

STATE AGENCY ACTION REPORT
ON APPLICATION FOR CERTIFICATE OF NEED

A. PROJECT IDENTIFICATION

1. Applicant/CON Action Number

Indian River Behavioral Health, LLC/CON #10233
999 Ponce de Leon Boulevard, Suite 950
Coral Gables, Florida 33134

Authorized Representative: Roz Hudson
Divisional Vice President
(305) 444-5007

2. Service District

District 7 (Brevard, Orange, Osceola, and Seminole Counties)

B. PUBLIC HEARING

A public hearing was not held or requested on the proposed project to establish a new Class III Specialty Hospital with 74 child and adolescent inpatient psychiatric beds in Brevard County, Florida.

Letters of Support

The applicant submitted 23 unduplicated letters of support.

Dr. Kathy D. Pearce, PhD, psychologist at Brevard Psychology & Learning Center, states she has seen first-hand that the need for a child and adolescent behavioral hospital in Brevard County has become increasingly urgent over the past decade. Maria Bledsoe, Chief Executive Officer (CEO) of the Central Florida Cares Health System Inc., indicates that as a leader of a company that manages substance abuse and mental health, “As the Managing Entity for Circuits 9 and 18, I can attest to the need for children and adolescent behavioral health services in Brevard County.”

Andy Anderson, Brevard County Commissioner for District 5, states that “It is my understanding that the Brevard County Community Health Improvement Plan from 2013-2016 recommended that Brevard County

improve our behavioral health services so that children are active, self-sufficient participants in our community. I could not agree more and see a need for additional child and adolescent psychiatric beds in our county. I am excited about this project.”

Dr. A. Amir Mirsajadi, M.D., Board Certified Psychiatrist, and James V. Eaten, President and Clinical Director, colleagues at Adult & Child Counseling Center & Psychiatric Center, voice their support for the proposed project. Dr. Mirasjadi states, “I believe having a hospital in Brevard would optimize the ability for families to be more involved in family therapy sessions, visitation and meetings with their loved ones care team.” Mr. Eaten writes, “Because we do not currently have this level of inpatient care available within our county, it is unfortunate, but there are many residents in need of acute inpatient treatment who never seek or access it.”

Letter of Opposition

The Agency received two letters of opposition. Mr. James B. Whitaker, President and CEO of Circles of Care, Inc., submitted a letter signed and dated October 6, 2014. Mr. Whitaker writes that Brevard County is currently serviced by a freestanding 16-bed child and adolescent psychiatric facility owned and operated by Circles of Care, Inc. He believes there has not been the kind of population growth in Brevard County needed to sustain an additional child psychiatric hospital in the community and notes Circles of Care reported an occupancy rate of 51 percent in the fiscal year ending June 30, 2014. Mr. Whitaker feels the proposed project could quadruple the number of existing child psychiatric beds in a community where 50 percent of the existing beds remain empty. Mr. Whitaker mentions that the proposed project is a for-profit facility--whose care and treatment of such patients would be done at a cost to the state.

In addition, Mr. Whitaker states his concern about the availability of psychiatrists and qualified nursing staff in Brevard County. Lastly, Mr. Whitaker believes the proposed for-profit facility would be unable to provide a scope of services as full as Circles of Care currently offers.

Mr. Whitaker submitted a signed attachment, dated October 10, 2014, to his original letter. He states that based on the historical behavior of Universal Health Services (UHS—the parent company of the applicant), if the CON is granted, Indian Rive Behavioral Health will delicense some or all of its child and adolescent psychiatric beds. Mr. Whitaker states that opening a large children’s hospital will adversely affect the ability of Circles to continue to serve the uninsured and the under-insured that private for-profit facilities, such as the applicant, typically do not serve.

The second letter of opposition was submitted on behalf of Devereux Florida by Mr. Steven J. Murphy, Executive Director, signed and dated October 8, 2014. Mr. Murphy asserts that Devereux has been partnering with the Agency for 27 years and is part of a larger continuum of services the Agency utilizes in Brevard County. Mr. Murphy believes Devereux is better positioned to ensure that seamless services are offered instead of just a new freestanding hospital.

Furthermore, Mr. Murphy believes Devereux Florida can meet any unmet need for child and adolescent care due to its plans to expand services by becoming a Statewide Inpatient Psychiatric Program (SIPP). Mr. Murphy notes that Devereux recently met with the Agency to become a SIPP provider in Brevard County. He states that Devereux is in the process of completing its application and anticipates providing this service within a few weeks. Mr. Murphy states Devereux's status as a non-profit entity ensures that state funds are utilized with the patient and community as the highest priority, not shareholders.

