at least 10 percent of its total hospital patient days to a combination of Medicaid HMO/charity care/self-pay payers by year two of operation and thereafter.
- Seek to become a training site for St. Johns College and University of Central Florida, and any others in the area, for nursing students, social services, activities therapy and others.
- PCBH will seek to become a residency training site for UCF College of Medicine.
- PCBH will support local community based not-for-profit advocacy groups.
- PCBH will offer the same Learning Grow Education Series provided at River Point and Wekiva Springs, which provide free continuing education units to local Flagler and Volusia County social workers, therapists and others.
- PCBH will support NAMI's local grass roots efforts by assisting and expanding their presence in Flagler County.

The applicant states all conditions will be measured by furnishing the Agency with any and all certificates, utilization data and other information as needed on an ongoing basis.

D. REVIEW PROCEDURE

The evaluation process is structured by the certificate of need review criteria found in Section 408.035, Florida Statutes; and applicable rules of the State of Florida, Chapters 59C-1 and 59C-2, Florida Administrative Code. These criteria form the basis for the goals of the review process. The goals represent desirable outcomes to be attained by successful applicants who demonstrate an overall compliance with the criteria. Analysis of an applicant's capability to undertake the proposed project successfully is conducted by evaluating the responses and data provided in the application, and independent information gathered by the reviewer.

Applications are analyzed to identify strengths and weaknesses in each proposal. If more than one application is submitted for the same type of project in the same district, applications are comparatively reviewed to determine which applicant(s) best meets the review criteria.

Rule 59C-1.010(3)(b), Florida Administrative Code, prohibits any amendments once an application has been deemed complete. The burden of proof to entitlement of a certificate rests with the applicant. As such, the applicant is responsible for the representations in the application. This is attested to as part of the application in the Certification of the Applicant.

As part of the fact-finding, the consultant, Jessica Hand analyzed the application in its entirety with consultation from the financial analysts, Derron Hillman and Felton Bradley, who evaluated the financial data and Said Baniahmad of the Office of Plans and Construction, who reviewed the application for conformance with the architectural criteria.

E. CONFORMITY OF PROJECT WITH REVIEW CRITERIA

The following indicate the level of conformity of the proposed project with the review criteria and application content requirements found in Sections 408.035, and 408.037; applicable rules of the State of Florida, Chapters 59C-1 and 59C-2, Florida Administrative Code.

1. Fixed Need Pool

- a. Does the project proposed respond to need as published by a fixed need pool? Or does the project proposed seek beds or services in excess of the fixed need pool? Rules 59C-1.008(2) and 59C-1.040(4) Florida Administrative Code.**

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The following applies to both co-batched applicants:

In Volume 40, Number 12, dated January 17, 2014 of the Florida Administrative Weekly, a fixed need pool of 63 beds was published for adult psychiatric hospital beds in District 4 for the July 2019 planning horizon.

After publication of this fixed need pool, two existing District 4 hospitals filed exemption requests to increase or add adult psychiatric beds:

- Wekiva Springs, Duval County, E140002, to add 40 adult inpatient psychiatric beds
- Orange Park Medical Center, Clay County, E140005, to add 26 adult psychiatric beds

As of January 17, 2014, District 4 had 329 licensed and zero approved adult psychiatric inpatient beds. During the 12-month period ending June 30, 2013, District 4 beds experienced 75.22 percent utilization at nine existing facilities.

Of the nine facilities in District 4 with licensed adult psychiatric beds, seven are general hospitals (Class 1) and two are freestanding (Class 3), as follows:

**District 4 Adult Inpatient Psychiatric Utilization
12 Months Ending June 30, 2013**

Facility	Service Class	County	# Adult Beds	Adult Occupancy
Orange Park Medical Center	Class 1	Clay	24*	77.67%
Flagler Hospital	Class 1	St. Johns	21	62.78%
Florida Hospital DeLand	Class 1	Volusia	6	79.04%
Halifax Health Medical Center	Class 1	Volusia	54	56.13%
Memorial Hospital Jacksonville	Class 1	Duval	27	86.20%
Baptist Medical Center Jacksonville	Class 1	Duval	39	75.08%
UF Health Jacksonville	Class 1	Duval	43	66.29%
River Point Behavioral Health	Class 3	Duval	66	90.64%
Wekiva Springs	Class 3	Duval	40**	93.99%
District 4 Total			329	75.22%

Source: Florida Hospital Bed Need Projections and Service Utilizations by District, January 2014 Batching Cycle and Hospital Beds and Services List, September 2013.

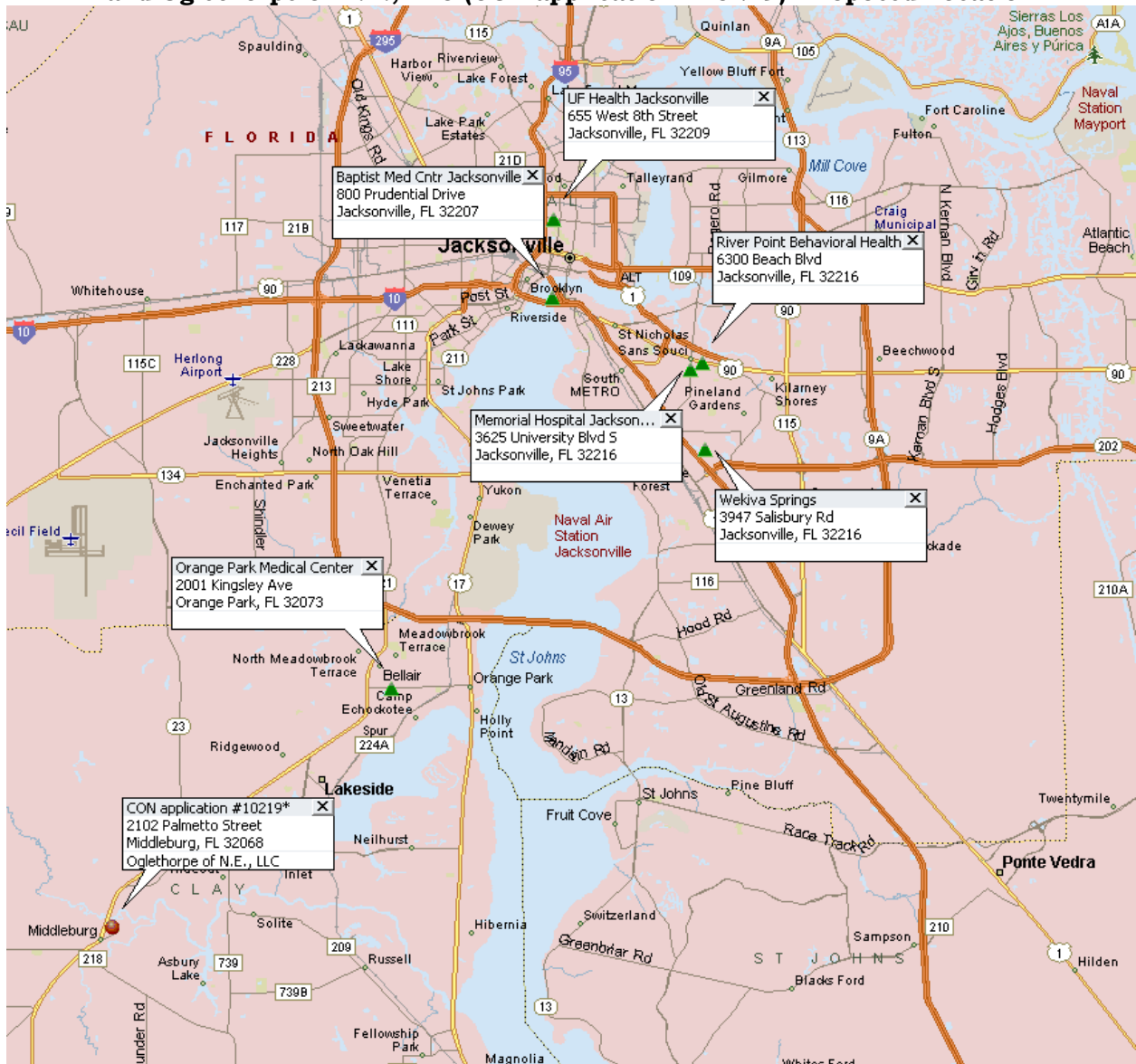
*Orange Park Medical Center has approval to add 26 adult psychiatric beds by exemption.

**Wekiva Springs has approval to add 40 adult psychiatric beds by exemption.

Three District 4 Counties (Baker, Flagler and Nassau) currently lack adult inpatient psychiatric beds. The following is a map of District 4's licensed adult inpatient psychiatric facilities, including the applicant's proposed locations.

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District 4 Adult Inpatient Duval & Clay County Psychiatric Facilities and Oglethorpe of N.E., LLC (CON application #10219) Proposed Location

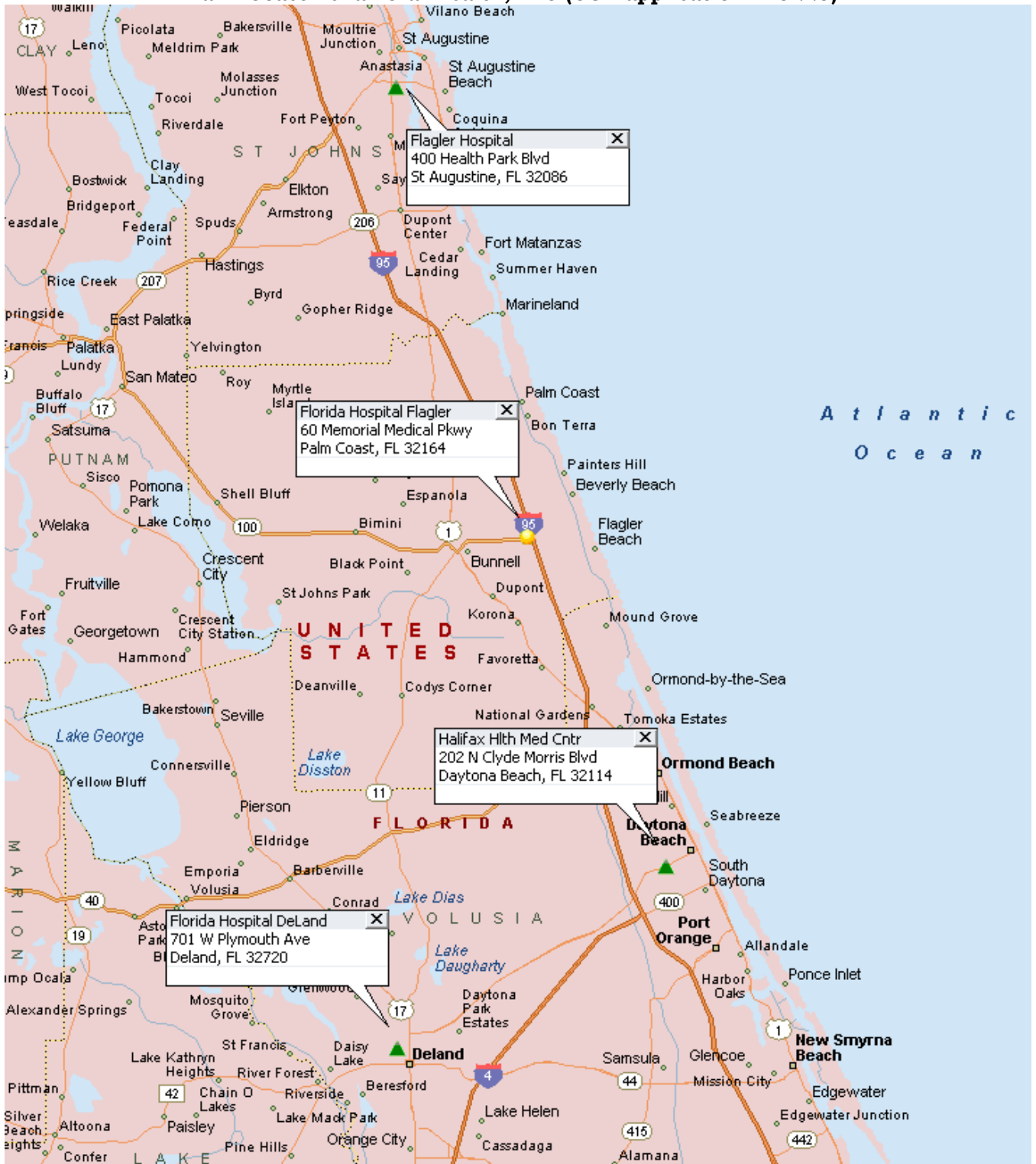


Source: Microsoft MapPoint 2013.

Note: *The applicant indicates the facility will be located in Middleburg, Florida. A specific address is not provided. The address shown is for illustrative purposes.

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**District 4 Adult Inpatient (St. Johns & Volusia County) Psychiatric Facilities
& Florida Hospital Flagler as approximate location for
Palm Coast Behavioral Health, LLC (CON application #10220)***



Source: Microsoft MapPoint 2013.

Note: Florida Hospital Flagler is used because the applicant states that its facility will be “centrally located within the Flagler County medical market”. Florida Hospital Flagler is Flagler County’s only hospital and is located in its largest city (Palm Coast).

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The chart below contains the population estimates for the total adult population (age 18 and older) in District 4 for January 2013 and the July 2019 planning horizon.

**District 4
Population Age 18 and Over
January 2013 and July 2019**

County	Population Age 18 And Over January 2013	Population Age 18 And Over July 2019	Population Age 18 And Over Increase January 2013-July 2019	Percent Change
Baker	20,327	23,098	2,771	13.63%
Clay	144,821	170,049	25,228	17.42%
Duval	669,627	713,027	43,400	6.48%
Flagler	79,473	101,461	21,988	27.67%
Nassau	58,647	67,829	9,182	15.66%
St. Johns	154,678	191,249	36,571	23.64%
Volusia	406,245	432,176	25,931	6.38%
District 4	1,533,818	1,698,889	165,071	10.76%
State Total	15,184,645	16,673,415	1,488,770	9.80%

Source: Agency for Health Care Administration Population Projections, published September 2013.

As shown above, District 4’s population age 18 and over is expected to experience 0.96 percent faster growth than the state.

The table below represents District 4 residents’ utilization of adult psychiatric services by county of residence for the 12 months ending June 30, 2013.

**District 4 Resident Adult Inpatient MDC 19 Discharges by County
12 Months Ending June 30, 2013**

Residents County	District 4 Residents Total Discharges	Percent of Total Discharges	District 4 Residents Total Patient Days	Percent of Total Patient Days
Baker	125	0.87%	899	0.85%
Clay	1,282	8.96%	7,607	7.16%
Duval	6,971	48.73%	53,700	50.52%
Flagler	540	3.78%	3,536	3.33%
Nassau	508	3.55%	4,420	4.16%
St. John’s	1,258	8.79%	6,869	6.46%
Volusia	3,620	25.31%	29,263	27.53%
Total	14,304	100.0%	106,294	100.0%

Source: Florida Center for Health Information and Policy Analysis.

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Oglethorpe of N.E., LLC (CON application #10219) states need for the proposed project based on the following reasons:

- The numbers of adults current and projected are sufficient in Middleburg (Clay County) to support another specialty adult psychiatric hospital.
- 97.8 percent of the District 4 population resides within a 45-minute ground travel time to one of the nine existing inpatient adult psychiatric providers, but zip code analysis shows 34,646 of District 4's 1,540,272 residents travel longer than 45 minutes to access this service, including two Clay County zip codes.
- Approval of the proposed project will increase access to within 45 minutes for 99.7 percent of the District 4 population.
- As a new market entrant, Oglethorpe's proposed 63-bed facility will provide competition to the existing District 4 providers of adult inpatient psychiatric services, and will not adversely impact the mix of profit and not-for-profit providers in District 4.
- The applicant projects 49.4 percent occupancy in year one and 68.9 percent occupancy in year two of the proposed project.

Oglethorpe developed a model to measure the degree that adult residents of the district have access to hospital-based general inpatient psychiatric care. A ratio of acute care service, less MDC 19, to MDC 19 cases was developed. The lower the ratio, the better access adult residents have to hospital-based psychiatric care.

To demonstrate this need formula the applicant submits the following chart.

**Florida Hospitals Beds by Age Cohort
Ratio of MDC 19 to Total Non-MDC 19 Discharges
12 Months ending June 30, 2012**

District	All Cases, Less MDC 19: Florida Residents		MDC 19 ONLY: Florida Residents		All Cases Less MDC 19 to MDC 19	
	Cases		Cases		Ratios	
	18-64	Ages 65+	18-64	Ages 65+	18-64	Ages 65+
1	40,206	31,028	4,786	552	8.40	56.21
2	37,892	27,056	3,560	403	10.64	67.14
3	97,025	110,328	8,250	1,668	11.76	66.14
4	120,697	92,171	10,760	1,579	11.22	58.37
5	82,530	82,200	10,271	1,554	8.04	52.90
6	139,496	110,919	11,852	2,025	11.77	54.77
7	153,627	103,071	11,878	1,735	12.93	59.41
8	73,473	94,290	4,340	1,731	16.93	54.47
9	102,369	110,101	11,615	1,829	8.81	60.20
10	104,124	72,820	12,619	1,530	8.25	47.59
11	143,558	120,718	21,684	4,065	6.62	29.70
Total	1,094,997	954,702	111,615	18,671	9.81	51.13

Source: CON Application #10219, page 1-4

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As shown above, for District 4 adults under age 64, the ratio is 11.22 hospital cases to one psychiatric case, and fifth from the bottom of all 11 districts. The applicant notes that District 11 has a ratio of 6.62 hospital cases to one psychiatric case, the highest access to hospital-based psychiatric services. By comparison, the statewide ratios are 9.81 hospital cases to one psychiatric case for adults under age 65 and 51.13:1 for adults ages 65 and older.