Mr. Murphy states that Devereux partners with the community to meet needs through various programs, including the newly developed program to serve Commercially Sexually Exploited Children (CSEC) that the legislature recently appropriated funds for Devereux to implement. Mr. Murphy contends that should the proposed project be approved, it would jeopardize the CSEC program by diverting patients which ultimately fund these community-based programs.

In addition, Mr. Murphy indicates that approval of the proposed project would place an unmanageable level of competition for staff in Brevard County, increasing the cost to deliver care while also negatively impacting quality of care. Lastly, Mr. Murphy states UHS has a history of approaching the Agency with a CON application for child and adolescent psychiatric beds, getting approval for these beds, and then later converting these beds to adult psychiatric. Mr. Murphy indicates this scenario has occurred with 60 of UHS's beds in District 7 over the last four years, 31 of which were converted to adult psychiatric beds only after a year of being originally approved as child and adolescent.

The reviewer confirms that 65 UHS District 7 beds were given exemptions or notifications to convert from child and adolescent psychiatric beds to adult psychiatric or substance abuse beds from July 18, 2010 to July 18, 2014. The following is a list of the requested and approved exemptions and notifications of District 7 UHS facilities that converted beds:

- E120012 for University Behavioral Center to establish a 28-bed adult inpatient psychiatric unit by delicensing 28 child and adolescent psychiatric beds (approved October 23, 2012)—although the reviewer notes that four of these beds were obsoleted through NF140023
- E120016 for University Behavioral Center to establish a 12-bed adult inpatient substance abuse unit by delicensing 12 child and adolescent inpatient psychiatric beds (approved May 19, 2014)
- NF1100023 for Central Florida Behavioral Hospital to add three adult psychiatric beds through the conversion of three child and adolescent psychiatric beds (received July 28, 2011)
- NF 120023 for Central Florida Behavioral Hospital to add 14 adult psychiatric beds through the conversion of 14 child and adolescent psychiatric beds (received April 24, 2012)
- NF130009 for Central Florida Behavioral Hospital to add 17 adult inpatient psychiatric beds through the conversion of 17 child and adolescent inpatient psychiatric beds (received April 17, 2013)
- NF140023 for University Behavioral Center to add 12 adult inpatient psychiatric beds through the delicensure of 12 child and adolescent inpatient psychiatric beds (received May 16, 2014)

C. PROJECT SUMMARY

Indian River Behavioral Health, LLC (CON application #10233), was formed by and is a wholly owned subsidiary of the parent company Universal Health Services, Inc. (UHS) for the purpose of filing the proposed project and will be referred to as IRBH or the applicant. IRBH proposes to establish a new Class III Specialty Hospital with 74 child and adolescent inpatient psychiatric beds in District 7, Brevard County, Florida.

The applicant states UHS's Behavioral Health Division operates a total of 193 behavioral health facilities worldwide, with 10 adult psychiatric hospitals in Florida, and an 11th and 12th hospital approved in Marion and Flagler Counties, respectively.

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

- Wekiva Springs Center
- Treasure Coast Behavioral Health (Approved)
- Palm Coast Behavioral Health (Approved)

The reviewer notes that Gulf Coast Treatment Center is comprised solely of 24 child and adolescent psychiatric beds, with no licensed adult psychiatric beds.

UHS also operates residential treatment facilities throughout Florida, including La Amistad Residential Treatment Center, which is an Intensive Residential Treatment Facility (IRTF) in District 7. In addition to La Amistad, four of the hospitals listed above also provide residential treatment for children and adolescents: CFBH, UBC, Emerald Coast Behavioral Hospital and Fort Lauderdale Hospital.

The proposed project involves 50,361 gross square feet (GSF) of new construction. The construction cost is \$9,044,535. Total project cost is \$16,737,262. Project cost includes land, building, equipment, project development, financing and start-up costs.

The applicant proposes to condition the project as shown below:

- IRBH will be located in Brevard County
- IRBH will become a designated Baker Act Receiving Facility upon licensure and certification
- Upon licensure and certification, IRBH will seek Joint Commission Accreditation
- The applicant will provide at least 35 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
- IRBH will seek to become a training site for Eastern Florida State College and University of Central Florida (UCF), and any others in the area, for nursing students, social services, activities therapy and others
- IRBH will seek to become a residency training site for UCF College of Medicine
- The applicant will support local community based not-for-profit advocacy groups
- IRBH will support the National Alliance of Mental Illness (NAMI)'s local grass roots efforts by assisting and expanding their presence in Brevard County

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

NOTE: 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, so Joint Commission accreditation (condition #3) will not be cited as a condition to approval. Should the project be approved, the applicant's proposed conditions would be reported in the annual condition compliance report as required by Rule 59C-1.013 (3) Florida Administrative Code.

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, Lucy Villafrate analyzed the application with consultation from the financial analyst, Everett Broussard, of the Bureau of Central Services, 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 criteria and application content requirements found in Florida Statutes, sections 408.035 and 408.037; applicable rules of the State of Florida, Chapter 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? Rule 59C-1.008 (2), Florida Administrative Code.

In Volume 40, Number 39 of the Florida Administrative Register dated July 18, 2014, a fixed need pool of 74 beds was published for child and adolescent inpatient psychiatric beds in District 7 for the July 2020 Planning Horizon. The applicant's project is in response to the published need.

As of July 18, 2014, District 7 had 275 licensed and negative 30 approved child and adolescent inpatient psychiatric beds. During the 12-month period ending December 31, 2013, District 7's child and adolescent beds experienced 78.26 percent utilization at five existing facilities.

Of the five facilities in District 7 with licensed child and adolescent inpatient psychiatric beds, one is a Class 1 hospital (South Seminole Hospital), three are Class 3 hospitals (Devereux Florida, CFBH and UBC) and one is a Class 4 hospital (La Amistad).

The applicant proposes to locate its facility in Brevard County, which falls in District 7 along with Orange, Osceola, and Seminole Counties. The applicant indicates that while these other three counties are referred to as "central Florida," Brevard County is perceived as a separate market, commonly referred to as the "Space Coast." IRBH describes the county as a bedroom community to the Orlando metropolitan area, but also as having a distinct medical market with two predominant health systems, Health First and Wuesthoff Health System.

IRBH maintains that the Agency's count of 275 licensed and 10 approved child and adolescent beds¹ for District 7 is misleading because IRTF beds are included in the need formula even though IRTFs and hospitals offer

¹ The reviewer notes the applicant is not considering notifications and exemptions submitted to the Agency to delicense child and adolescent psychiatric beds in this statement, but does acknowledge them in a subsequent chart, then finding the number of approved beds to be -30.

different levels of care. The applicant states that IRTFs do not provide acute crisis stabilization nor short-term treatments, therefore they only focus on providing the long-term residential component. IRBH declares only 135 of the 275 beds are actually hospital providers that can provide acute crisis stabilization. Furthermore, due to current notifications, exemptions, and CONs filed with the Agency, the existing 275 bed count today will be reduced to 245 beds dedicated to children and adolescents.

IRBH notes all 100 child and adolescent beds located in Brevard County are IRTF beds at Devereux Florida. The applicant asserts that Devereux cannot become a Baker Act Receiving Facility and does not provide acute stabilization or short-term treatment. The reviewer confirms on the Agency’s FloridaHealthFinder.gov website that Devereux is not a Baker Act Receiving Facility as of October 29, 2014.

Additionally, IRBH insists that even if Devereux did provide similar services as the proposed applicant, Devereux has already achieved a stabilized occupancy rate of 75 percent, given isolation and diagnoses issues. According to the applicant, genders cannot be comingled in patient rooms or connecting rooms, further decreasing bed availability. The reviewer confirms that Devereux’s occupancy rate for January 2013 through December 2013 was 75.03 percent according to the *Florida Hospital Bed Need Projections & Service Utilization by District—July 2014 Batching Cycle* published July 18, 2014.

The applicant contends that Devereux focuses much of its efforts on attracting nonlocal patients. IRBH indicates that during Calendar Year (CY) 2013, less than two percent of Devereux’s patient days were Brevard County residents and two percent were residents from the remainder of District 7. The applicant maintains that Devereux provided 73.7 percent of its days to out-of-state residents. Please see the chart below.

Devereux Utilization by Patient Origination CY 2013

Patient Origination	Cases	Patient Days	Percent of Total Cases	Percent of Total Days
Brevard County	4	602	4.4%	1.9%
District 7 Total	9	1,256	10.0%	4.0%
Florida Total	31	8,240	34.4%	26.3%
Outside Florida	59	23,057	65.6%	73.7%
Total	90	31,297	100.0%	100.0%

Source: CON application #10233, page 23

Additionally, IRBH provides data indicating that patients who originate from outside of the state have much longer average lengths of stays when compared to Florida and District 7 residents. Please see the chart below.