Using these state ratios, the applicant forecasts “all hospital cases less MDC 19” and “MDC 19 Cases” for all adults in District 4 for the hospital’s first two years of operation, ending June 30, 2018. The result is 14,890 MDC 19 cases in year one, and 15,096 MDC 19 cases in year two of the proposed project. The applicant forecasts the proposed project will have 11.9 and 16.4 percent market shares in years one and two of operations, respectively.

Oglethorpe states that existing providers will not experience any adverse impact from the proposed project’s market shares due to district wide caseload growth. See the table below.

Calculated Impact on Existing Providers of Adult Psychiatric Services Year One and Two of Operation for CON application #10219					
District 4 Adult Psychiatric Providers	Baseline July 1, 2012- June 30, 2013 Cases	Market Share	Year 1 July 1, 2016- June 30, 2017 Cases	Year 2 July 1, 2017- June 30, 2018 Cases	Difference Year 2
Baptist Medical Center	1,569	14.0	1,839	1,769	200
FL Hospital-Deland	301	2.7	353	339	38
Flagler Hospital	895	8.0	1,049	1,009	114
Halifax Health Med. Ctr.	1,470	13.1	1,723	1,657	187
Memorial Hospital Jax	942	8.4	1,104	1,062	120
Orange Park Med. Ctr.	1,216	10.9	1,425	1,371	155
River Point Behav. Health	2,229	19.9	2,612	2,513	284
UF Health Jacksonville	1,472	13.1	1,725	1,659	187
Wekiva Springs	1,101	9.8	1,290	1,241	140
Total District 4	11,195	100.0	13,121	12,620	1,425

Source: CON application #10219, page 1-7.

As shown in the table above, Oglethorpe concludes that no existing providers will fall below the baseline, indicating that sufficient demand exists to support the proposed project.

The applicant illustrates that a districtwide 27 percent increase of psychiatric utilization has occurred over the past three years using a comparison of past and current adult inpatient psychiatric days. Oglethorpe notes that even with Memorial Hospital entering the market as a psychiatric provider, utilization increased. See the table below.

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Comparison of All Current and Past Adult Inpatient Psychiatric Patient Days District 4 Adult Psychiatric Providers			
Hospital	July 1, 2009- June 30, 2010	July 1, 2012- June 30, 2013	Growth
Baptist Medical Center Jax	10,978	10,687	-291
Flagler Hospital	4,000	4,812	812
Florida Hospital Deland	1,764	1,731	-33
Halifax Health Medical Center	14,386	16,908	2,522
Memorial Hosp. Jacksonville	--	8,495	8,495
Orange Park Medical Center	6,484	6,804	320
River Point Behavioral Health	19,596	23,515	3,919
UF Health Jacksonville	10,496	10,404	-92
Wekiva Springs	8,934	13,723	4,789
Total	76,638	97,079	20,441
ADC	210	266	56

Source: CON application #10219, page 1-9.

Oglethorpe, Inc. concludes that competition will not adversely affect the current providers in District 4. In fact, the applicant maintains that their proposed facility will promote competition in District 4 by adding a new market entrant. Oglethorpe contends that if CON application #10220 (Palm Coast Behavioral Health) is approved, its parent company, Universal Health Services (UHS), Inc. would dominate the District 4 psychiatric market. The applicant notes that with UHS's current facilities, River Point and Wekiva Springs, and approval of CON application #10220—UHS would have 56 percent control of the psychiatric beds in District 4.

Using District 4's current average length of stay (ALOS) of 7.4 days, the applicant forecasts 14,890 adult MDC 19 discharges the District 4 yielding 110,186 forecasted patient days in year one of the proposed project. The reviewer confirms that the ALOS for District 4 patients during July 1, 2012 through June 30, 2013 was 7.43 days. Oglethorpe indicates that its forecast is conservative and only represents a 2.6 percent average annual increase for the district, a slower growth rate than what experience has been within the most recent three year period. The applicant maintains that all providers will benefit should higher growth rates occur.

The proposed project will be located in Middleburg, Clay County—a more populated area surrounded by rural areas of District 3 and 4. The applicant includes population estimates for adults within this area by zip code below:

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**Population Estimates of Adults, Aged 18 Years and Older, within the Circumscribed Area
in and Around Middleburg, Clay County, Zip Code 32016 for Years 2013 and 2018**

ZIP CODE	County	2013	2018
		Population Age 18+	Population Age 18+
32003	Clay	20,831	22,748
32043	Clay	19,417	20,436
32058	Bradford	4,884	4,924
32065	Clay	22,637	24,216
32068	Clay	38,064	40,869
32073	Clay	31,745	32,332
32083	Union	2,533	2,506
32091	Bradford	13,546	13,577
32205	Duval	21,517	21,265
32210	Duval	44,291	44,679
32212	Duval	1,163	1,110
32214*	Duval	0	0
32217	Duval	14,822	14,709
32220	Duval	9,860	10,308
32221	Duval	21,162	22,660
32222	Duval	6,494	6,914
32223	Duval	18,721	18,898
32234	Duval	5,080	4,995
32244	Duval	43,038	45,000
32257	Duval	28,625	29,324
32258	Duval	20,553	21,762
32259	St. Johns	28,233	32,584
32656	Clay	11,032	11,625
TOTAL		428,248	447,441
Growth		19,193	4.5%

**No population associated with Zip Code 32214, Naval Hospital Jacksonville.*

Oglethorpe maintains that the above estimates for the adult population are sufficient in number to support another specialty adult psychiatric hospital in District 4, with the Middleburg location enhancing access to psychiatric services to a wider area of the district.

Palm Coast Behavioral Health, LLC (CON application #10220)

proposes to locate the facility in Flagler County. The applicant states this location is ideal for the following reasons:

- Flagler County currently lacks any adult inpatient psychiatric beds.
- There is a 62-mile stretch without any inpatient adult psychiatric beds between Flagler Hospital (in St. Johns County) and Florida Hospital Deland (Volusia County), constituting a geographic gap in service.
- Significant population growth is anticipated in and around Flagler County through 2018 (year two of operation for the proposed facility).

Service Area

The applicant states that Flagler County is home to approximately five percent of District 4’s population. Flagler County is bordered by Volusia County, the southernmost and second most populous county in District 4. The applicant maintains that historically, Flagler and Volusia

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Counties are considered one united market for medical care and health planning. Their current population of 605,000 share 1,148 licensed hospital beds—99 of which are in Flagler County (Florida Hospital Flagler).

The applicant submits the following table summarizing District 4’s adult population.

District 4 Adult Population Estimates By Age Cohort January 1, 2014						
County	Adult Population			Percent of District Total		
	18-64	65+	18+	18-64	65+	18+
Flagler	56,416	25,848	82,264	4.6	7.9	5.3
Volusia	298,410	111,105	409,515	24.3	34.1	26.3
Baker	17,496	3,267	20,763	1.4	1.0	1.3
Clay	122,151	26,063	148,214	9.9	8.0	9.5
Duval	564,333	110,370	674,703	45.9	33.9	43.4
Nassau	46,100	13,724	59,824	3.7	4.2	3.8
St. Johns	124,541	34,976	159,517	10.1	10.8	10.3
Total	1,229,447	325,353	1,554,800	100.0	100.0	100.0
Flagler/Volusia	354,826	136,953	491,779	28.9	42.1	31.6

Source: CON application #10220, page 20.

As shown above, Flagler and Volusia Counties account for nearly 32 percent of District 4’s total adult population and more than 42 percent of the district’s senior population. The applicant notes that 31.4 percent of Flagler adults and 27.1 percent of Volusia adults are ages 65 and over. In contrast, all other counties in the district range between 15.7 and 22.9 percent of adults over the age of 64.

PCBH specifically points out the elderly age cohort of this region as it states that it will provide a 16-bed Older Adult Unit with eight patient rooms to provide the opportunity for seniors with significant issues to be treated in an environment where they will feel safe and comfortable. The applicant indicates that this program will model River Point’s similar unit and that subsequent to discharge, elderly discharges will be referred to the Senior Perspectives Program—an outpatient therapy program just for seniors.

The applicant expects that by year two of operations (beginning July 2018) of the proposed project, District 4 will have experienced a 6.8 percent population increase, from 1,554,800 adult residents in 2014 to 1,660,403 residents by 2018. Flagler and Volusia Counties combined population is projected to increase 6.3 percent, from 492,000 to 523,000, 0.5 percent less than the district.

As shown below, every county in District 4 is anticipated to grow in the next four years, but Flagler County will experience the most significant growth, 17.2 percent, with a 23.5 percent growth among adults over age 64.

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District 4 Forecasted Adult Population By Age Cohort Estimated Population Growth Between 2014 and 2018						
County	Growth (2014 to 2018)			Percent Change (2014 to 2018)		
	18-64	65+	18+	18-64	65+	18+
Flagler	8,041	6,068	14,109	14.3%	23.5%	17.2%
Volusia	4,525	12,297	16,822	1.5%	11.1%	4.1%
Baker	1,165	648	1,813	6.7%	19.8%	8.7%
Clay	10,271	5,891	16,162	8.4%	22.6%	10.9%
Duval	9,350	18,223	27,573	1.7%	16.5%	4.1%
Nassau	2,709	3,265	5,974	5.9%	23.8%	10.0%
St. Johns	14,465	8,685	23,150	11.6%	24.8%	14.5%
Total	50,526	55,077	105,603	4.1%	16.9%	6.8%
Flagler/Volusia	12566	18365	30931	3.5%	13.4%	6.3%

Source: CON application #10220, page 22.

The applicant states that of the three counties lacking adult inpatient psychiatric beds (Flagler, Baker and Nassau), Flagler County is the most populous, with three times the population of Baker County and 38 percent greater population than Nassau. PCBH asserts the existing population size, projected growth rates, and combined medical market shared with Volusia County, make Flagler County the ideal location for the proposed project.

A map and commentary provided by the applicant indicate that the closest adult inpatient psychiatric facilities to Flagler County are the six-bed unit at Florida Hospital Deland in Volusia County (to the south), and the 21-bed unit in Flagler Hospital in St. Johns County (to the north). This leaves a 62 mile gap in service, exceeding the 45-minute access standard for services.

Availability and Accessibility

PCBH summarizes current adult inpatient psychiatric bed availability in District 4:

- District 4 has nine providers with 329 licensed and 66 approved beds.
- Five providers (68 percent) are located in Duval County.
- The Clay County provider OPMC has 26 of the 66 approved beds.
- River Point and Wekiva Springs are the only freestanding specialty psychiatric hospitals in the district.
- The occupancy rate for these nine facilities was 75.2 percent for July 1, 2012 through June 30, 2013 according to Agency data.
- The occupancy rate for these nine facilities was 89.3 percent occupancy for Calendar Year 2013 as collected by the Health Planning Council of Northeast Florida.

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PCHB maintains that the Agency occupancy rate of 75.2 percent is misleading. During the last quarter of the 12 months ending June 30, 2013 (on April 1, 2013), Halifax Health delicensed 38 of its 92 adult psychiatric beds. The applicant indicates that this resulted in the second quarter of 2013 occupancy rate for Halifax Health of over 90 percent. PCHB contends that Halifax's delicensed beds were a major catalyst contributing to the published need for additional psychiatric beds in District 4 and a reason in support of the applicant's selected location of Flagler County.

The applicant states that by either measure (Health Planning Council of Northeast Florida data or Agency data)², occupancy rates in District 4 are increasing. PCHB indicates that this increase is likely due to the delicensure of beds at Halifax Health--the district's largest psychiatric unit within an acute care hospital and the only Baker Act receiving facility in Volusia County.

PCHB states that in total, the two Volusia County psychiatric hospitals functioned at 95.1 percent occupancy during the most recent available quarter in which Agency data is available (April 1, 2013 through June 30, 2013) and at 93.7 percent occupancy per the most recent quarter for which Health Council data is available (October 1, 2013 through December 31, 2013). The applicant contends that the limited resources of this county were further limited by the delicensure of Halifax Health beds, and with Volusia/Flagler being a common medical market, access to care for many residents will require drive times in excess of the 45 minute access standard.

A summary of occupancy rates by hospital for just the second quarter of 2013 (after Halifax bed delicensure), shows the district average was 86.3 percent.

² The Health Planning Council of Northeast Florida occupancy data is the raw occupancy data used by the Agency for its "Florida Hospital Bed Need Projections and Service Utilization by District" data-book. The reviewer notes that the applicant is comparing the same utilization data but of differing timeframes when citing inconsistencies.

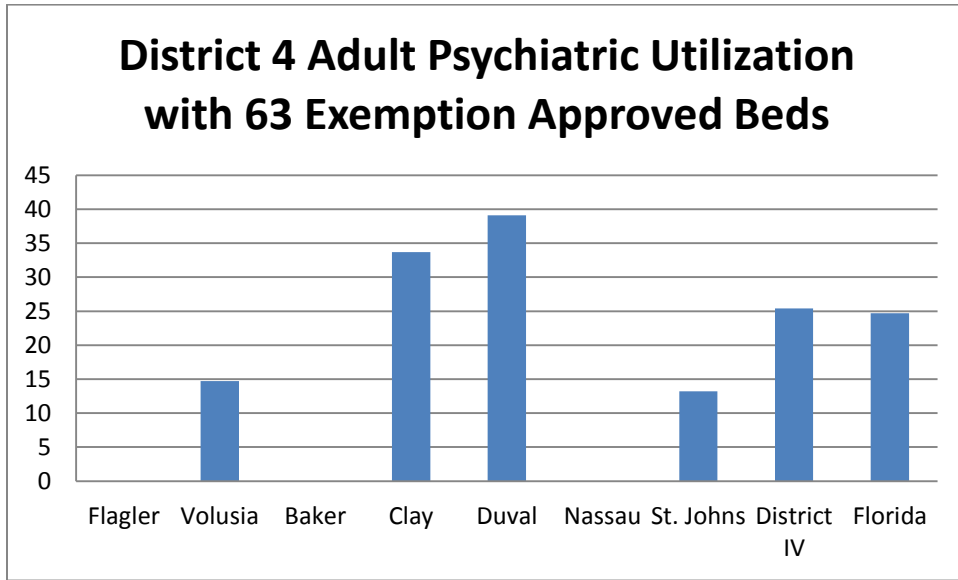
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District 4 Adult Inpatient Psychiatric Utilization By Patient Day and Occupancy April 1, 2013 through June 30, 2013		
Provider	Patient Days	Occupancy Rate
Halifax Health Medical Center	4,636	94.34%
Florida Hospital DeLand	559	102.38%
Flagler Hospital	1,114	58.29%
Orange Park Medical Center	1,833	83.93%
UF Health Jacksonville	2,741	70.05%
Baptist Medical Center Jacksonville	2,742	77.26%
Memorial Hospital Jacksonville	2,244	91.33%
River Point Behavioral Health	6,189	90.68%
Wekiva Springs	3,765	103.43%
District 4	25,823	86.25%

Source: CON application #10220, page 28 and *Florida Hospital Bed Need Projections and Service Utilization by District* published January 2014.

The applicant shows that in the second quarter of 2013, Wekiva Springs and Florida Hospital Deland exceeded 100 percent occupancy, and Halifax Health, River Point and Memorial Hospital Jacksonville exceeded 90 percent occupancy. Seven of nine providers exceeded the Agency 75 percent occupancy threshold. The applicant concludes that with a growing population, average occupancy rates in these programs will continue to rise.

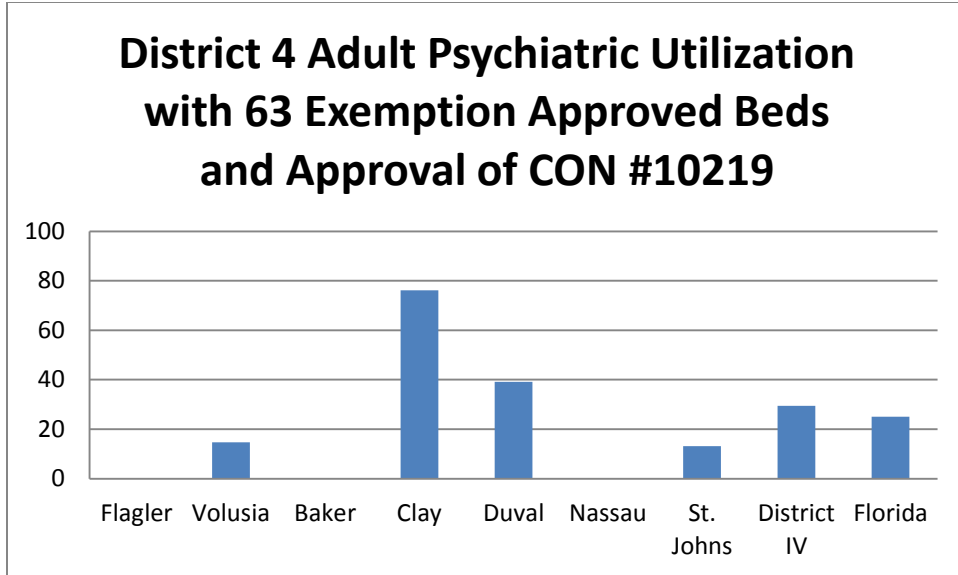
Analysis of District 4 Adult inpatient psychiatric services licensed beds per 100,000 populations is provided by the applicant to conclude that once the 66 approved beds by exemption become operational (26 at OPMC in Clay County and 40 at Wekiva Springs in Duval County), Clay County will far surpass the statewide average. Clay County will have a ratio of 33.7 adult psych beds per 100,000 populations compared to the state ratio of 24.7: 100,000. Duval County's ratio will increase to 39.1:100,000. See the bar graph below.