**Devereux Average Length of Stay
By Patient Origin CY 2013**

Patient Origination	Average Length of Stay (Days)
Brevard County	150.5
District 7 Total	139.6
Florida Total	265.8
Outside Florida	390.8
Total	347.7

Source: CON application #10233, page 23

IRBH concludes that if Devereux garners additional out-of-state residents, its occupancy could increase significantly due to these long lengths of stay. The applicant feels this would leave even less capacity to serve District 7 residents in need of this level of care.

IRBH states that Brevard County is the second most populous county in District 7, with nearly 105,000 children and adolescents for CY 2014, or 18.5 percent of District 7’s total child and adolescent population. IRBH expects this cohort to increase by 5.7 percent or by 32,000 children by the second year of operation (2018) of the proposed project.

The chart below contains the population estimates for the total child and adolescent population (age 17 and younger) in District 7 for January 2014 and the January 2020 planning horizon.

**Brevard County, District 7 & State Population
Age 17 Years & Younger Projections
January 2014- January 2020**

Area	January 1, 2014	January 1, 2020	Percent Change	Net Increase
Brevard County	104,605	107,608	2.87%	3,003
District 7	562,320	609,724	8.43%	47,404
State of Florida	4,056,414	4,282,377	5.57%	225,963

Source: Florida Agency for Health Care Administration Population Estimates, September 2013

As shown above, District 7’s population age 17 and younger is expected to experience 2.86 percent faster growth than the state overall.

The applicant presents the following table illustrating District 7 child and adolescent psychiatric discharges from a hospital or IRTF with licensed psychiatric beds by patient origin and facility. The applicant states that while Brevard County has the second greatest child and adolescent population of the four counties in District 7, it has the fewest number of psychiatric discharges at 4.1 percent.

**District 7 Child and Adolescent Psychiatric Discharges
by Resident County and Licensed Provider
Ages 0-17 CY 2013**

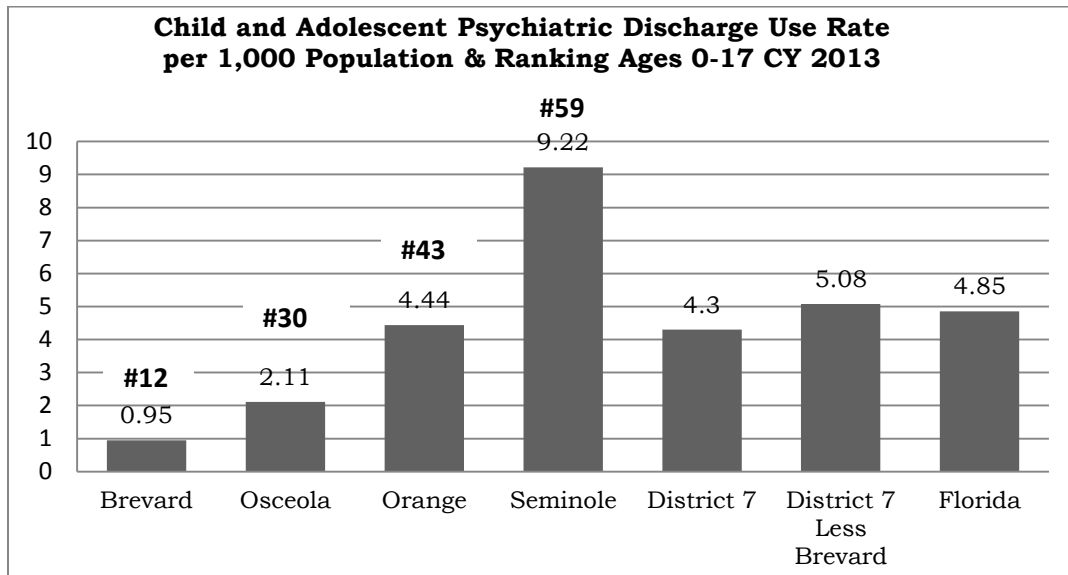
Resident County:	Brevard	Orange	Osceola	Seminole	District 7
Licensed Provider					
Devereux Florida (IRTF)	4	3	0	2	9
University Behavioral Center Hospital	37	621	40	433	1,131
Central Florida Behavioral	25	448	102	88	663
La Amistad (IRTF)	20	62	4	29	115
South Seminole Hospital	5	115	5	337	462
Nemours Children's Hospital	0	2	2	0	4
Out of Area	8	8	3	3	22
Total Discharges	99	1,259	156	892	2,406
Percent of Total	4.1%	52.3%	6.5%	37.1%	100.0%

Source: CON application #10233, page 26

IRBH points out that the only four Brevard County residents who stayed in Brevard for treatment went to an IRTF (Devereux). According to the applicant, this means 100 percent who sought acute treatment at a psychiatric hospital migrated out of the county.