Source: CON application #10220, page 30.

In contrast, Flagler County has zero existing or approved psychiatric beds. The 66 beds in Volusia County produce a Volusia County ratio of only 14.7 beds per 100,000. Combined, Flagler and Volusia Counties ratio is 12.2:100,000. The applicant concludes this is a health planning factor in support of locating the new project in Flagler County.

The applicant asserts that if the co-batched applicant, Oglethorpe, Inc., were approved to develop a 63-bed facility in Clay County, the bed to population ratio would increase to 76.2 beds per 100,000 populations, compared to the next strongest ratio, Duval County, with 39.1 beds per 100,000 population. However, Volusia/Flagler would still have a ratio of 12.2 beds per 100,000. The applicant states this is the strongest reason for approval of a project in Flagler, and not Clay, County. See the bar graph below.



Source: CON application #10220, page 31.

Implementation of CON application #10220 (PCBH) in Flagler County would result in a ratio of 25 beds per 100,000 population, and positively impact availability and accessibility to inpatient psych services for residents of this area.

Market Dynamics

The applicant proposes to implement the first adult psychiatric inpatient facility in Flagler County, and will admit both voluntary and involuntary patients as a private Baker Act Receiving Facility. The applicant provides an overview of existing adult inpatient psychiatric programs within District 4, including Florida Hospital Deland, Flagler Hospital, OPMC, and PCHB's sister facilities in Duval County (Wekiva Springs and River Point). Concerning the latter, the applicant states the upcoming 52 bed expansion at Wekiva Springs (40 adult psychiatric beds and 12 substance abuse beds) will decompress pent-up demand for services in and around Duval and Clay Counties, without alleviating the demand within Flagler and Volusia Counties described throughout the application.

Historical Service Area Utilization

PCBH submits the following chart demonstrating Flagler and Volusia County MDC 19 Adult Discharges during the 12 months ending June 30, 2013:

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Flagler and Volusia County Psychiatric (MDC 19) Adult Discharges July 1, 2012 through June 30, 2013			
	Flagler County Residents	Volusia County Residents	Flagler/Volusia Total
Total Discharges From Any Hospital	332	2,396	2,728
Discharges from Licensed Psychiatric Providers	305	2,296	2,601
Discharges from District 4 Psych Hospitals	271	1,758	2,029
Discharges from Home County Psych Hospitals	0	1,608	1,608
Percent Outmigration (Licd Psych Hospitals Only)	100%	30.0%	38.2%

Source: CON application #10220, page 36.

The applicant states that only 1,608 Volusia County residents were treated in Volusia County whereas 688 sought treatment outside Volusia and Flagler Counties. Combined with Flagler residents, 993 residents who sought psychiatric hospital treatment during the 12 months ending June 30, 2013 migrated out of Flagler and Volusia Counties.

Utilization Trends

PCBH submits the following chart demonstrating the change in District 4 resident psychiatric discharges rates during the three-year period ending June 30, 2013:

District 4 Resident Utilization (MDC 19) Adult Discharges from Psychiatric Hospital Providers July 1, 2011 through June 30, 2013				
County	7/1/2010 6/30/2011	7/1/2011 6/30/2012	7/1/2012 6/30/2013	% Change 2011-2013
Flagler	250	323	305	22.0%
Volusia	2,232	2,185	2,296	2.9%
Baker	140	139	107	(23.6%)
Clay	1276	1,323	1,171	(8.2%)
Duval	6,017	6252	6,504	8.1%
Nassau	402	411	465	15.7%
St. Johns	1,107	1274	1,170	5.7%
District 4	11,424	11,907	12,018	5.2%
Flagler/Volusia	2,482	2,508	2,601	4.8%

Source: CON application #10220, page 101.

The above table shows a 5.4 percent increase in District 4 resident psychiatric discharges during the three-year period ending June 30, 2013. The greatest increase was in Flagler County (22 percent), while Volusia County increased only 2.9 percent. The applicant states if the delicensed 38 beds had still been available, there may have been additional growth. Only Clay and Baker experienced declining volume.

PCBH states that Flagler County psychiatric discharges account for only 2.5 percent of the total 12,018 adult psychiatric District 4 discharges, but Flagler County residents represent five percent of the district's adult population. The applicant notes that this is an indicator of lack of access to mental health services for Flagler County residents. The lower use

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rate results from unavailable/inaccessible Flagler County beds and limited availability and accessibility to nearby Volusia County beds. PCBH indicates that Volusia County residents account for 19.1 percent of the district’s total adult psychiatric cases but represent more than 25 percent of the adult population. The applicant adds that Duval County residents account for 54.1 percent of total district adult psychiatric discharges and 44.5 percent of District 4’s total adult population. PCBH concludes that the psychiatric bed disproportion in Flagler and Volusia Counties is evidence of suppressed accessibility and availability of services.

The applicant submits the following chart showing District 4 psychiatric discharges and discharges as a percent of total population:

District 4 Adult Resident Discharges (MDC 19) 12 Months Ending June 30, 2013						
County	Percent District 4 MDC 19 Discharges by Age Category			Percent District 4 Population By Age Category		
	18-64	65+	18+	18-64	65+	18+
Flagler	2.4%	3.9%	2.5%	4.6%	7.9%	5.3%
Volusia	17.2%	33.2%	19.1%	24.3%	34.1%	26.3%
Baker	0.9%	0.6%	0.9%	1.4%	1.0%	1.3%
Clay	10.1%	7.1%	9.7%	9.9%	8.0%	9.5%
Duval	55.7%	42.7%	54.1%	45.9%	33.9%	43.4%
Nassau	3.9%	3.6%	3.9%	3.7%	4.2%	3.8%
St. Johns	9.8%	9.0%	9.7%	10.1%	10.8%	10.3%
District 4	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: CON application #10220, page 102.

PCBH indicates that Clay County residents have reasonable access to psychiatric services as residents account for 9.7 percent of District 4 psychiatric discharges and 9.5 percent of the District 4 population. The applicant states that if Flagler and Volusia County residents had access to adult inpatient psychiatric beds equal to other District 4 counties, their discharge use rates would be higher. PCBH contends that this is evidence that the lack of available and accessible beds results in inappropriate treatment levels for Flagler County residents, and to a lesser degree for Volusia County residents.

Use Rates

PCHB states that the following:

- District 4’s adult psychiatric use rate of 7.84 discharges per 1,000 adult population is more than two times the use rate of Flagler County.
- Florida’s overall adult discharge use rate of 8.37 discharges per 1,000 population exceeds the District 4 rate.
- The district’s use rate is 94 percent of the state’s rate, but Flagler County’s use rate is only 46 percent of the state rate.

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- Flagler County’s discharge use rate in both adult age cohorts is lower than any other county in District 4.

The applicant illustrates the use rates, by age cohort and county of residence in the table below. PCBH notes that all data is based on discharges only from hospital providers with licensed psychiatric beds.

MDC 19 Discharge Use Rate per 1,000 Population for District 4 Residents By County July 1, 2012 through June 30, 2013			
County	18-64	65+	18+
Flagler	4.57	2.22	3.84
Volusia	6.13	4.35	5.65
Baker	5.76	2.54	5.26
Clay	8.92	4.07	8.09
Duval	10.47	5.72	9.71
Nassau	9.09	3.89	7.93
St. Johns	8.58	3.87	7.56
District 4	8.69	4.53	7.84
District 4 Counties with Licensed Beds	8.92	4.80	8.10
Flagler/Volusia	5.89	3.95	5.35
Florida	9.45	4.69	8.37

Source: CON application #10220, page 39.

The applicant concludes that if Flagler and Volusia County residents had access to psychiatric services on par with the District use rate, there would have been 1,180 additional adult psychiatric discharges (302 in Flagler and 878 in Volusia) during the 12 months ending June 30, 2013. PCPH illustrates this point with the chart below.

Flagler and Volusia County Discharges Using the District 4 Discharge Use Rate Per 1000 Population July 1, 2012 through June 30, 2013*			
County	18-64	65+	18+
Flagler County Actual Cases	250	55	305
Flagler County Population (2013)	54,674	24,799	79,473
District 4 Discharge Use Rate	8.69	4.53	--
Recalculated Flagler County Cases	475	112	587
Difference	225	57	282
Volusia County Actual Cases	1,822	474	2,296
Volusia County Population (2013)	297,175	109,070	406,245
District 4 Discharge Use Rate	8.69	4.53	--
Recalculated Volusia County Cases	2,582	494	3,077
Difference	760	20	781
Recalculated Flagler/Volusia County-Cases	3,057	606	3,663
Difference	985	77	1,062

Source: CON application #10220, page 104.

*The reviewer notes that while the applicant states that this discharge data is from July 1, 2012 through June 30, 2013. The data actually matches the discharge data supplied by the applicant for July 1, 2010 through June 30, 2011.

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Market Share

The applicant submits the following table comparing psychiatric Market Share by Hospital in Flagler and Volusia Counties for adults during the 12 months ending June 30, 2013:

Flagler and Volusia Residents Psychiatric (MDC 19) Market Share by Hospital 12 Months Ending June 30, 2013					
Hospital	Hospital County	Flagler	Flagler Market Share	Volusia	Volusia Market Share
Halifax Health Medical Center	Volusia	147	48.2%	1,315	57.3%
Florida Hospital Deland	Volusia	6	2.0%	293	12.8%
Flagler Hospital	St. Johns	45	14.8%	4	0.2%
Orange Park Medical Center	Clay	0	0.0%	3	0.1%
River Point Behavioral Health	Duval	51	16.7%	124	5.4%
Wekiva Springs	Duval	19	6.2%	15	0.7%
Baptist Medical Center Jax	Duval	0	0.0%	2	0.1%
UF Health Jacksonville	Duval	3	1.0%	0	0.0%
Memorial Hospital Jacksonville	Duval	0	0.0%	2	0.1%
District Outmigration		34	11.1%	538	23.4%
Total		305	100.0%	2,296	100.0%

Source: CON application #10220, page 42.

Based on the above figures, the applicant notes that River Point and Wekiva Springs in Duval County have a 23 percent market share in Flagler County and six percent in Volusia County. The applicant states that other UHS hospitals in Florida admitted Flagler and Volusia County residents creating a total UHS market share of 33.8 percent in Flagler County and 13.7 percent in Volusia County.

Additionally, PCBH indicates that during the 12 months ending June 30, 2013 there were 6,641 Flagler and Volusia County resident emergency department visits with mental disorder diagnosis, of which 930 were discharged to psychiatric hospitals. The applicant states that River Point received one-third of these admissions. PCBH contends that River Point is operating at over 90 percent capacity and that a sister facility in Flagler County would be ideal to improve service to patients in this area.

Forecasted Utilization

As shown in the table below, the applicant anticipates that by year two (July 1, 2017-June 30, 2018) of the proposed project, District 4 psychiatric cases will increase 6.5 percent (from 12,018 to 12,888 cases).

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District 4 Forecasted Psychiatric Discharges by Age Cohort Based on Actual Discharge Use Rates per 1,000 Population by County (6/30/2013) Years One and Two						
County	YR 1: July 1, 2016-June 30, 2017			YR 2: July1, 2017-June 30, 2018		
	18-64	65+	18+	18-64	65+	18+
Flagler	286	67	353	295	71	366
Volusia	1,853	521	2,375	1,857	536	2,394
Baker	106	10	116	108	10	117
Clay	1,160	124	1,284	1,181	130	1311
Duval	5,979	708	6,687	6,005	736	6,741
Nassau	439	63	502	444	66	510
St. Johns	1,163	160	1,323	1,192	169	1361
District 4	10,987	1,653	12,639	11,082	1,718	12,799
Flagler/Volusia	2,140	589	2,728	2,152	607	2,759

Source: CON application #10220, page 45.

The applicant indicates that the above forecasted utilization was calculated using the current use rate, which PCBH categorizes as “depressed”. Even at this depressed use rate, the applicant contends that Flagler County’s 20 percent anticipated growth in volume is the most significant in the district. The applicant anticipates an addition of 158 new cases generated by Flagler and Volusia County residents by the second year of the proposed project.

PCBH asserts that 158 cases is an extremely conservative estimate given that discharge use rates are suppressed in Volusia and Flagler Counties. The applicant states these suppressed use rates correlate directly to the lack of psychiatric beds in Flagler County and a shortage of such beds in Volusia County—but with approval of the proposed project, Flagler and Volusia County residents will have improved access and availability of adult psychiatric services.

The applicant contends that if both Flagler and Volusia Counties had discharge use rates on par with District 4 use rates (8.69 discharges per 1,000 population in the 18 to 64 cohort and 4.53 in the 65 and over cohort) there would be 454 additional expected Flagler County adult resident psych discharges and 1,146 additional patients originating from Volusia County.

District 4 Forecasted Psychiatric Discharges by Age Cohort Based on Actual Discharge Use Rates for Counties with Licensed Beds Per 1,000 Population (6/30/2013) Years One and Two (Ending June 30, 2017 and 2018)						
County	YR 1: Ending June 30, 2017			YR 2: Ending June 30, 2018		
	18-64	65+	18+	18-64	65+	18+
Restated Use Rates	8.92	4.80	--	8.92	4.80	--
Flagler Discharges	559	145	704	575	153	728
Volusia Discharges	2,696	576	3,272	2,702	592	3,295
Flagler/Volusia	3,255	721	3,976	3,277	746	4,023

Source: CON application #10220, page 47.

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PCBH contends that enhanced access and availability of psychiatric beds in the service area will enhance market discharges. The applicant states that with equal access to adult psychiatric services Flagler and Volusia County residents will generate 4,154 psychiatric cases during year one and 4,203 cases during year two of the proposed project. The applicant maintains the growth of 1,263 cases represents a 45.8 percent difference in forecasted volume between the current suppressed use rates and more accurate use rates (the District 4 use rate). See table below.

PCBH's Comparison of Flagler and Volusia MDC 19 Discharge Utilization Using Current County Discharge Use Rate and Current District Average Use Rate July 1, 2017 through June 30, 2018				
County	July 1, 2017- June 30, 2018 Calculated with the Current Use Rate	July 1, 2017- June 30, 2018 Calculated with the District 4 Use Rate	Difference in Discharges Between the Use Rates	Percent Difference
Flagler County	366	728	362	98.9%
Volusia County	2,394	3,295	901	37.6%
Flagler/Volusia	2,760	4,023	1,263	45.8%

Source: CON application #10220, page 47.

Bed Need & PCBH Forecasted Utilization

The applicant states that while the Agency published 63 adult psychiatric District 4 bed need for the July 2019 Planning Horizon, it has actually calculated the need for 71 adult psychiatric beds by using the District psychiatric use rate. See the table below.

Palm Coast Behavioral Health Projection Flagler & Volusia County Adult Psychiatric Bed Demand 12 Months Ending June 30, 2018 (Year 2)			
	18-64	65+	18+
Flagler County Discharges	575	153	728
Volusia County Discharges	2,702	592	3,295
Total Service Area Discharges	3,277	746	4,023
Average Length of Stay	8.9		
Patient Days	21,165	6,639	37,391
Average Daily Census	79.9	18.2	98.1
Bed Need @ 75% Occupancy	107	24	131
Exemption Approved Beds in Duval and Clay County			60
Net Bed Need			71

Source: CON Application #10220, page 49.

PCBH expects to achieve 20.7 percent occupancy in the first year and 56.2 percent occupancy in the second year of operations.

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Palm Coast Behavioral Health Proposed Facility Utilization on 63 Adult Psychiatric Beds Years One and Two of Operation		
PCBH Forecasted Cases	Year One Ending 6/30/2017	Year Two Ending 6/30/2018
Service Area Discharges Flagler/Volusia	482	1,306
In-Migration (10%)-Rest of District 4 and Elsewhere	54	145
Total Cases	536	1,451
Average Annual Occupancy	20.7	56.2
Average Daily Census (ADC)	13.0	35.4
Total Service Area Market Cases	4,154	4,201
PCBH Market Share	11.6%	31.1%

Source: CON application #10220, page 49.

The applicant anticipates an 8.9 day ALOS (based on similar experience at River Point and Wekiva Springs), and an ADC of 13.0 in year one and 35.4 in year two, ending June 30, 2018.

PCBH provides projected patient days by payor, but notes that as a new provider, the applicant must obtain Medicare certification which is an approximate six-month wait. The applicant indicates that its year one Medicare percentage is reduced accordingly. See the table below.

PCBH Projected Patient Days by Payor Proposed 63-Bed Adult Psychiatric Hospital Years One and Two of Operation		
Payer Category	Year One Ending 6/30/2017	Year Two Ending 6/30/2018
Self-Pay/Charity	206	413
Medicaid HMO	511	1,024
Medicare	1,809	6,842
Medicare HMO	114	430
Managed Care	1,558	2,308
Other/Champus	561	1,939
Total	4,757	12,956

Source: CON Application #10220, page 50.

The applicant projects approximately 7.9 percent Medicaid and 3.2 percent charity patient days by year two of the project. The reviewer notes that PCBH conditioned the proposed facility on the provision of at least 10 percent of its total hospital patient days to a combination of Medicaid HMO/charity care/self-pay payers by year two of operation and thereafter.

Impact on Existing Providers

The applicant states that the proposed project will add new volume to the market rather than take away volume from existing District 4 providers.

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With equal access to services, the applicant asserts there would have been 302 additional Flagler County psychiatric hospital admissions and 878 additional Volusia County resident psychiatric admissions during the 12 months ending June 30, 2013.

PCBH expects to attract not only previously untreated patients but also admissions previously treated at UHS facilities in Duval County and outside the district. The applicant notes that there were 310 transfers from Flagler and Volusia hospitals to River Point and Wekiva Springs during CY 2013 and that these transfer patients represent the single largest potential for expected impact on existing adult psychiatric providers within District 4. PCBH states that its sister facilities recognize and support this impact including the realignment of patients for treatment in a location that will improve access to patients in the southern portion of District 4.