IRBH indicates that Brevard County resident child and adolescent psychiatric discharges fluctuated between 91 and 118 during the past three years with only between two and four discharged from within the county each year (from Devereux).

The applicant states that Brevard County's child and adolescent discharge use rate is lower than any other in District 7. IRBH points out the next lowest -- Osceola County -- is still more than twice as much as Brevard County's. Additionally, it is the 12th lowest of Florida's 67 counties. Please see the chart below for CY 2013. Rankings for the counties indicate their relation to other Florida counties. The lower the rank the lower the discharge use rate.



Source: CON application #10233, page 29

Applying the discharge use rates of District 7, District 7 less Brevard County, and the state’s average, the applicant finds total child and adolescent psychiatric discharges could range anywhere between 451 and 532 Brevard cases if Brevard County had equal access to child and adolescent psychiatric beds, compared to only 99 currently. Please see the table below.

**Restated Brevard County Discharges
Based on Application of District 7 and Statewide Use Rates
CY 2013**

County	Utilization
Brevard County Actual Cases	99
Brevard County Population (2013)	104,732
District 7 Less Brevard, Discharge Use Rate	5.08
Restated Brevard County Cases	532
Difference, Restated vs. Actual	433
Florida Discharge Use Rate	4.85
Restated Brevard County Cases	508
Difference, Restated vs. Actual	409

Source: CON application #10233, page 30, Agency Inpatient Data Tapes, Florida Population Estimates, September 2013 and NHA Analysis

The applicant asserts that with the development of available and accessible beds at IRBH, Brevard County’s child and adolescent psychiatric discharge use rate will increase to 5.08 -- the discharge use rate currently of District 7 less Brevard County. Applying this discharge use rate, the applicant predicts market discharges by resident county for each of the first four years of operation at IRBH, illustrated in the chart below. IRBH determines that by 2020, there will be 3,076 District 7 child and adolescent resident discharges from psychiatric beds -- including 547 Brevard County residents.

**Forecasted IRBH Utilization
Year One (2017) Through Year Four (2020)**

	Year One	Year Two	Year Three	Year Four
Market Discharges				
Brevard	539	542	545	547
Orange	1,347	1,369	1,390	1,413
Osceola	171	175	179	183
Seminole	911	918	926	933
District 7	2,969	3,005	3,040	3,076
Market Share				
Brevard	50.0%*	90.0%	95.0%	95.0%
Orange	10.0%	22.0%	30.0%	38.0%
Osceola	5.0%	10.0%	11.0%	12.0%
Seminole	10.0%	16.0%	20.0%	22.0%
District 7	17.0%	31.7%	37.5%	41.7%
IRBH In-Migration	14.2%	31.4%	31.0%	31.0%
IRBH Patient Origin				
Discharges	587	1,390	1,651	1,861
Average Length of Stay	9**			
Patient Days	5,287	12,506	14,856	16,746
Average Daily Census	14.5	34.2	40.7	45.9
Occupancy Rate	19.6%	46.2%	55.0%	62.0%

*While market share is reflected at 50 percent in year one, this is an effective rate applied against the increased discharge use rate and utilization. This is a by-product of the use rate transitioning during the course of the year from the prior less than one to greater than five.

**The average length of stay is based on the statewide average and UHS's experience in District 7.

Source: CON application #10233, page 38

Also shown in the table above, the applicant predicts IRBH will achieve 50 percent market share within Brevard County in 2017, increasing to 95 percent by 2019. IRBH maintains this market share will not affect Devereux's current market share of four percent because of the aforementioned differences in treatment models between the two facilities.