2. **Agency Rule Criteria/Preferences**

a. **Chapter 59C-1.040, Florida Administrative Code, contain factors to be considered in the review of Certificate of Need Applications for hospital inpatient general psychiatric services for adults.**

1. **Rule 59C-1.040(4)(e) 1, Florida Administrative Code: Applicants shall provide evidence in their applications that their proposal is consistent with the needs of the community and other criteria contained in Local Health Council Plans, the district Alcohol, Drug Abuse and Mental Health Plan, and the State Health Plan.**

Both applicants noted this criterion is no longer applicable. There is no longer a local health council plan or state health plan from which to correlate project proposals.

Oglethorpe of N.E., LLC (CON application #10219) states that the Health Planning Council of Northeast Florida published a White Paper³ in collaboration with The Florida Blue Foundation, titled *Establishing a Clay County Safety-Net System for the Uninsured: One Community's Call to Action*, which discusses the importance of safety nets for uninsured and under insured. The report identified mental health services as one of the top seven "missing" specialized services for the uninsured.

³ An authoritative report or guide helping consumers understand an issue, solve a problem or a make a decision.

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The applicant discusses the State *Substance Abuse and Mental Health Services Plan: 2014-2016* from the Florida Department of Children and Families (DCF) Substance Abuse and Mental Health Program—“the single state authority for substance abuse and mental health services”. This report provides an overview of standards for the quality of care for mental health and substance abuse in the state as well as identifying emerging needs, service models and best practices of programs. The applicant notes a number of trends that are discussed in the report including: funding priorities, homelessness, suicide prevention and Veteran access. Oglethorpe notes that Jacksonville (in Duval County) is a major military port with a large population of active military, veterans and retirees and that the proposed facility would improve access to these individuals that may be suffering from post-traumatic stress disorder or some form of major depression.

Oglethorpe discusses the “Suicide Prevention” portion of DCF’s report including an examination of suicide trends in District 4, noting that the Clay County suicide rate ranks 4th out of the seven counties. The applicant asserts that it will work with the Regional Substance Abuse and Mental Health Director for the area to ensure a continuum of care in order to serve the needs of the community.

Palm Coast Behavioral Health, LLC (CON application #10220) states the project is consistent with the needs of the community and applicable state criteria as evidenced throughout the application and in letters of support.

- 2. Rule 59C-1.040(4)(e) 3, Florida Administrative Code: In order to ensure access to hospital inpatient general psychiatric services for Medicaid-eligible and charity care adults, 40 percent of the gross bed need allocated to each district for hospital inpatient general psychiatric services for adults should be allocated to general hospitals.**

District 4 presently has 214 of 329 (or 65 percent) of its adult inpatient psychiatric beds in general hospitals. Upon approval of either proposed project, the general hospital bed ratio will be 214 of 392, or 54.60 percent, which is in compliance with this condition.

3. **Rule 59C-1.040(4)(e) 4, Florida Administrative Code: Regardless of whether bed need is shown under the need formula, no additional hospital inpatient general psychiatric beds for adults shall normally be approved in a district unless the average annual occupancy rate of the licensed hospital inpatient general psychiatric beds for adults in the district equals or exceeds 75 percent for the 12-month period ending six months prior to the beginning date of the quarter of the publication of the fixed bed need pool.**

During the 12 months ending June 30, 2013, District 4's adult inpatient psychiatric beds experienced 75.22 percent utilization.

- b. **Priority Considerations for hospital inpatient general psychiatric services (Rule 59C-1.040 (5) (i), Florida Administrative Code) (NOTE: All references to child/adolescent psychiatric services are deleted). In weighing and balancing statutory and rule review criteria, preference will be given to both competing and non-competing applicants who:**

1. **Provide Medicaid and charity care days as a percentage of their total patient days of total patient days provided by other hospitals in the district, as determined for the most recent calendar year prior to the year of the application for which data are available from the Health Care Board.**

Both applicants state that as freestanding psychiatric hospitals they are restricted from accepting Medicaid reimbursement for services, but intend to contract with managed care companies that participate in Medicaid HMOs.

Oglethorpe of N.E., LLC (CON application #10219) states that District 4's adult inpatient psychiatric providers provided 6.76 percent of total patient days to Medicaid HMO recipients during the 12 months ending June 30, 2013. During the proposed 63-bed adult psychiatric unit's first two years of operation, the applicant expects to have Medicaid HMO patient days 11,349 and 15,889, respectively, representing 12.1 percent of total patient days, higher than the district average. The applicant notes during the first two years of operation, charity care is projected as \$460,159 and \$676,451, or 237 and 331 patient days respectively (two percent of total patient days).

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Oglethorpe conditions to the provision of Medicaid HMO and non-payment patient days (which includes charity care) at a minimum of 6.84 percent of total patient days for the 63-bed adult psychiatric hospital.

Palm Coast Behavioral Health, LLC (CON application #10220) states that District 4's adult inpatient psychiatric providers provided 9.5 percent total patient days to Medicaid HMO recipients during the 12 months ending June 30, 2013. The applicant states the 63-bed adult psychiatric unit will provide 7.9 percent Medicaid HMO patient days by year two of operations.

PCBH conditions approval of the proposed project on the provision of at least 10 percent of its total hospital patient days to a combination of Medicaid HMO/charity care/self-pay payer's by year two of operation and thereafter.

- 2. Propose to serve the most seriously mentally ill patients to the extent that these patients can benefit from a hospital-based organized inpatient treatment program.**

Both applicants state the proposed facility will be equipped to serve the most seriously mentally ill patients--including suicidal patients, patients with acute schizophrenia and patients with severe depression.

- 3. Propose to serve Medicaid-eligible persons.**

Both applicants state that as freestanding psychiatric hospitals, they are restricted by statute from participating directly with the Medicaid program. Both applicants state that they will contract with managed care companies that participate in Medicaid HMOs.

- 4. Propose to serve individuals without regard to their ability to pay.**

Oglethorpe of N.E., LLC (CON application #10219) proposes a charity care policy as follows:

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- The hospital will provide charity care to eligible clients in conformance with the Federal Poverty Guidelines⁴. The guidelines apply where there is no compensation and the patient qualifies under one of these two guidelines:
 - Family income for 12 months preceding the determination does not exceed 150 percent Federal Poverty Guidelines, or
 - Hospital charges exceed 25 percent of the patient's annual income and family income does not exceed four times the poverty level.

The applicant further indicates plans to provide coverage for Medicaid HMO, self-pay clients and will, “offer courtesy discounts for worthy clients who do not meet the aforementioned guidelines but have serious need”.

Palm Coast Behavioral Health, LLC (CON application #10220) states that it will serve charity care and medically indigent patients.

The applicant defines financially indigent as those patients who are accepted for medical care who are underinsured or uninsured with no or a significantly limited ability to pay, patients defined as economically disadvantaged with incomes at or below federal poverty guidelines, and patients classified as “categorically needy” by proof of entitlement to certain state or federal programs.

Medically indigent is defined by the applicant as patients incurring severe or catastrophic medical expenses but who are unable to pay without substantial liquidation of assets critical to living, or creating undue hardship on family support, including patients for whom these conditions exist after payment by a third party payer.

The applicant states it will maintain a charity care policy similar to River Point, a copy of which is provided in Supporting Documents with the application. Patients will be treated at PCBH regardless of whether they are indigent or have the ability to pay.

5. Agree to be a designated public or private receiving facility.

Oglethorpe of N.E., LLC (CON application #10219) conditions approval of the proposed project that the 63-bed adult inpatient psychiatric facility becomes a Baker Act Receiving facility.

⁴ The reviewer notes the U.S. Department of Health and Human Services issues federal poverty guidelines each year in the *Federal Register* and can be found at this website: <http://aspe.hhs.gov/poverty/12poverty.shtml>.

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Per the applicant, District 4 has 11 Baker Act Receiving facilities (four public and seven private) with one of the private facilities being located in Clay County (OPMC). However, the applicant cites the letter of support from Irene M. Toto, CEO of the Clay Behavioral Health Center, Inc., who states that many patients are still transported to the public Baker Act Receiving facility in neighboring Duval County.

The applicant provides the following chart showing District 4 Baker Act Receiving Facilities, including both inpatient and crisis stabilization units:

District 4 Baker Act Receiving Facilities	
Public Receiving Facilities	County
Flagler Hospital	St. Johns
Halifax Psychiatric Center North	Volusia
The Mental Health Center of Jacksonville	Duval
Mental Health Resource Center	Duval
Private Receiving Facilities	County
Baptist Medical Center	Duval
Halifax Health	Volusia
Memorial Hospital	Duval
Orange Park Medical Center	Clay
Riverpoint Behavioral Health	Duval
UF Health Jacksonville	Duval
Wekiva Springs Center	Duval

Source: CON application #10219, page 2-16.

Palm Coast Behavioral Health, LLC (CON application #10220) conditions approval for the proposed project that it will become a Baker Act Receiving Facility.

The applicant notes that there are no Baker Act Receiving Facilities located in Flagler County but, if approved, the proposed 63-bed adult inpatient psychiatric facility would be the first of its kind in Flagler County.

The applicant states the need for a Baker Act Receiving Facility in Flagler County is urgent, and refers to the letters of support from Flagler and Volusia County sheriffs who expressed need for adult inpatient psychiatric beds in this area.

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- c. Minimum Size of Specialty Hospitals (Rule 59C-1.040(3)(e) Florida Administrative Code). A specialty hospital providing hospital inpatient general psychiatric services shall have a minimum total capacity of 40 beds. The minimum capacity of a specialty hospital providing hospital inpatient general psychiatric services may include beds used for hospital inpatient substance abuse services regulated under Rule 59C-1.041, Florida Administrative Code. The separately organized units for hospital inpatient general psychiatric services for adults in specialty hospitals shall have a minimum of 15 beds (Rule 59C-1.040(5), Florida Administrative Code).**

The co-batched applicants each meet this criterion.

- d. Access Standard. Hospital inpatient general psychiatric services should be available within a maximum ground travel time of 45 minutes under average travel conditions for at least 90 percent of the district's total population (Rule 59C-1.040(6), Florida Administrative Code).**

Oglethorpe of N.E., LLC (CON application #10219) proposes to locate their facility near the major access roads traversing Middleburg in Clay County. Oglethorpe zip code analysis shows 34,646 of the 1,540,272 District 4 residents travel longer than 45 minutes to access this service, including two Clay County zip codes. Oglethorpe indicates that the proposed facility will serve the two Clay County zip codes currently outside the 45-minute access standard.

The applicant submits the following chart showing the zip codes and respective 2013 and projected 2018 adult population, outside the 45-minute drive time zones for each of the District 4 hospitals:

District 4 Adult Population that does not Meet the Access Standard for Inpatient Psychiatric Services			
By Zip Code			
Zip Code	County	2013 Population Ages 18+	2018 Population Ages 18+
32087	Baker	4,197	4,276
32043	Clay	19,417	20,436
32656	Clay	11,032	11,625
Total		34,646	36,337

Source: CON application #10219, page 2-17.

Oglethorpe states that approval of the proposed project will increase access to psychiatric services to the 45-minute access standard for 99.7 percent of District 4's population.

Palm Coast Behavioral Health, LLC (CON application #10220) states the proposed project will be located in Flagler County close to accessible major roadways. The applicant indicates that there are no inpatient

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adult psychiatric facilities within Flagler County and that all residents must access services outside the county. PCBH contends that despite Volusia County having 60 licensed adult psychiatric beds, 30 percent of residents leave the county due to high occupancy rates. PCBH concludes that because of high occupancy rates and the lack of beds in Flagler County, no psychiatric inpatient beds are truly available to Flagler or Volusia residents within the 45-minute access standard.

PCBH notes that the co-batched applicant, Oglethorpe of N.E., proposes to locate a facility in Clay County, which already has 24 inpatient psychiatric beds at Orange Park Medical Center and Orange Park Medical Center also has exemption #140005 to add an additional 26 adult inpatient psychiatric beds.

The applicant submits the following chart of travel times from Palm Coast, Flagler County to existing hospital providers:

Travel Times from Palm Coast in Flagler County to Existing Inpatient Psychiatric Providers		
Hospital	County	Minutes
Halifax Health Medical Center	Volusia	33
Florida Hospital DeLand	Volusia	49
Flagler Hospital	St. Johns	28
Orange Park Medical Center	Clay	60
UF Health Jacksonville	Duval	60
Baptist Medical Center Jacksonville	Duval	57
Memorial Hospital Jacksonville	Duval	55
River Point Behavioral Health	Duval	56
Wekiva Springs	Duval	52

Source: CON application #10220, page 75.

Based on the above table, the applicant states only two hospitals are within the 45-minute access standard from Palm Coast which is one of the most densely populated towns in Flagler County. The applicant states that this is clear evidence that the Flagler/Volusia medical market is currently underserved.

e. Quality of Care.

- 1. Compliance with Agency Standards. Hospital inpatient general psychiatric services for adults shall comply with the Agency standards for program licensure. Applicants who include a statement in their certificate of need application that they will meet applicable Agency licensure standards are deemed to be in compliance with this provision (Rule 59C-1.040(7)(a), Florida Administrative Code).**

Oglethorpe of N.E., LLC (CON application #10219) states it will comply with Agency standards for program licensure, and has

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proven experience as a provider of inpatient psychiatric services at three affiliated hospitals in Florida.

Palm Coast Behavioral Health, LLC (CON application #10220) states the parent corporation, UHS, is an experienced provider of inpatient, residential and outpatient services, and will comply with Agency standards for program licensure with the proposed project. In Florida alone, UHS operates three acute care hospitals and has adult psychiatric beds at 11 of their 15 licensed behavioral health facilities.

- 2. Continuity. Providers of hospital inpatient general psychiatric services shall also provide outpatient services, either directly or through written agreements with community outpatient mental health programs, such as local psychiatrists, local psychologists, community mental health programs, or other local mental health outpatient programs (Rule 59C-1.040(7)(d), Florida Administrative Code).**

Each co-batched applicant states intent to provide full continuity of care, including partial hospitalization programs and outpatient services. Each applicant provides a comprehensive overview of these services.

- 3. Screening Program. All facilities providing hospital inpatient general psychiatric services shall have a screening program to assess the most appropriate treatment for the patient. Patients with a dual diagnosis of a psychiatric disorder shall be evaluated to determine the types of treatment needed, the appropriate treatment setting, and, if necessary, the appropriate sequence of treatment for the psychiatric and substance abuse disorders (Rule 59C-1.040(7)(e), Florida Administrative Code).**

Each co-batched applicant states intent to provide comprehensive screening services in compliance with this criterion, and provides details of screening standards and services.

- f. Services Description (Rule 59C-1.040(8), Florida Administrative Code). An applicant for hospital inpatient general psychiatric services shall provide a detailed program description in its certificate of need application including:**

- 1. Age groups to be served.**

Each co-batched applicant will serve adult patients ages 18 and older, including geriatric patients over age 65.

2. Specialty programs to be provided.

Oglethorpe of N.E., LLC (CON application #10219) states the proposed facility will provide a comprehensive range of diagnostic treatment and educational services for adults through an integrated delivery system. Specialized treatment interventions are developed based on population need. The applicant includes brochures for programs at existing Oglethorpe facilities in the *Additional Information Section* of the application. Specific programs outside the scope of inpatient psychiatric care include:

- Adult partial hospitalization
- Adult intensive outpatient program
- Emergency evaluation and screening

Palm Coast Behavioral Health, LLC (CON application #10220) states that in addition to traditional medical and clinical services, the following will be offered:

- Older adult inpatient program
- Senior perspectives outpatient program
- Dual diagnosis
- Electroconvulsive therapy
- Relaxation and stress reduction
- Nutrition
- Community awareness groups
- Movement and activities therapy
- Spiritual counseling

A multidisciplinary approach will be the focus of clinical services and the applicant reviews details of the following components: nursing services, individual therapy, crisis intervention, family therapy, family and patient education, pharmacology, discharge planning and referral services.

3. Proposed staffing, including the qualifications of the clinical director and a description of staffing appropriate for any specialty program.

Oglethorpe of N.E., LLC (CON application #10219) provides a brief discussion of the medical director, psychiatric nursing staff, program therapist, certified therapeutic recreational therapist/RTA and mental health assistants that serve as the interdisciplinary team.

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Oglethorpe proposes the following staff and FTE counts, for years one and two of the proposed 63-bed adult inpatient psychiatric program.

CON application #10219		
Forecasted Full Time Equivalents		
Year One – Ending June 30, 2017 and Year Two – Ending June 30, 2018		
Position	Year One as of 6/30/17	Year Two as of 6/30/18
Administration	Total FTEs	Total FTEs
Administrator	1.0	1.0
Director of Nursing	1.0	1.0
Admissions Director	1.0	1.0
Bookkeeper	1.0	1.0
Secretary	1.0	1.0
Medical Records Clerk	1.0	1.0
Other: Outreach Specialist	1.0	1.0
Total	7.0	7.0
Physicians		
Medical Director	1.0	1.0
Other		
Total	1.0	1.0
Nursing		
RN	4.2	4.2
LPN	2.8	5.6
Nurse's Aide	12.6	18.2
Other: Unit Clerk	1.4	1.4
Total	21.0	29.4
Ancillary		
Licensed Therapist	2.0	2.8
Discharge Planner	1.4	2.8
Case Manager	2.8	3.8
Activity Therapist	2.8	4.2
Total	9.0	13.6
Dietary		
Dietary Supervisor	1.4	1.4
Cooks	2.8	4.2
Dietary Aides	2.8	4.2
Total	7.0	9.8
Social Services		
Social Worker	2.0	2.0
Activities Director	1.4	1.4
Activities Assistant	-	-
Other-Case Manager	1.0	1.0
Total	4.4	4.4
Housekeeping		
Housekeeping Supervision	1.4	1.0
Housekeepers	7.0	11.2
Total	8.4	12.2
Plant Maintenance		
Maintenance Supervisor	1.4	1.4
Maintenance Assistance	1.4	1.4
Security	4.2	4.2
Other: Transportation	1.4	1.4
Total	8.4	8.4
Grand Total FTEs	66.2	85.8

Source: CON application #10219, Schedule 6.

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Palm Coast Behavioral Health, LLC (CON application #10220) includes job descriptions for the proposed staff positions in the supporting document of the application, including resumes for managerial personnel.

PCBH proposes the following staff and FTE counts, for years one and two of the 63-bed adult inpatient psychiatric program.

CON application #10220		
Forecasted Full Time Equivalents		
Year One – Ending June 30, 2017 and Year Two – Ending June 30, 2018		
Position	Year One as of 6/30/17	Year Two as of 6/30/18
Administration	Total FTEs	Total FTEs
CEO	1.00	1.00
CFO	1.00	1.00
Director of Nursing	3.00	4.60
Intake Director	1.00	1.00
Director of Marketing	1.00	1.00
Director of Human Resources	1.00	1.00
Assessment Counselor	3.89	5.50
Admissions Clerk	0.50	0.75
Business Office Manager	1.00	1.00
Biller/Collector	--	1.25
Utilization Review-RN	1.00	2.00
Receptionist/Switchboard	1.00	1.00
Admin/Payroll/Reception	1.00	1.00
Medical Records Director	1.00	1.00
Pharmacy	1.00	1.00
Other: Training	2.00	2.00
Physicians		
Unit/Program Director	Contract	Contract
Outpatient		
PHP/IOP	1.50	2.00
ECT	0.37	1.00
Nursing		
RN	5.80	9.00
LPN	2.63	7.00
Mental Health Tech	4.20	13.67
Dietary		
Dietary Supervisor	1.00	1.00
Cooks	0.50	2.00
Dietary Aides	0.50	1.00
Social Services/Activities		
Social Service Directors (Therapists)	1.00	1.00
Recreational Therapist	0.62	1.50
Medical Records	.50	1.00
Housekeeping		
Housekeeping Supervision	1.00	1.00
Housekeepers	1.00	1.50
Transcriptionist (Contracted)	1.00	1.00
Plant Maintenance		
Maintenance Supervisor	1.00	1.00
Maintenance Assistance	--	0.50
Transportation	0.62	1.00
Grand Total FTEs	44.44	72.27*

Source: CON application #10220, Schedule 6.

*Note: The applicant's Schedule 6, year two staffing projections show this total as 75.27.

4. Patient groups by primary diagnosis ICD-9 code that will be excluded from treatment.

Both co-batched applicants state four exclusionary criteria as quoted below:

- Persons who are “mentally retarded” without corresponding affective disturbance or thought disorder, or Organic Brain Syndrome (OBS)
- Persons who require custodial care rather than active psychiatric treatment
- Involuntary admission involving charges for capital offenses (i.e. murder) and felony cases
- Patients, whose organicity will, in the judgment of the psychiatrist, not progress with a course of inpatient psychiatric care

Oglethorpe of N.E., LLC (CON application #10219), in addition to the above criteria, states that patients will be transferred to the nearest hospital for life threatening emergencies, as the facility will not have an emergency department. The applicant further states forensic patients will not be admitted and DRGs 299 and 315 will be excluded from admission because Oglethorpe contends clinical intervention for these patients would not produce results.

5. Therapeutic approaches to be used.

Oglethorpe of N.E., LLC (CON application #10219) plans to offer a “full range of services in an intensive treatment milieu” and states that all patients will be treated with dignity and respect, conducive to long-term recovery. The applicant states the patient care services it will offer:

- Medically necessary diagnostic services related to mental illness
- Individual and group psychotherapy rendered by a physician, clinical psychologist, licensed counselor, licensed addiction therapist or licensed social worker
- Physical therapy, occupational therapy and speech therapy when it is a component of the treatment plan
- Services of psychiatric nurses, mental health technicians, activity therapists, certified addiction professionals, etc.
- Medication and biologicals that are maintained and furnished for psychotherapeutic purposes
- Individualized and essential activities for the treatment of the patient’s diagnosed condition

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- Family counseling services to assess the capability of and assist the family in aiding in the management of the patient
- Patient training and education

Oglethorpe states that all components of treatment will be based on the individual needs of the patient.

Palm Coast Behavioral Health, LLC (CON application #10220) states their mission is to assist patients and residents in meeting their goals and needs by teaching skills to deal with the defeats that prevent a patient from experiencing fulfillment in life.

The applicant notes a multidisciplinary approach will be utilized that incorporates psychiatric, psychosocial and medical components, and provides a description of some of the services that will be utilized during treatment, including:

- Nursing services
- Individual therapy
- Family therapy
- Family and patient education
- Pharmacology
- Activities therapy
- Electroconvulsive therapy
- Discharge planning
- Referral services

6. Expected sources of patient referrals.

Oglethorpe of N.E., LLC (CON application #10219) expects to draw referrals from:

- Attending physicians
- Other medical doctors
- Agencies
- Other psychiatrists
- Professional counselors
- Nursing homes and assisted living facilities
- Community mental health
- Employee assistance program
- Military
- Insurance

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- Hospitals
- Schools and universities
- Legal/judicial
- Advertising

Palm Coast Behavioral Health, LLC (CON application #10220) expects to receive patient referrals from:

- Florida Hospital Flagler
- Bert Fish Medical Center
- Halifax Health Medical Center
- Halifax Medical Center-Port Orange
- Florida Hospital Memorial Medical Center
- Florida Hospital Oceanside
- Florida Hospital Fish Memorial
- Florida Hospital DeLand
- Department of Children and Families
- Flagler County Sheriff's office
- Local psychiatrists, psychologists, physicians and other clinicians
- Managed care companies
- Residential treatment programs
- Court order (justice system)
- Skilled nursing facilities
- Assisted living facilities
- Schools and universities
- Word of mouth

7. Expected average length of stay for the hospital inpatient general psychiatric services discharges by age group.

Data from the Florida Center for Health Information and Policy Analysis shows that the average length of stay (ALOS) for district four residents discharged from all Florida adult inpatient psychiatric facilities during the twelve months ending June 30, 2013 was 7.34 days (12,339 discharges and 90,508 patient days). The ALOS for Flagler County residents was 8.61 and Clay County residents have an ALOS of 5.94.

Oglethorpe of N.E., LLC (CON application #10219) states that based on their proposed programs and services the average length of stay is expected to be 6.5 days. The reviewer notes that the three Oglethorpe, Inc. affiliated psychiatric facilities (located in three different health planning districts) had an ALOS of 11.91 days for District 4 resident discharges.

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Palm Coast Behavioral Health, LLC (CON application #10220) states that based on historical utilization at River Point Behavioral Health and UHS experience in its Florida hospitals, the average length of stay is expected to be 8.9 days. The reviewer notes that UHS affiliated facilities (located in six different health planning districts) have an ALOS of 9.08 days for District 4 resident discharges.

8. Projected number of hospital inpatient general psychiatric services patient days by payer type, including Medicare, Medicaid, Baker Act, private insurance, self-pay and charity care patient days for the first two years of operation after completion of the proposed project.

Oglethorpe of N.E., LLC (CON application #10219) Schedule 7B indicates 49.4 percent occupancy in year one and 68.9 percent occupancy in year two of the proposed project. The reviewer was unable to locate Baker Act projections for the proposed project.

CON Application #10219 Proposed Case Mix by Payor with Average Length of Stay (ALOS) Year One (July 1, 2016-June 30, 2017) and Year Two (July 1, 2017-June 30 2018) of Operation						
Payer	Year One		ALOS Both Years		Year Two	
	Cases	Days	ALOS	% Cases	Cases	Days
Medicare	598	5,303	8.9	33.80%	837	7,424
Medicare Managed Care	140	758	5.4	7.92%	196	1,061
Medicaid Managed Care	268	1,377	5.1	15.16%	375	1,928
Commercial Health Ins.	405	2,120	5.2	22.87%	566	2,967
Workers Comp	1	5	6.2	0.05%	1	7
TriCare/CHAMPUS	37	261	7.1	2.07%	51	365
VA	15	76	5.2	0.83%	20	107
Other State/Local Govt.	19	117	6.3	1.05%	26	163
Self-Pay	234	1,056	4.5	13.20%	327	1,478
Other	8	46	5.8	0.45%	11	64
Non-Payment	46	231	5.0	2.61%	65	324
Grand Total	1,769	11,349	6.4	100.00%	2,476	15,889

Source: CON application #10219, page 9-1.

Palm Coast Behavioral Health, LLC (CON application #10220) states that based on performance at other UHS adult psychiatric hospitals in Florida, approximately 50 to 60 percent of admissions are expected to be Baker Act patients, which translates to 720 to 864 admissions annually. The applicant includes the following chart forecasting patient days by payer for years one and two of the proposed project:

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PCBH Forecasted Patient Days by Payor Years One (July 1, 2016-June 30, 2017) and Year Two (July 1, 2017-June 30, 2018) of Operation				
Payer	Patient Days		Percent of Total	
	Year One	Year Two	Year One	Year Two
Self-Pay/Charity	206	413	4.3%	3.2%
Medicaid HMO	511	1,024	10.7%	7.9%
Medicare	1,809	6,842	38.0%	52.8%
Medicare HMO	114	430	2.4%	3.3%
Commercial Ins.	15	30	0.3%	0.2%
Managed Care	1,543	2,278	32.4%	17.6%
Other	561	1,939	11.8%	15.0%
Total	4,757	12,956	100.0%	100.0%

Source: CON application #10220, page 90.

The applicant’s Schedule 7A forecasts 20.7 percent occupancy for year one and 56.2 percent occupancy for year two of the proposed project.

9. Admission policies of the facility with regard to charity care patients.

Oglethorpe of N.E., LLC (CON application #10219) states the charity care policy is as follows:

- The hospital will provide charity care to eligible clients in conformance with Federal Poverty Guidelines. The guidelines to apply where there is no compensation and the patient qualifies under one of the two following criteria:
 - Family income for 12 months preceding the determination does not exceed 150 percent of the current Federal Poverty Guidelines.
 - Hospital charges exceed 25 percent of the patient’s annual income and family income does not exceed four times the poverty level.
- The applicant will provide coverage for Medicaid HMO, self-pay clients and offer courtesy discounts for worth clients who do not meet the above guidelines but have serious need.
- A proactive admissions department will screen and evaluate all requests for admissions and facilitate proper placement and evaluation based on presenting needs. No patient is turned away without an assessment and viable treatment plan.
- The applicant conditions approval of the proposed project to the provision of a combined 6.84 percent TAPD to Medicaid HMO and nonpayment (charity) patients.

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Palm Coast Behavioral Health, LLC (CON application #10220) states it is the UHS policy to provide financial assistance based on federal poverty guidelines to patients with no health insurance or for whom out of pocket expenses are significant. PCBH states it will provide treatment to individuals without regard to their ability to pay. The applicant reviews the previously defined financially and medically indigent patient protocols and refers to the charity care policy of River Point, a copy of which is included with the application.

The applicant conditions approval of the proposed project to the provision of at least 10 percent TAPD to combination Medicaid HMO/charity care/self-pay payers by year two of the proposed project.

- f. Quarterly Reports (Rule 59C-1.040(10), Florida Administrative Code). Facilities providing licensed hospital inpatient general psychiatric services shall report to the agency or its designee, within 45 days after the end of each calendar quarter, the number of hospital inpatient general psychiatric services admissions and patient days by age and primary diagnosis ICD 9 code.**

Each co-batched applicant agrees to report psychiatric utilization and discharge data to the Agency for Health Care Administration or its designee in accordance with the reporting requirements.

3. Statutory Review Criteria

- a. Is need for the project evidenced by the availability, quality of care, accessibility and extent of utilization of existing health care facilities and health services in the applicant's service area? ss. 408.035(1)(a) and (b), Florida Statutes.**

Oglethorpe of N.E., LCC (CON application #10219) contends that geographic and financial barriers exist and affect accessibility of adult inpatient psychiatric services.

The applicant proposes to locate a 63-bed adult inpatient psychiatric facility in proximity to the town of Middleburg in Clay County. The applicant states this location will improve access to inpatient psychiatric services and reduce travel time for residents of the southern and western regions of District 4. PCBH asserts that economic barriers to service will be improved through the hospital's proposed provision of care to indigent and charity care patients.

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PCBH states that the current high utilization of adult psychiatric services in District 4 combined with the projected population growth support the need for the proposed 63-bed project. The applicant maintains that the entrance of the proposed project into the market is not expected to produce an adverse effect on the existing providers of adult inpatient psychiatric services.

Competition

Oglethorpe provides an analysis of the co-batched applicant, Palm Coast Behavioral Health. The main points are listed below.

- The parent company of Palm Coast Behavioral Health (PCBH) is Universal Health Services (UHS) which is the parent company of Wekiva Springs and River Point Behavioral Health--two adult inpatient psychiatric facilities in District 4.
- If the proposed project were approved in favor of PCBH, UHS would have a 45 percent market share of beds District 4. A dominant position that limits competition and the community benefits gained from a competitive environment.
- Market domination is not a desirable feature of competition and approval of a third UHS facility in District 4 would allow it unrestricted growth and unrestrained influence on pricing and services.
- Wekiva Springs has approval through a CON exemption to double the size of its current facility from 40 to 80 beds. The applicant is not clear whether this exemption was submitted to undercut the publication of need, but it demonstrates a clear action to double the size of Wekiva Springs when a new provider threatens to enter the market. Oglethorpe asserts that if these proposed projects are developed, UHS would control 56 percent (218 beds) of District 4 adult inpatient psychiatric beds.
- PCBH provides little benefit with respect to improving access. A 63-bed facility in Flagler County would results in over-bedding at the southern end of the district, creating 0.7927 beds per 1,000 adults. This creates more than two times the beds per 1,000 adults than exists in Duval County, with 224 licensed beds and 669,627 adults over age 18, resulting in .335 beds per 1,000 adults.

Oglethorpe states that as a new market entrant, their proposed 63-bed facility will provide competition to the existing District 4 providers of adult inpatient psychiatric services, and will not adversely impact the mix of profit and not-for-profit providers in District 4.

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Palm Coast Behavioral Health, LLC (CON application #10220)

Availability and Accessibility

The applicant notes that no District 4 adult inpatient psychiatric beds are located in Flagler County which is home to almost six percent of District 4 residents. Neighboring Volusia County comprises more than 27 percent of District 4 adult population but only 18 percent of the adult inpatient psychiatric bed inventory. The applicant asserts that both geographic and programmatic accessibility remain problems for residents of these counties.

One hundred percent of Flagler County residents and 30 percent of Volusia County residents access adult inpatient psychiatric services outside their counties of residence. PCHB contends that 10 percent outmigration is average for a county with existing facilities. The applicant asserts that the significant outmigration of residents for psychiatric services is further demonstration of need for additional beds in this area.

PCHB states Flagler Hospital in St. Johns County has a 21-bed psychiatric unit with 62.8 percent occupancy and 1,107 discharges, 45 from Flagler County. The applicant notes that it takes 52 minutes for Flagler residents to reach Wekiva Springs and 56 minutes to reach River Point, the closest freestanding psychiatric hospitals in Duval County.

Flagler, Nassau and Baker are the only three counties of the nine comprising District 4 which do not have adult inpatient psychiatric beds. Flagler is the most populous of the three, with 22,440 more residents than Nassau and 61,500 more than Baker.

PCHB maintains that the Agency published occupancy rate of 75.2 percent for July 1, 2012 through June 30, 2013 is misleading. During the last quarter of the 12 months ending June 30, 2013 (the second quarter of 2013), Halifax Health delicensed 38 of its 92 adult psychiatric beds. The applicant indicates that this resulted in a fourth quarter occupancy rate for Halifax Health of over 90 percent. PCHB contends that Halifax's delicensed beds were a major catalyst contributing to the published need for additional psychiatric beds in District 4 and a reason in support of the applicant's selected location of Flagler County.

According to the applicant, delicensure of 38 beds by Halifax Health could be a significant reason occupancy rates are rising in District 4. Halifax Health is the largest psychiatric unit within an acute care hospital in District 4 and the only hospital based Baker Act receiving facility in Volusia County. During the third quarter of 2013 the occupancy rate at Halifax Health exceeded 100 percent occupancy

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according to Health Planning of Northeast Florida Council data. PCBH notes that because genders and some diagnoses cannot be co-mingled, it is likely this occupancy rate is actually higher. The applicant indicates that because of this high occupancy rate, there were 185 “deflections” in 2013 from Halifax Health to River Point.

PCBH maintains that as populations increase, access will be further reduced for adult residents of Flagler County. The applicant contends that the Volusia/Flagler medical market will require residents to travel more than 45 minutes to access adult inpatient psychiatric care, a violation of the Agency access standard.

The applicant discusses licensed beds by population for each of the District 4 counties in order to show that Flagler and Volusia combined have 12.2 beds per 100,000 adults. With project approval, this would increase to 25 beds--comparable to the state average of 24.3 beds per 100,000 adults.

The applicant notes two features of their proposed 63-bed facility that will be of particular benefit to residents in this area:

- The 16-bed Older Adult Unit to provide the opportunity for seniors with significant issues to be treated in an environment where they will feel safe and comfortable. The applicant indicates that this program will model River Point’s similar unit and that subsequent to discharge, elderly discharges will be referred to the Senior Perspectives Program—an outpatient therapy program just for seniors.
- Electroconvulsive Therapy (ECT) Program with ten bays to provide this as both an inpatient and outpatient service. ECT offers a safe and potentially rapid response to conditions that may be life threatening in cases where the risks are high. It is considered a safe and effective treatment for depression, bipolar disorder and schizophrenia. River Point is the only other District 4 provider of this service.