The applicant maintains that its sister UHS facilities (UBC, CFBH and La Amistad) currently have a greater market share (17.2 percent) in Brevard County than any other provider even without nearby operations. The applicant expects that current patients from Brevard County utilizing the UHS facilities will shift to IRBH once operational. When calculating market share for Orange, Osceola, and Seminole Counties, the applicant states the following factors:

- The plan will help facilitate a greater emphasis on adult services at UBC and CFBH that are driven by the local area need in their respective communities
- IRBH will only be the third freestanding behavioral health hospital in the District and the only one in Brevard County
- IRBH will be the only provider in the district to be solely focused on only providing services to children and adolescents

Also included in the table above, the applicant predicts discharges, patient days, average daily consensus and occupancy rates for the first four years of operation of the proposed project. IRBH believes the average annual occupancy rate will reach 62 percent in year four of operation.

The applicant expects nearly half -- 48 percent -- of its patients will be Medicaid HMO in the second year of operation. The forecasted patient days by payor category are summarized by the applicant in the table below.

**IRBH Projected Patient Days by Payor
Years One and Two**

Payor	Year One: 1/1/2017	Year Two: 1/1/2018
Medicaid HMO	2,526	5,974
Blue Cross	604	1,429
Commercial Insurance	24	56
Other Managed Care	1,615	2,820
Self-Pay/Charity Care	246	580
Other Payors	273	647
Total	5,287	12,506

Source: CON application #10233, page 39

The applicant indicates that its forecast is conservative, achieving reasonable IRBH market shares while still allowing District 7 providers to grow their volume as needed.

The applicant states 96 percent of Brevard County residents who seek inpatient hospital treatment for mental health conditions have no choice but to leave the county. The only option available within the county is a long-term residential treatment and only four Brevard County residents accessed that service in 2013.

The applicant asserts that there will be no impact on Devereux due to its treatment model and no overlap in the type of service to be provided at IRBH. IRBH believes the introduction of the proposed beds in Brevard County will add new volume to the market rather than take away volume from existing District 7 providers. The applicant states approval of IRBH will only positively affect the Brevard County health care community and existing behavioral health care infrastructure. In addition, the applicant asserts that the proposed project will allow providers outside the service area to better serve other district residents who reside closer to their facilities.

IRBH indicates that it is committed to working collaboratively with the existing residential treatment programs both in Brevard County and District 7. Lastly, the applicant indicates its parent company, UHS, is an experienced provider with a thorough understanding of unique needs for children and adolescents confronted with behavioral health disorders.

The applicant mentions UHS has a first-hand understanding of the District 7 market as it already provides services within Orange County to the west, in its two hospitals and one IRTF.

The applicant notes it has significant support from the community as evidenced by the numerous letters of support received.

2. Agency Rule Criteria:

a. Chapter 59C-1.040 (4) (h) 1-4, Florida Administrative Code, contain factors to be considered in the review of Certificate of Need applications for hospital inpatient general psychiatric services for children and adolescents.

(1) Applicants shall provide evidence in their applications that their proposal is consistent with the need 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.

The applicant states it is consistent with the needs of the community and other criteria as outlined in the state rules and statutes. The applicant notes there is currently no local health council with stated criteria to meet.

IRBH believes its proposed project is consistent with the strategies and action plans established by the Brevard County Community Health Improvement Plan 2013-2016. The applicant says other evidence that this project is consistent with the needs of the community is provided by the many letters of support from local community leaders. The reviewer notes the applicant included six letters of support from local elected officials.

(2) In order to ensure access to hospital inpatient general psychiatric services for Medicaid-eligible and charity care children and adolescents, 40 percent of the gross bed need allocated to each district for hospital inpatient general psychiatric services for children and adolescents should be allocated to general hospitals.

District 7 presently has 24 of 275 (or 8.7 percent) of its child and adolescent inpatient psychiatric beds in general hospitals. Once all Agency notifications, exemptions and CONs are finalized for providers adding or reducing this bed type in District 7, the bed

count will be reduced to 245. If approved, the proposed project would result in a general hospital bed ratio of 24 of 319 (or 5.6 percent), which would not be in compliance with this criterion.

The applicant states the origination of this criterion is that historically Medicaid certification (for fee-for-service patients) was precluded from facilities with more than 50 percent psychiatric beds. According to IRBH, the new payment scheme under the mandated Medicaid managed care plans does not carry such a provision. The applicant contends that the new payment schemes allow freestanding facilities to admit Medicaid patients and therefore the import of this criterion has waned.

The applicant believes that in reality, children and adolescents in need of inpatient psychiatric treatment are best served in freestanding facilities that specialize in behavioral health.