Extent of Utilization

PCBH states that Flagler County psychiatric discharges account for only 2.5 percent of the total 12,018 adult psychiatric District 4 discharges, but represent five percent of the district’s adult population. The applicant states Volusia County residents account for 19.1 percent of the district’s total adult psychiatric cases, and represent more than 25 percent of the adult population. The applicant concludes that the psychiatric bed disproportion in Flagler and Volusia Counties is evidence of suppressed accessibility and availability of services.

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The applicant submits the following chart showing District 4 psychiatric discharges and discharges as a percent of total population:

District 4 Adult Resident Discharges (MDC 19) 12 Months Ending June 30, 2013						
County	Percent District 4 MDC 19 Discharges by Age Category			Percent District 4 Population By Age Category		
	18-64	65+	18+	18-64	65+	18+
Flagler	2.4%	3.9%	2.5%	4.6%	7.9%	5.3%
Volusia	17.2%	33.2%	19.1%	24.3%	34.1%	26.3%
Baker	0.9%	0.6%	0.9%	1.4%	1.0%	1.3%
Clay	10.1%	7.1%	9.7%	9.9%	8.0%	9.5%
Duval	55.7%	42.7%	54.1%	45.9%	33.9%	43.4%
Nassau	3.9%	3.6%	3.9%	3.7%	4.2%	3.8%
St. Johns	9.8%	9.0%	9.7%	10.1%	10.8%	10.3%
District 4	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: CON application #10220, page 102.

The applicant contends that Clay County has reasonable access and that Clay County residents account for 9.7 percent of District 4 psychiatric discharges and 9.5 percent of the District 4 population.

The applicant concludes that if Flagler had access to psychiatric services on par with the district use rate there would have been 282 additional adult psychiatric discharges during the 12 months ending June 30, 2013. Using this district use rate for Volusia County residents, an additional 878 adult psychiatric discharges would have occurred.

Additionally, PCBH indicates that during the 12 months ending June 30, 2013 there were 6,641 Flagler and Volusia County resident emergency department visits with mental disorder diagnoses of which 930 were discharged to psychiatric hospitals. The applicant states that River Point received one-third of these admissions. PCBH contends that River Point is operating at over 90 percent capacity and that a sister facility in Flagler County would be ideal to improve service to patients in this area.

- b. Does the applicant have a history of providing quality of care and has the applicant demonstrated the ability of providing quality care? ss. 408.035(1)(c), Florida Statutes.**

Oglethorpe of N.E., LLC (CON application #10219) states the parent company, Oglethorpe, Inc., has been in operation since 1999 and has the ability to provide quality of care. Currently, the parent company operates three adult inpatient psychiatric hospitals in Florida based on a medical model with 24-hour coverage for acute level of care and in full compliance with Joint Commission and Medicare certification standards. See the table below.

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Hospitals Owned and Managed by Oglethorpe, Inc. Adult Psychiatric Beds In Florida		
Facility	Location	Adult Inpatient Psychiatric Beds
The Willough at Naples	Naples	63
Springbrook Hospital	Brooksville	61
Port St. Lucie Hospital	Port St. Lucie	60

Source: CON application #10219, page 3-2.

The applicant provides a thorough overview of the Oglethorpe, Inc.'s mission statement and company values. PCBH includes a copy of its Quality Assurance and Performance Improvement Plan based on quality assurance and evidence base practices. The applicant discusses its compliance plan for all legal and regulatory requirements applicable to hospitals, including the duties and responsibilities of the Compliance Committee.

Oglethorpe stated that two of its inpatient psychiatric facilities, The Willough at Naples and Springbrook, received the Gold Seal of Approval from the Joint Commission for behavioral health care. The applicant has conditioned approval of CON application #10219 on Joint Commission accreditation upon licensure. The reviewer notes that Section 408.043 (4), Florida Statutes, prohibits accreditation by any private organization as a requirement for the issuance or maintenance of a certificate of need.

Agency complaint records indicate, for the three-year period ending March 10, 2014 Oglethorpe, Inc. had 21 substantiated complaints at three facilities. A single complaint can encompass multiple complaint categories. The substantiated complaint categories are listed below:

Oglethorpe, Inc. Substantiated Complaint Categories for the Past 36 Months	
Complaint Category	Number Substantiated
Physical Environment	6
Quality of Care/Treatment	6
Resident/Patient/Client Rights	5
State Licensure	3
Administration/Personnel	3
Nursing Services	2
Emergency Access	1
Resident/Patient/Client Abuse	1
Resident/Patient/Client Assessment	1
Admission/Transfer/Discharge Rights	1
Other Services	1
Life Safety Code	1
Physician Services	1
Infection Control	1
Falsification of Records/Reports	1

Source: Agency for Healthcare Administration Complaint Records.

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Palm Coast Behavioral Health, LLC (CON application #10220) is a newly formed entity and does not have a history of providing care. However, the applicant states intent to develop a quality assurance program based on other Florida UHS adult psychiatric facilities including its intent to seek Joint Commission Accreditation. The reviewer notes that Section 408.043 (4), Florida Statutes, prohibits accreditation by any private organization as a requirement for the issuance or maintenance of a certificate of need.

PCBH describes the UHS companywide commitment to providing behavioral health services with the highest quality of care standards. PCBH notes that all UHS facilities are accredited by the appropriate agencies and Commissions for their respective programs.

The applicant notes the proposed 63-bed facility will be the first freestanding psychiatric hospital to admit and treat Baker Act patients in Flagler and Volusia Counties and will have a separate entrance, triage and holding area for voluntary admissions.

PCBH states that its goal is to provide the very best behavioral healthcare services and will accomplish this by:

- Providing timely, professional, effective and efficient service to all patients
- Identifying key needs and assessing how well these needs are met
- Continuously improving services and measuring progress

The applicant states that it will develop and maintain a Performance Improvement Plan Program and create an annual Performance Improvement Plan (PIP). The PIP will continuously focus on improving the important functions and processes of the organization in order to increase the quality of care and patient outcome as well as to enhance operational efficiency.

PCBH indicates that it provides a wide variety of continuing education courses for its employees. In addition to ongoing continuing education it provides to its employees, the applicant has conditioned approval of the proposed project to the following quality measures:

- Seek to become a training site for St. Johns College and University of Central Florida, and any others in the area, for nursing students, social services, activities therapy and others.
- PCBH will seek to become a residency training site for UCF College of Medicine.

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- PCBH will offer the same Learning Grow Education Series provided at River Point and Wekiva Springs, which provide free continuing education units to local Flagler and Volusia County social workers, therapists and others.

Agency data obtained March 9, 2014 indicates that the 13 UHS Florida hospitals (1,611 beds) had a total of 68 substantiated complaints during the previous 36 months. A single complaint can encompass multiple complaint categories. The table below has these listed by complaint categories.

UHS Substantiated Complaint Categories for the Past 36 Months	
Complaint Category	Number Substantiated
Quality of Care/Treatment	29
Resident/Patient/Client Rights	17
State Licensure	8
Admission, Transfer & Discharge Rights	7
Nursing Services	7
Resident/Patient/Client Abuse	6
Resident/Patient/Client Assessment	6
Administration/Personnel	4
Restraints/Seclusion General	4
Emergency Access	3
EMTALA	3
Physical Environment	2
Falsification of Records/Reports	1
Infection Control	1
Physician Services	1
Unqualified Personnel	1

Source: Agency for Health Care Administration complaint records.

- c. What resources, including health manpower, management personnel, and funds for capital and operating expenditures, are available for project accomplishment and operation? ss. 408.035(1)(d), Florida Statutes.**

Oglethorpe of N.E., Inc. (CON application #10219) proposes to establish a new 63-bed adult psychiatric specialty hospital within District 4, Clay County, Florida. The financial impact of the project will include the project cost of \$16,558,681 and year two operating costs of \$12,400,112.

Analysis:

Staff reviewed the audited financial statements of the applicant to assess the financial position as of the balance sheet date and the financial strength of its operations for the period presented.

The applicant is a development stage corporation seeking a certificate of need to develop a new 63-bed adult psychiatric specialty hospital in Clay County, Florida. According to the audit, the applicant has \$250,000 in assets, no liabilities, and no operations.

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The applicant is an affiliate of Oglethorpe, Inc. The applicant did not provide any letter of financial commitment to fund the anticipated project or operating costs from the parent corporation and did not provide any audited financial statements of the parent.

Capital Requirements:

Schedule 2 indicates the applicant has capital projects totaling \$16,558,681 million, which includes the CON subject to this review.

Available Capital:

The applicant indicates that funding for this project will be provided through long-term debt. In support of its ability to finance the project, the applicant provided a letter from Regions bank expressing “interest” in providing up to \$12 million in funding for construction and operating funds for the project. A letter of interest is not a firm commitment to lend. In the absence of a firm commitment to lend, we would evaluate the applicant’s financial position to assess the likelihood that the loan would be executed. However, because the applicant is a development stage company with \$250,000 in assets and no operations, it is unlikely it could secure a loan without support from a parent or affiliate.

Staffing:

The applicant’s Schedule 6 shows 66.2 FTE’s for year one and 85.8 FTE’s for year two of the proposed project.

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CON application #10219		
Forecasted Full Time Equivalents		
Year One – Ending June 30, 2017 and Year Two – Ending June 30, 2018		
Position	Year One as of 6/30/17	Year Two as of 6/30/18
Administration	Total FTEs	Total FTEs
Administrator	1.0	1.0
Director of Nursing	1.0	1.0
Admissions Director	1.0	1.0
Bookkeeper	1.0	1.0
Secretary	1.0	1.0
Medical Records Clerk	1.0	1.0
Other: Outreach Specialist	1.0	1.0
Total	7.0	7.0
Physicians		
Medical Director	1.0	1.0
Other		
Total	1.0	1.0
Nursing		
RN	4.2	4.2
LPN	2.8	5.6
Nurse's Aide	12.6	18.2
Other: Unit Clerk	1.4	1.4
Total	21.0	29.4
Ancillary		
Licensed Therapist	2.0	2.8
Discharge Planner	1.4	2.8
Case Manager	2.8	3.8
Activity Therapist	2.8	4.2
Total	9.0	13.6
Dietary		
Dietary Supervisor	1.4	1.4
Cooks	2.8	4.2
Dietary Aides	2.8	4.2
Total	7.0	9.8
Social Services		
Social Worker	2.0	2.0
Activities Director	1.4	1.4
Activities Assistant	-	-
Other-Case Manager	1.0	1.0
Total	4.4	4.4
Housekeeping		
Housekeeping Supervision	1.4	1.0
Housekeepers	7.0	11.2
Total	8.4	12.2
Plant Maintenance		
Maintenance Supervisor	1.4	1.4
Maintenance Assistance	1.4	1.4
Security	4.2	4.2
Other: Transportation	1.4	1.4
Total	8.4	8.4
Grand Total FTEs	66.2	85.8

Source: CON application #10219, Schedule 6.

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Conclusion:

Funding for this project is dependent on obtaining debt financing. Without a firm commitment to lend, and independent documentation supporting the ability to fund the equity portion of this project, funding for this project is in question.

Palm Coast Behavioral Health, LLC (CON application #10220)

proposes to establish a 63-bed adult psychiatric hospital in District 4, Flagler County, Florida. The financial impact of the project will include the project cost of \$19,592,168 and year two operating costs of \$7,138,203.

Analysis:

The applicant is applying for a 63-bed adult psychiatric hospital in Flagler County, Florida. The applicant is a wholly owned by Universal Health Services, Inc. (Parent).

The applicant provided a copy of the December 31, 2012, and 2013, audited financial statements (10-K) of its parent. These statements were analyzed for the purpose of evaluating the parent's ability to provide the capital and operational funding necessary to implement the project.

Short-Term Position:

The parent's current ratio of 1.4 is below average and indicates current assets are approximately 1.4 times current liabilities, an adequate position. The working capital (current assets less current liabilities) of \$372.4 million is a measure of excess liquidity that could be used to fund capital projects. The ratio of cash flow to current liabilities of 0.8 is slightly below average and an adequate position. Overall, the parent has an adequate short-term position (see Table 1).

Long-Term Position:

The ratio of long-term debt to net assets of 1.2 is well above average and indicates that long-term debt is greater than equity, a weak position. The ratio of cash flow to assets of 10.6 percent is average and an adequate position. The most recent year had revenues in excess of expenses of \$554.0 million which resulted in a 6.6 percent operating margin. Overall, the parent has an adequate long-term position (see Table 1).

Capital Requirements:

The applicant indicates on Schedule 2 capital projects totaling \$19.6 million which includes this project and capital expenditures.

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Available Capital:

The applicant indicates on Schedule 3 of its application that funding for the project will be provided by the ultimate parent. A letter from the parent's vice president/treasurer in support of the related company financing was included. The parent's 2012, audited financial statements shows \$513.4 million in working capital and \$815.3 million in cash flow from operations.

TABLE 1		
Palm Coast Behavioral Health, LLC – CON application #10220		
	Parent	Parent
	12/31/2013	12/31/2012
Current Assets (CA)	\$1,432,329,000	\$1,407,496,000
Cash and Current Investment	\$17,238,000	\$23,471,000
Total Assets (TA)	\$8,311,723,000	\$8,200,843,000
Current Liabilities (CL)	\$1,059,888,000	\$894,058,000
Goodwill	\$3,049,016,000	\$3,036,765,000
Total Liabilities (TL)	\$5,011,494,000	\$5,434,894,000
Net Assets (NA)	\$3,300,229,000	\$2,765,949,000
Total Revenues (TR)	\$8,411,038,000	\$7,688,071,000
Interest Expense (Int)	\$146,131,000	\$178,918,000
Excess of Revenues Over Expenses (ER)	\$554,023,000	\$489,047,000
Cash Flow from Operations (CFO)	\$884,241,000	\$815,271,000
Working Capital	\$372,441,000	\$513,438,000
FINANCIAL RATIOS		
	12/31/13	12/31/12
Current Ratio (CA/CL)	1.4	1.6
Cash Flow to Current Liabilities (CFO/CL)	0.8	0.9
Long-Term Debt to Net Assets (TL-CL/NA)	1.2	1.6
Times Interest Earned (ER+Int/Int)	4.8	3.7
Net Assets to Total Assets (NA/TA)	39.7%	33.7%
Operating Margin (ER/TR)	6.6%	6.4%
Return on Assets (ER/TA)	6.7%	6.0%
Operating Cash Flow to Assets (CFO/TA)	10.6%	9.9%

Staffing:

The applicant's Schedule 6 calculates to 44.44 FTE's for year one and 72.27 FTE's for year two of the proposed project.

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CON application #10220		
Forecasted Full Time Equivalents		
Year One – Ending June 30, 2017 and Year Two – Ending June 30, 2018		
Position	Year One as of 6/30/17	Year Two as of 6/30/18
Administration	Total FTEs	Total FTEs
CEO	1.00	1.00
CFO	1.00	1.00
Director of Nursing	3.00	4.60
Intake Director	1.00	1.00
Director of Marketing	1.00	1.00
Director of Human Resources	1.00	1.00
Assessment Counselor	3.89	5.50
Admissions Clerk	0.50	0.75
Business Office Manager	1.00	1.00
Biller/Collector	--	1.25
Utilization Review-RN	1.00	2.00
Receptionist/Switchboard	1.00	1.00
Admin/Payroll/Reception	1.00	1.00
Medical Records Director	1.00	1.00
Pharmacy	1.00	1.00
Other: Training	2.00	2.00
Physicians		
Unit/Program Director	Contract	Contract
Outpatient		
PHP/IOP	1.50	2.00
ECT	0.37	1.00
Nursing		
RN	5.80	9.00
LPN	2.63	7.00
Mental Health Tech	4.20	13.67
Dietary		
Dietary Supervisor	1.00	1.00
Cooks	0.50	2.00
Dietary Aides	0.50	1.00
Social Services/Activities		
Social Service Directors (Therapists)	1.00	1.00
Recreational Therapist	0.62	1.50
Medical Records	.50	1.00
Housekeeping		
Housekeeping Supervision	1.00	1.00
Housekeepers	1.00	1.50
Transcriptionist (Contracted)	1.00	1.00
Plant Maintenance		
Maintenance Supervisor	1.00	1.00
Maintenance Assistance	--	0.50
Transportation	0.62	1.00
Grand Total FTEs	44.44	72.27*

Source: CON application #10220, Schedule 6.

*Note: The applicant's Schedule 6, year two staffing projections show this total as 75.27.

Conclusion:

Funding for this project and the entire capital budget should be available as needed.

d. What is the immediate and long-term financial feasibility of the proposal? ss. 408.035(1) (f), Florida Statutes.

A comparison of the applicant's estimates to the control group values provides for an objective evaluation of financial feasibility, (the likelihood that the services can be provided under the parameters and conditions contained in Schedules 7 and 8), and efficiency, (the degree of economies achievable through the skill and management of the applicant). In general, projections that approximate the median are the most desirable, and balance the opposing forces of feasibility and efficiency. In other words, as estimates approach the highest in the group, it is more likely that the project is feasible, because fewer economies must be realized to achieve the desired outcome.

Conversely, as estimates approach the lowest in the group, it is less likely that the project is feasible, because a much higher level of economies must be realized to achieve the desired outcome. These relationships hold true for a constant intensity of service through the relevant range of outcomes. As these relationships go beyond the relevant range of outcomes, revenues and expenses may, either, go beyond what the market will tolerate, or may decrease to levels where activities are no longer sustainable.