- (3) Regardless of whether bed need is shown under the need formula, no additional hospital inpatient general psychiatric beds for children and adolescents or additional beds in an intensive residential treatment program for children and adolescents seeking to have the program beds licensed as specialty hospital beds shall normally be approved in a district unless the average annual occupancy rate of the licensed hospital inpatient general psychiatric beds for children and adolescents in the district, including beds in intensive residential treatment programs for children and adolescents licensed as specialty hospital beds, 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 need pool.**

During the 12 months ending December 31, 2013, District 7's child and adolescent inpatient psychiatric beds experienced 78.26 percent utilization. The applicant is in compliance with this criterion.

- b. Priority Considerations for hospital inpatient general psychiatric services (Rule 59C-1.040 (5) (i), Florida Administrative Code). In weighing and balancing statutory and rule review criteria, preferences will be given to both competing and non-competing applications who:**

- 1. Provide Medicaid and charity care days as a percentage of their 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.**

IRBH points out that according to Agency Inpatient Data Tapes for CY 2013, District 7 child and adolescent psychiatric hospitals provided 7.3 percent, 1.1 percent and 1.6 of their aggregated patient days to Medicaid HMO enrollees, Medicaid Fee-For-Service enrollees and unfunded charity care patients, respectively.

The applicant's parent company, UHS, combined total child and adolescent patient days by payor and percent of total days for its Florida hospitals—showing that it provided 16 percent and 0.4 percent of patient days to Medicaid/Medicaid HMOs and charity care in CY 2013, respectively. The reviewer notes the applicant's chart on page 60 on CON application #10233 lists this total as 16.5 percent.

IRBH has conditioned project approval on the provision it will provide at least 35 percent of its total patient days to a combination of Medicaid HMO and charity (including self-pay) patients beginning in year two and thereafter.

In its second year of operation, the applicant projects it will provide 47.8 percent and 4.6 percent of its patient days to Medicaid HMO and to charity (including self-pay), respectively. With this totaling 52.4 percent, IRBH predicts it will meet its conditioned 35 percent by year two of operation.

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

The applicant states it will serve the most seriously mentally ill patients in its hospital beds including but not limited to suicidal patients, those with acute schizophrenia and those suffering from severe depression.

IRBH states that it reserves the right to refer elsewhere any persons not meeting the standard criteria for admission. The applicant asserts that every effort will be made to provide a referral with the appropriate quality of care and scope of services in these cases.

The applicant includes admission and exclusion criteria on pages 61-62 of CON application #10233.

3. Propose to serve Medicaid-eligible persons.

Refer to 2.b.1, above.

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

The applicant states its intention to comply with this rule. Within the resources available, IRBH will make available charity care services to financially and medically indigent patients. In these cases, the applicant may discount all or a substantial portion of the patient's bill.

The applicant indicates it will maintain a charity care policy similar to UBC's policy, which is provided in the supporting documents of CON application #10233.

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

The applicant states it will become a Private Baker Act Receiving Facility thus becoming the only child and adolescent hospital with this capacity to be physically located within Brevard County.

6. Provide a continuum of psychiatric services for children and adolescents, including services following discharge.

The applicant states it will provide partial hospitalization and intensive outpatient programming. The applicant will not provide residential treatment because those services are available at other facilities in District 7 -- and in Brevard County at Devereux. The applicant promises to work collaboratively with its sister UHS facilities and District 7 facilities to provide seamless transitions in care for patients in need of long-term residential treatment.

- 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 children/adolescents in specialty hospitals shall have a minimum of 10 beds (Rule 59C-1.040 (5), Florida Administrative Code).

The applicant is seeking to establish a Class III Specialty Hospital with 74 child and adolescent beds. Therefore, the applicant exceeds 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).**

IRBH states that for psychiatric services, residents under the age of 18 migrate out of Brevard County as there are no existing acute inpatient psychiatric hospital providers in the county. The applicant notes that there are five existing facilities and one approved facility that currently have child and adolescent psychiatric beds in District 7.

Two of the five existing facilities are not hospital providers, but IRTFs -- which the applicant insists provide a different level of care. The applicant points out that all three of the hospital providers exceed the Agency's access standard of 45 minutes. The applicant indicates the one approved facility -- Nemours Children's Hospital with 10 beds -- is not included in the chart because it is not yet licensed. According to the applicant, Nemours is 42.3 miles from central Brevard.