The applicant will be compared to hospitals in the short-term psychiatric hospital group (Group 15) with comparative data derived from hospital in peer groups that reported data in 2012. Group 15 has a total of 19 facilities. The average case mix for the group of 0.8441 was used. Per diem rates are projected to increase by an average of 2.9 percent per year. Inflation adjustments were based on the new CMS Market Basket Price Index as published in the 4th Quarter 2013, Health Care Cost Review.

Gross revenues, net revenues, and costs were obtained from Schedules 7 and 8 in the financial portion of the application and compared to the control group as a calculated amount per adjusted patient day.

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Oglethorpe of N.E., LLC (CON application #10219): Projected net revenue per patient day (NRPD) of \$800 in year one and \$840 in year two is higher than the control group's highest values of \$797 in year one, and \$820 in year two. With net revenues higher than the control group's highest values, net revenues appear slightly overstated (see Tables 1 and 2).

Anticipated costs per patient day (CPD) of \$771 in year one and \$735 in year two is between the control group's median and highest values of \$597 and \$843 in year one, and \$614 and \$867 in year two. With CAPD falling between the control group's median and highest values, costs appear reasonable (see Tables 1 and 2).

The year two projected operating income for the project of \$1,760,741 computes to an operating margin per adjusted patient day of \$104, or 12.4 percent, which is between the control group median and highest values of \$24 and \$238 (see Table 2).

The potential for provider based competition will increase; however, price based competition will likely be limited.

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TABLE 2

Oglethorpe of N.E., Inc.
CON application #10219
2012 DATA Peer Group 15

	Jun-18 YEAR 2 <u>ACTIVITY</u>	YEAR 2 ACTIVITY <u>PER DAY</u>	VALUES ADJUSTED FOR INFLATION		
			<u>Highest</u>	<u>Median</u>	<u>Lowest</u>
ROUTINE SERVICES	30,530,161	1,811	1,789	1,193	536
INPATIENT AMBULATORY	0	0	0	0	0
INPATIENT SURGERY	0	0	0	0	0
INPATIENT ANCILLARY SERVICES	0	0	249	0	0
OUTPATIENT SERVICES	1,864,870	111	305	35	0
TOTAL PATIENT SERVICES REV.	32,395,031	1,921	1,789	1,308	883
OTHER OPERATING REVENUE	0	0	96	1	0
TOTAL REVENUE	32,395,031	1,921	1,791	1,308	886
DEDUCTIONS FROM REVENUE	18,234,177	1,082	0	0	0
NET REVENUES	14,160,854	840	820	647	206
EXPENSES					
ROUTINE	2,013,011	119	446	175	105
ANCILLARY	1,592,591	94	176	23	0
AMBULATORY	0	0	0	0	0
TOTAL PATIENT CARE COST	3,605,602	214	0	0	0
ADMIN. AND OVERHEAD	7,307,376	433	0	0	0
PROPERTY	1,487,134	88	0	0	0
TOTAL OVERHEAD EXPENSE	8,794,510	522	673	343	144
OTHER OPERATING EXPENSE	0	0	0	0	0
TOTAL EXPENSES	12,400,112	735	867	614	439
OPERATING INCOME	1,760,741	104 12.4%	238	24	-245
PATIENT DAYS	15,889				
ADJUSTED PATIENT DAYS	16,860				
TOTAL BED DAYS AVAILABLE	22,995				
ADJ. FACTOR	0.9424				
TOTAL NUMBER OF BEDS	63				
PERCENT OCCUPANCY	69.10%				
			VALUES NOT ADJUSTED FOR INFLATION		
			<u>Highest</u>	<u>Median</u>	<u>Lowest</u>
			94.9%	82.6%	34.9%
PAYER TYPE					
	<u>PATIENT DAYS</u>	<u>% TOTAL</u>			
SELF PAY	1,803	11.3%			
MEDICAID	0	0.0%	0.0%	0.0%	0.0%
MEDICAID HMO	1,928	12.1%	35.7%	0.0%	0.0%
MEDICARE	7,424	46.7%	99.2%	42.3%	15.0%
MEDICARE HMO	1,061	6.7%			
INSURANCE	2,967	18.7%			
HMO/PPO	635	4.0%	68.7%	28.8%	0.4%
OTHER	71	0.4%			
TOTAL	15,889	100%			

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Conclusion: Assuming the applicant will be able to obtain funding for the project, the 63-bed adult psychiatric facility appears to be financially feasible.

Palm Coast Behavioral Health, LLC (CON application #10220):

Projected net revenue per adjusted patient day (NRAPD) of \$653 in year one and \$639 in year two is between the control group's median and highest values of \$591 and \$749 in year one, and \$608 and 770 in year two. With net revenues falling between the control group's median and highest values, net revenues appear reasonable (see Tables 2 and 3).

Anticipated cost per adjusted patient day (CAPD) of \$887 in year one is higher than the control group's highest values of \$794. CAPD of \$499 in year two is between the control group's lowest and median values of \$414 and \$577. With CAPD falling between the control group's lowest and median values, costs appear reasonable (see Tables 2 and 3). The applicant is projecting a decrease in CAPD between year one and year two of \$388, or 43.77 percent.

The year two projected operating income for the applicant of \$2.01 million computes to an operating margin per adjusted patient day of \$140 or 22.0 percent which is between the control group's median and highest values of \$24 and \$238. With operating margin between the control group's median and highest values, operating margin appears reasonable (see Table 3).

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TABLE 2

Palm Coast Behavioral Health, LLC
CON application #10220
2012 DATA Peer Group 15

	Jun-17	YEAR 1	VALUES ADJUSTED		
	YEAR 1	ACTIVITY	FOR INFLATION		
	<u>ACTIVITY</u>	<u>PER DAY</u>	<u>Highest</u>	<u>Median</u>	<u>Lowest</u>
ROUTINE SERVICES	6,185,574	1,211	1,640	1,093	490
INPATIENT AMBULATORY	0	0	0	0	0
INPATIENT SURGERY	0	0	0	0	0
INPATIENT ANCILLARY SERVICES	0	0	228	0	0
OUTPATIENT SERVICES	455,566	89	278	32	0
TOTAL PATIENT SERVICES REV.	6,641,140	1,300	1,640	1,198	808
OTHER OPERATING REVENUE	0	0	87	1	0
TOTAL REVENUE	6,641,140	1,300	1,641	1,199	810
DEDUCTIONS FROM REVENUE	3,306,176	647	0	0	0
NET REVENUES	3,334,964	653	749	591	188
EXPENSES					
ROUTINE	861,874	169	407	160	96
ANCILLARY	247,072	48	161	21	0
AMBULATORY	0	0	0	0	0
TOTAL PATIENT CARE COST	1,108,946	217	0	0	0
ADMIN. AND OVERHEAD	2,008,424	393	0	0	0
PROPERTY	889,099	174	0	0	0
TOTAL OVERHEAD EXPENSE	2,897,523	567	616	315	131
OTHER OPERATING EXPENSE	524,690	103	0	0	0
TOTAL EXPENSES	4,531,158	887	794	561	402
OPERATING INCOME	-1,196,194	-234 -35.9%	238	24	-245
PATIENT DAYS	4,757				
ADJUSTED PATIENT DAYS	5,109				
TOTAL BED DAYS AVAILABLE	22,995				
ADJ. FACTOR	0.9314				
TOTAL NUMBER OF BEDS	63				
PERCENT OCCUPANCY	20.70%				
			VALUES NOT ADJUSTED		
			FOR INFLATION		
			<u>Highest</u>	<u>Median</u>	<u>Lowest</u>
			94.9%	82.6%	34.9%
	<u>PATIENT</u>				
	<u>DAYS</u>	<u>% TOTAL</u>			
PAYER TYPE					
SELF PAY	206	4.3%			
MEDICAID	0	0.0%	0.0%	0.0%	0.0%
MEDICAID HMO	511	10.7%			
MEDICARE	1,809	38.0%	99.2%	42.3%	15.0%
MEDICARE HMO	114	2.4%			
INSURANCE	422	8.9%			
HMO/PPO	1,136	23.9%	68.7%	28.8%	0.4%
OTHER	561	11.8%			
TOTAL	4,757	100%			

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TABLE 3

**Palm Coast Behavioral Health, LLC
CON application #10220
2012 DATA Peer Group 15**

	Jun-18	YEAR 2	VALUES ADJUSTED		
	YEAR 2	ACTIVITY	FOR INFLATION		
	<u>ACTIVITY</u>	<u>PER DAY</u>	<u>Highest</u>	<u>Median</u>	<u>Lowest</u>
ROUTINE SERVICES	16,842,799	1,177	1,687	1,124	504
INPATIENT AMBULATORY	0	0	0	0	0
INPATIENT SURGERY	0	0	0	0	0
INPATIENT ANCILLARY SERVICES	0	0	234	0	0
OUTPATIENT SERVICES	1,765,791	123	286	33	0
TOTAL PATIENT SERVICES REV.	18,608,590	1,300	1,687	1,233	831
OTHER OPERATING REVENUE	0	0	90	1	0
TOTAL REVENUE	18,608,590	1,300	1,688	1,233	834
DEDUCTIONS FROM REVENUE	9,461,870	661	0	0	0
NET REVENUES	9,146,720	639	770	608	193
EXPENSES					
ROUTINE	1,742,979	122	419	165	98
ANCILLARY	405,037	28	165	21	0
AMBULATORY	0	0	0	0	0
TOTAL PATIENT CARE COST	2,148,016	150	0	0	0
ADMIN. AND OVERHEAD	3,041,504	212	0	0	0
PROPERTY	978,795	68	0	0	0
TOTAL OVERHEAD EXPENSE	4,020,299	281	634	324	135
OTHER OPERATING EXPENSE	969,888	68	0	0	0
TOTAL EXPENSES	7,138,203	499	817	577	414
OPERATING INCOME	2,008,517	140 22.0%	238	24	-245
PATIENT DAYS	12,956				
ADJUSTED PATIENT DAYS	14,314				
TOTAL BED DAYS AVAILABLE	22,995				
ADJ. FACTOR	0.9051				
TOTAL NUMBER OF BEDS	63				
PERCENT OCCUPANCY	56.34%				
					VALUES NOT ADJUSTED FOR INFLATION
			<u>Highest</u>	<u>Median</u>	<u>Lowest</u>
			94.9%	82.6%	34.9%
	<u>PATIENT</u>				
	<u>DAYS</u>	<u>% TOTAL</u>			
PAYER TYPE					
SELF PAY	413	3.2%			
MEDICAID	0	0.0%	0.0%	0.0%	0.0%
MEDICAID HMO	1,024	7.9%			
MEDICARE	6,842	52.8%	99.2%	42.3%	15.0%
MEDICARE HMO	430	3.3%			
INSURANCE	30	0.2%			
HMO/PPO	2,278	17.6%	68.7%	28.8%	0.4%
OTHER	1,939	15.0%			
TOTAL	12,956	100%			

Conclusion: This project appears to be financially feasible.

- e. **Will the proposed project foster competition to promote quality and cost-effectiveness? ss. 408.035(1) (e) and (g), Florida Statutes.**

The following applies to both co-batched applicants:

General economic theory indicates that competition ultimately leads to lower costs and better quality. However; in the health care industry there are several significant barriers to competition:

Price-Based Competition is Limited - Medicare accounts for almost 50 percent of short-term psychiatric hospital charges in Florida, while HMO/PPOs account for approximately 32 percent of charges. While HMO/PPOs negotiate prices, fixed price government payers like Medicare and Medicaid do not. Therefore price-based competition is limited to non-government fixed price payers. Price based competition is further restricted as Medicare reimbursement in many cases is seen as the starting point for price negotiation among non-government payers.

The User and Purchaser of Health Care are Often Different – Roughly 81.8 percent of short-term psychiatric hospital charges in Florida are from Medicare, Medicaid, and HMO/PPOs. The individuals covered by these payers pay little to none of the costs for the services received. Since the user is not paying the full cost directly for service, there is no incentive to shop around for the best deal. In addition, users are restricted only to the choices included in the insurance plan. This further makes price based competition irrelevant.

Information Gap for Consumers – Price is not the only way to compete for patients, quality of care is another area in which hospitals can compete. However, there is a lack of information for consumers and a lack of consensus when it comes to quality measures. In recent years there have been new tools made available to consumers to close this gap. However, transparency alone will not be sufficient to shrink the information gap. The consumer information must be presented in a manner that the consumer can easily interpret and understand. The beneficial effects of economic competition are the result of informed choices by consumers.

In addition to the above barriers to competition, a study presented in The Dartmouth Atlas of Health Care 2008 suggests that the primary cost driver in Medicare payments is availability of medical resources. The study found that excess supply of medical resources (beds, doctors, equipment, specialist, etc.) was highly correlated with higher cost per patient. Despite the higher costs, the study also found slightly lower quality outcomes. This is contrary to the economic theory of supply and demand in which excess supply leads to lower price in a competitive

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market. The study illustrates the weakness in the link between supply and demand and suggests that more choices lead to higher utilization in the health care industry as consumers explore all alternatives without regard to the overall cost per treatment or the quality of outcomes.

Oglethorpe of N.E., LLC (CON application #10219) projects 46.7 percent of its projected patient days from Medicare and 6.7 percent from Medicare HMOs in year one and year two of operations.

Palm Coast Behavioral Health, LLC (CON application #10220) projects 38.0 percent of patient days from Medicare and 2.4 percent from Medicare HMOs in year one. In year two, 52.8 percent of patient days are expected to come from Medicare and 3.3 percent from Medicare HMOs.

Conclusion for both co-batched applicants: Although a new provider for adult psychiatric care would be added to District 4, due to the health care industry's existing barriers in consumer based competition, this project will not likely foster the type competition generally expected to promote quality and cost-effectiveness.

- f. **Are the proposed costs and methods of construction reasonable? Do they comply with statutory and rule requirements? ss. 408.035(1)(h), Florida Statutes.; Ch. 59A-3, Florida Administrative Code.**

The plans submitted with these applications were schematic in detail with the expectation that they will necessarily be revised and refined during the Design Development (Preliminary) and Contract Document Stages. The architectural review of these applications shall not be construed as an in-depth effort to determine complete compliance with all applicable codes and standards. The final responsibility for facility compliance ultimately rests with the owner.

Oglethorpe of N.E., LLC (CON application #10219) proposes to establish a new specialty adult psychiatric hospital in Clay County. The facility will be a single-story building housing a 63-bed psychiatric unit. The plans and project narrative indicate that the building will be fully sprinklered and Florida Building Code (FBC) Type II-B construction. Construction type is sufficient for the occupancy and building size under FBC with area modification is allowed. The site for the new hospital has not been selected. The applicant also acknowledges that the disaster preparedness issue will be a criteria in site building design and construction.

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The proposed project is for the construction of a 63-bed psychiatric hospital facility. These 63 beds are distributed into two distinct wings; one wing of 40 beds and one wing of 23 beds. The 23-bed wing has been designed to accept a 17-bed addition which, if accomplished, would complete an overall hospital design complement of 80 beds.

The facility is divided into areas that are located at the perimeter of a central courtyard with each patient wing including two enclosed exterior courtyards for patient use. The public spaces and administrative offices are located near the main entrance to the facility. This arrangement limits unnecessary traffic through the psychiatric units. Public toilet facilities for both male and female visitors have been included and are conveniently located near the public waiting space. A secure observation waiting room for involuntary patients is provided adjacent to the admission office in the administration wing of the facility.

The proposed hospital is divided into smoke compartments as required by the applicable codes. The patient bedrooms will be made up of 62 semi-private rooms and one private room, which exceed the minimum required floor area. Toilet/shower rooms are provided within each patient room. The included plans and narrative indicate that all of the patient bedrooms and attached toilet/ shower rooms have been designed to meet the requirements of Florida Building Code - Accessibility.

The patient care area contains all the required support spaces and appear to be adequately sized. Four seclusion rooms are provided as required by Guidelines for Design and Construction of Health Care Facilities. Social spaces have been provided and are in compliance with current codes. Dining and food service is located in a separate area with the dining room having a direct view as well as access to the central exterior courtyard.

The applicant states that the construction will conform to all current applicable building codes, including the National Fire Protection Association codes and the requirements of the Florida Building Code. The application asserts that the exterior doors, windows and louvers will be designed to impact resistance.

Overall, the proposed project, as submitted, is designed to be functional and efficient and does not indicate any major impediments that would prevent the design and construction of a code compliant facility.

The estimated construction costs and project completion forecast appear to be reasonable.

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Palm Coast Behavioral Health, LLC (CON application #10220)

proposes to construct a new adult psychiatric hospital consisting of 50,392 GSF on a 5.25-acre site. The facility will be a single-story building housing a 63-bed psychiatric units. The plans indicate the building will be fully sprinklered and of FBC Type I-B, and NFPA (3,3,2) construction. Both construction types are sufficient for the occupancy and building size.

The arrangement of the floor plan provides a good circulation flow that limits the amount of cross-traffic between staff, patients and the general public. The material management, kitchen and other functional support spaces are separated from the public spaces. Public toilet facilities for both male and female visitors have been included and are conveniently located near the public waiting space.

The rooms will be made up of 31 semi-private rooms and one private ADA accessible room. Toilet/shower rooms are provided within each patient room. At least 10 percent of the patient bedroom and attached toilet/ shower rooms have been designed to meet accessibility standards as required by the Florida Building Code – Accessibility.

All required support spaces have been provided and appear to be adequately sized and located. Four seclusion rooms are provided as required by Guidelines for Design and Construction of Health Care Facilities. Multiple secure courtyards and outdoor activity areas are provided. Social spaces for noisy and quiet activities have been provided and are in compliance with current codes. The architectural narrative indicates that some common facilities such as social spaces, dining and food service are oversized for future expansion.

The applicant states that the construction will conform to all current applicable building codes, including the National Fire Protection Association codes and the requirements of the Florida Building Code. The plans indicate that disaster preparedness issue will be criteria in selection of a site, building design and construction. The proposed hospital is divided into smoke compartments as required by the applicable codes; however, these smoke compartments exceed the allowable area of 22,500 square feet.

The design as presented does not indicate any major impediments that would prevent the design and construction of a code compliant facility.

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- g. Does the applicant have a history of providing health services to Medicaid patients and the medically indigent? Does the applicant propose to provide health services to Medicaid patients and the medically indigent? ss. 408.035(1)(i), Florida Statutes.**

The reviewer notes that per the Florida Hospital Uniform Reporting System (FHURS), the Short Term Psychiatric Group data for financial year 2012 shows the total number of charity patient days for the state of Florida was 19,418 days or 5.2 percent of total patient days.

UHS's eight short-term facilities averaged 3.1 percent of their adjusted patient days to charity care patients compared to Oglethorpe's three facilities averaging 2.4 percent of their adjusted patient days to these patients.

The FHURs data reported a total of 7,532 (2.2 percent) Medicaid or Medicaid HMO patient days in all Florida freestanding psychiatric hospitals for CY 2012—these days came from just two of the 19 existing facilities. Neither applicant served Medicaid patients in their short-term inpatient psychiatric facilities during FY 2012.

Oglethorpe of N.E., LLC (CON application #10219) is a development stage corporation, with no history of operations. However, the parent company, Oglethorpe, Inc. operates three other hospitals in Florida - Springbrook Hospital (District 3), Port St. Lucie Hospital (District 9) and The Willough at Naples (District 8).

Per Florida Hospital Uniform Reporting System data, Oglethorpe Inc.'s three psychiatric facilities reported zero Medicaid or Medicaid HMO patient days during FY 2012. Oglethorpe affiliated facilities provision of charity care is shown in the table below.

**Oglethorpe Affiliated Short-term Inpatient Psychiatric Hospitals
Adjusted Charity Care Days & Percent charity Care as Total Patient Days
Fiscal Year 2012**

Facility	Charity Care Days	% Total Facility Days
Springbrook Hospital	955	3.6%
The Willough At Naples	180	0.8%
Port St. Lucie Hospital	668	2.5%
Oglethorpe Total	1,803	2.4%
State Freestanding Short-Term Total	19,418	5.2%

Source: FHURs hospital financial reporting system data for FY 2012.

Oglethorpe was below the state's charity care average for freestanding short-term inpatient psychiatric facilities during FY 2012.

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In the table below, Oglethorpe of N.E., LLC presents the proposed cases at the 63-bed facility for year one (ending June 30, 2017) and year two (ending June 30, 2018) and Average Length of Stay (ALOS) of the proposed project.

CON Application #10219 Proposed Case Mix by Payor with ALOS Year One (July 1, 2016-June 30, 2017) and Year Two (July 1, 2017-June 30, 2018) of Operations						
Payer	Year One		Years One & Two		Year Two	
	Cases	Days	ALOS	% Cases	Cases	Days
Medicare	598	5,303	8.9	33.80%	837	7,424
Medicare Managed Care	140	758	5.4	7.92%	196	1,061
Medicaid Managed Care	268	1,377	5.1	15.16%	375	1,928
Commercial Health Ins.	405	2,120	5.2	22.87%	566	2,967
Workers Comp	1	5	6.2	0.05%	1	7
TriCare/CHAMPUS	37	261	7.1	2.07%	51	365
VA	15	76	5.2	0.83%	20	107
Other State/Local Govt.	19	117	6.3	1.05%	26	163
Self-Pay	234	1,056	4.5	13.20%	327	1,478
Other	8	46	5.8	0.45%	11	64
Non-Payment	46	231	5.0	2.61%	65	324
Grand Total	1,769	11,349	6.4	100.00%	2,476	15,889

Source: CON application #10219, page 9-1.

The applicant’s Schedule 7B projects 12.1 percent of patient days and \$798 per patient day attributable to Medicaid HMO and 11.3 percent of patient days and \$1,160 per patient day attributable to self-pay for year two of the proposed project.

The applicant proposes to condition project approval to the provision of a minimum 6.84 percent total annual patient days to Medicaid HMO and non-payment patients.

Palm Coast Behavioral Health, LLC (CON application #10220) is a new entity formed for the purpose of filing CON application #10220 and has no operational history.

The applicant provides a table containing combined patient days by payor and percent of total days for the parent (UHS) company’s Florida operations during the 12 months ending June 30, 2013:

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UHS Florida Hospitals MDC 19 Patient Days by Provider Ages 18+ 12 Months Ending June 30, 2013		
Payer	Patient Days	% Total Patient Days
Charity/Non-Payment	2,670	2.6%
Self-Pay/Underinsured	11,054	10.9%
Medicaid HMO	11,821	11.7%
Medicaid	571	0.6%
Medicare	45,902	45.3%
Medicare HMO	9,272	9.2%
Commercial Insurance	33,216	32.8%
Other	12,884	12.7%
Total	101,274	100.0%

Source: CON application #10220, page 120.

Per the FHURS data, UHS's Florida psychiatric facilities reported zero Medicaid or Medicaid HMO patient days during FY 2012. Charity care was provided as follows:

**UHS Affiliated Short-term Inpatient Psychiatric Hospitals
 Adjusted Charity Care Days & Percent charity Care as Total Patient Days
 Fiscal Year 2012**

Facility	Charity Care Days	% Total Facility Days
Atlantic Shores Hospital	272	1.7%
Central Florida Behavioral Hospital	1,778	6.1%
Emerald Coast Behavioral Hospital	1,857	8.5%
Fort Lauderdale Hospital	29	0.1%
River Point Behavioral Health	854	2.6%
The Vines Hospital	667	4.3%
Windmoor Healthcare of Clearwater	965	2.5%
Wekiva Springs	321	1.3%
UHS Total	6,743	3.1%
State Freestanding Short-Term Total	19,418	5.2%

Source: FHURs hospital financial reporting system data for FY 2012.

UHS was below the state's charity care average for freestanding short-term inpatient psychiatric facilities during FY 2012.

**UHS Affiliated Long-term Inpatient Psychiatric Hospitals
 Adjusted Charity Care Days & Percent charity Care as Total Patient Days
 Fiscal Year 2012**

Facility	Charity Care Days	% Total Facility Days
University Behavioral Center	21	0.2%
Manatee Palms Youth Services	6	0.2%
La Amistad Residential Treatment Center	308	2.4%
Gulf Coast Treatment Center	0	0.0%
UHS Total	336	1.0%
State Freestanding Long-Term Total	336	0.5%

Source: FHURs hospital financial reporting system data for FY 2012.

CON Action Numbers: 10219 & 10220

UHS has four of the state's five long-term inpatient psychiatric hospitals and none of the state's long-term care hospitals provided service to Medicaid patients during FY 2012. UHS exceeded the state long-term psychiatric facility average for charity care as the state's other provider did not report any charity care.

The applicant's Schedule 7A projects 10.74 percent of patient days and \$673 per patient day attributable to Medicaid HMO and 4.33 percent of patient days and -\$781 per patient day attributable to self-pay/charity care for year two (ending June 30, 2018) of the proposed project.

PCBH conditions approval of the proposed project on the provision of at least 10 percent of total hospital patient days to a combination of Medicaid/HMO/charity/self-pay payers, by year two of operations.

F. SUMMARY

Oglethorpe of N.E., LLC (CON application #10219) a private for-profit development stage corporation and wholly owned subsidiary of Oglethorpe, Inc., proposes to establish a new 63-bed adult inpatient psychiatric program in District 4, Clay County, Florida.

Oglethorpe, Inc. operates three hospitals in Florida - Springbrook Hospital, Port St. Lucie Hospital and The Willough at Naples.

The proposed project involves a total cost of \$16,558,681. The total project cost includes: land, building, equipment, project development, and financing and start-up costs. The project consists of 47,200 GSF of new construction and a total construction cost of \$10,570,000.

The applicant proposes to condition the project as shown below.

- The facility will be located within Clay County
- The facility will become a Baker Act Receiving Facility
- A commitment to the provision of Medicaid HMO and Non-Payment patient days (which includes charity care) at a minimum of 6.84 percent of total days for the 63-bed adult psychiatric hospital

Palm Coast Behavioral Health, LLC (CON application #10220) was formed by the parent company Universal Health Services, Inc. for the purpose of filing the proposed project. UHS of Delaware, Inc. manages the operations of PCBH. The applicant proposes to establish a 63-bed adult inpatient psychiatric hospital in District 4, Flagler County, Florida. An additional five adult substance abuse beds will be added by notification upon project approval.

CON Action Numbers: 10219 & 10220

UHS's Behavioral Health Division operates a total of 193 behavioral health facilities worldwide, with 10 adult psychiatric hospitals in Florida, and an 11th hospital approved in Martin County.

The proposed project involves a total cost of \$19,592,168. The total project cost includes: land, building, equipment, project development, and financing and start-up costs. The applicant indicates that the project consists of 50,392 GSF of new construction and a total construction cost of \$11,045,926.

The applicant proposes to condition the project as shown below:

- Palm Coast Behavioral Health will be located in Flagler County.
- Palm Coast Behavioral Health will become a designated Baker Act Receiving Facility upon licensure and certification.
- Upon licensure and certification, Palm Coast Behavioral will seek Joint Commission Accreditation.
- The applicant will provide at least 10 percent of its total hospital patient days to a combination of Medicaid HMO/charity care/self-pay payors by year two of operation and thereafter.
- Seek to become a training site for St. Johns College and University of Central Florida, and any others in the area, for nursing students, social services, activities therapy and others.
- PCBH will seek to become a residency training site for UCF College of Medicine.
- PCBH will support local community based not for profit advocacy groups.
- PCBH will offer the same Learning Grow Education Series provided at River Point and Wekiva Springs, which provide free continuing education units to local Flagler and Volusia County social workers, therapists and others.
- PCBH will support NAMI's local grass roots efforts by assisting and expanding their presence in Flagler County.

Need

In Volume 40, Number 12, dated January 17, 2014 of the Florida Administrative Weekly, a fixed need pool of 63 beds was published for adult psychiatric hospital beds in District 4 for the July 2019 planning horizon. Therefore, the co-batched applicants are responding to published need.

District 4's 329 licensed beds experienced 75.22 percent utilization at the nine existing facilities with adult inpatient psychiatric beds during the 12-month period ending June 30, 2013.

CON Action Numbers: 10219 & 10220

Below are the applicant's major justifications to warrant project approval.

Oglethorpe of N.E., LLC (CON application #10219)

- 34,646 residents travel longer than 45 minutes to access adult inpatient psychiatric services, including two Clay County zip codes. This includes approximately 30,000 residents that would be less than a 45-minute drive from Middleburg, the location of the proposed facility.
- Approval of the proposed project will increase access to within the 45-minute standard for 99.7 percent of the District 4 population.
- As a new market entrant, Oglethorpe's will provide competition to the existing District 4 providers of adult inpatient psychiatric services, and will not adversely impact the mix of profit and not-for-profit providers in District 4.
- The applicant projects 49.4 percent occupancy in year one and 68.9 percent occupancy in year two of the proposed project.

Palm Coast Behavioral Health, LLC (CON application #10220)

- The applicant proposes to locate the facility in Flagler County, which currently lacks any adult inpatient psychiatric beds. One hundred percent of Flagler County residents must leave the county to obtain inpatient mental health services.
- Of the three District 4 counties without licensed psychiatric beds (Flagler, Nassau and Baker), Flagler is the most populous, with 22,440 more residents than Nassau and 61,500 more residents than Baker.
- During the three-year period ending June 30, 2013, Flagler County experienced the most significant growth (22 percent) in psychiatric discharges of any other District 4 county, from 250 to 305.
- There is a 62-mile stretch without any inpatient adult psychiatric beds between Flagler Hospital (in St. Johns County) and Florida Hospital Deland (Volusia County), constituting a geographic gap in service.
- With equal access to services, the applicant asserts there would have been 302 additional Flagler County psychiatric hospital admissions and 878 additional Volusia County resident psychiatric admissions during the twelve months ending June 30, 2013.
- The applicant projects 20.7 percent occupancy for year one and 56.2 percent occupancy for year two of the proposed project.

CON Action Numbers: 10219 & 10220

Quality of Care

Oglethorpe of N.E., LLC (CON application #10219)

- Oglethorpe, Inc. operates three adult inpatient psychiatric hospitals in Florida, all based on a medical model with 24-hour coverage for acute level of care and in full compliance with Joint Commission and Medicare certification standards.
- The applicant provides a thorough discussion of its ability to provide quality of care based on Oglethorpe's experience.
- Agency complaint records indicate, for the three-year period ending March 10, 2014 Oglethorpe, Inc., had 21 substantiated complaints at three facilities. A single complaint can encompass multiple complaint categories.

Palm Coast Behavioral Health, LLC (CON #10220)

- UHS's Behavioral Health Division operates a total of 193 behavioral health facilities worldwide, with 10 adult psychiatric hospitals in Florida, and an 11th hospital approved in Martin County. All UHS facilities are accredited by the Joint Commission.
- The applicant provides a thorough discussion of its ability to provide quality of care based on the experience of UHS.
- Agency data obtained March 9, 2014 indicates that the 13 UHS hospitals (1,611 beds) had a total of 68 substantiated complaints during the previous 36 months.

Both applicants demonstrate the ability to provide quality care.

Cost/Financial Analysis

Oglethorpe of N.E., LLC (CON application #10219):

- Funding for this project is in question, due to lack of a firm commitment to lend and independent documentation supporting the ability to fund the project.
- Assuming the applicant will be able to obtain funding, the project appears to be financially feasible.
- The project will not likely foster competition.

Palm Coast Behavioral Health, LLC (CON application #10220)

- Funding for this project and the entire capital budget should be available as needed.
- This project appears to be financially feasible.
- The project will not likely foster competition.

Medicaid/Indigent Care

Oglethorpe of N.E., LLC (CON application #10219)

- FHURS FY 2012 financial data indicates that Oglethorpe Inc.'s psychiatric facilities provided 2.36 percent of their total annual patient days to charity care patients.
- The applicant's Schedule 7B projects 12.1 percent of patient days and \$798 per patient day attributable to Medicaid HMO and 11.3 percent of patient days and \$1,160 per patient day attributable to self-pay for year two (ending June 30, 2018) of the proposed project.
- The applicant proposes to condition project approval to the provision of a minimum 6.84 percent total annual patient days to Medicaid HMO and non-payment patients.

Palm Coast Behavioral Health, LLC (CON application #10220)

- FHURS FY 2012 financial data indicates that UHS's short-term psychiatric facilities provided 3.13 percent of their total annual patient days to charity care patients.
- The applicant states that all UHS hospitals in Florida for the 12 months ending June 30, 2013 provided 12.3 percent Medicaid/Medicaid HMO and 2.6 percent charity/non-payment total annual patient days.
- The applicant's Schedule 7A projects 10.74 percent of patient days and \$673 per patient day attributable to Medicaid HMO and 4.33 percent of patient days and -\$781 per patient day attributable to self-pay/charity care for year two (ending June 30, 2018) of the proposed project.
- PCBH conditions approval of the proposed project on the provision of at least 10 percent of total hospital patient days to a combination of Medicaid/HMO/charity/self-pay payers, by year two of operations.

Architectural Analysis

Oglethorpe of N.E., LLC (CON #10219) proposes to construct a new adult psychiatric hospital consisting of 47,200 GSF.

The information provided by the applicant indicates that the project conform to all current applicable building codes.

CON Action Numbers: 10219 & 10220

The design does not indicate any major impediments that would prevent the construction of a code compliant facility. The estimated construction costs and project completion forecast appear to be reasonable.

Palm Coast Behavioral Health, LLC (CON application #10220) proposes to construct a new adult psychiatric hospital consisting of 50,392 GSF on a 5.25-acre site

The information provided by the applicant indicates that the project will conform to all current applicable building codes.

The design does not indicate any major impediments that would prevent construction of a code compliant facility.

G. RECOMMENDATION

Approve CON #10220 to establish a 63-bed adult inpatient psychiatric hospital in District 4, Flagler County. The total project cost is \$19,592,168. The project involves 50,392 GSF of new construction and a total construction cost of \$11,045,926.

CONDITIONS:

- Palm Coast Behavioral Health will be located in Flagler County.
- Palm Coast Behavioral Health will become a designated Baker Act Receiving Facility upon licensure and certification.
- Upon licensure and certification, Palm Coast Behavioral will seek Joint Commission Accreditation.
- The applicant will provide at least 10 percent of its total hospital patient days to a combination of Medicaid HMO/charity care/self-pay payers by year two of operation and thereafter.
- Seek to become a training site for St. Johns College and University of Central Florida, and any others in the area, for nursing students, social services, activities therapy and others.
- PCBH will seek to become a residency training site for UCF College of Medicine.
- PCBH will support local community based not-for-profit advocacy groups.
- PCBH will offer the same Learning Grow Education Series provided at River Point and Wekiva Springs, which provide free continuing education units to local Flagler and Volusia County social workers, therapists and others.
- PCBH will support NAMI's local grass roots efforts by assisting and expanding their presence in Flagler County.

Deny CON #10219.

AUTHORIZATION FOR AGENCY ACTION

Authorized representatives of the Agency for Health Care Administration adopted the recommendation contained herein and released the State Agency Action Report.

DATE: _____

James B. McLemore
Health Services and Facilities Consultant Supervisor
Certificate of Need

Jeffrey N. Gregg
Director, Florida Center for Health Information and Policy Analysis