IRBH notes that a stretch of 129 miles exists from the closest provider to the south and the closest provider to the north of Brevard County. Additionally, patients either to the north or south of central Brevard may find their nearest facility to be in a different district completely. The applicant notes that it uses Rockledge as its designation for Central Brevard. Please see the chart below.

**Geographic Accessibility from Central Brevard County*
Miles and Minutes**

District 7 Provider	County	Miles	Minutes
Devereux Florida (IRTF)	Brevard	8.4	12
Central Florida Behavioral Hospital	Orange	51.5	53
La Amistad (IRTF)	Orange	60.2	62
South Seminole Hospital	Seminole	66.5	66
University Behavioral Center	Orange	38.0	45
Providers Outside District 7			
Indian River Medical Center	Indian River	56.5	62
Halifax Psychiatric Center - North	Volusia	72.6	64

**Note, these minutes are from the central area of Brevard County. If IRBH is located further north or south, the minutes to the facilities would increase and adjust accordingly.*

Source: CON application #10233, page 24, based on Google Maps and NHA Analysis

The applicant asserts that the Agency should approve the proposed project due to the complete lack of accessible and available psychiatric child and adolescent beds in Brevard County.

e. Quality of Care.

- 1. Compliance with Agency Standards. Hospital inpatient general psychiatric services for children/adolescents 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).**

The applicant states that 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 currently has 10 adult psychiatric hospitals and was recently awarded CONs to develop two more. Additionally, UHS also operates residential treatment facilities throughout Florida, including District 7’s La Amistad.

The reviewer notes that Suncoast Behavioral Health Center, formerly known as Manatee Palms Youth Services is a 60-bed (20 are child psychiatric) class-three psychiatric hospital affiliated with UHS. Prior to October 1, 2013, the hospital was a class-four IRTF. The license was inactive from October 1, 2013 to August 19, 2014 for extensive remodeling. The license is currently active with no pending administrative actions or outstanding fines. The reviewer indicates that while operating as a class-four hospital, the facility was placed on an emergency suspension and moratorium on admissions effective April 16, 2010 for conditions determined to pose an immediate risk to the health and safety of the patients.

The moratorium was lifted on May 21, 2010 when the conditions were corrected.

2. **Hospital Inpatient General Psychiatric Services for Children. Facilities providing hospital inpatient general psychiatric services to children must have beds and common areas designated for children which cannot be used by adults. Adolescents may only be treated in units designated for adult hospital inpatient general psychiatric services if the admitting physician indicates that such placement is medically indicated, or for reasons of safety (Rule 59C-1.040(7)(b), Florida Administrative Code).**

The applicant states it is in conformance with this criterion because the proposed facility will only serve children and adolescents.

3. **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).**

The applicant states its intent to begin to establish a referral network for outpatient services, residential facilities, community health programs and local psychiatrists/psychologists upon approval of CON application #10233.

In addition to its acute inpatient care program, the applicant will provide a partial hospitalization program and an intensive outpatient program. Descriptions of these programs for UBC and La Amistad -- which are applicable to the applicant's proposed project -- can be found within the supporting documents of CON application #10233.

4. **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).**

The applicant states it will provide any individual seeking evaluation on hospital grounds an appropriate medical screening. Staff will use a "Screening Form" to complete 11 described assessments. Utilizing these assessments, the staff will determine what level of care is appropriate for the individual based on six classifications.

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.

The applicant will serve children and adolescents less than 18 years of age.

2. Specialty programs to be provided.

IRBH indicates it will provide a general psychiatric program and within this program, the following specific specialty services will be offered: a behavior management program, a trauma informed care (referred to as building bridges program) and a military resiliency program.

Program descriptions, policies, and procedures for the above are provided by the applicant in the supporting documents of CON application #10233.

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

IRBH includes job descriptions for the proposed staff positions in the supporting documents of CON application #10233.

The applicant proposes the following staff and full time employee (FTE) counts for years one and two of the 74-bed child and adolescent inpatient psychiatric program.

IRBH Forecasted Staffing Years One and Two

Position	Year One Total FTEs	Year Two Total FTEs
Administration		
CEO	1.00	1.00
CFO	1.00	1.00
Director of Nursing	5.10	5.10
Intake Director	1.00	1.00
Director of Marketing	1.00	1.00
Marketing Staff	1.00	1.00
Administrative Assistant	1.00	1.00
Director Quality Assurance/Risk Management	1.00	1.00
Director of Human Resources	1.00	1.00
Assessment Counselor	5.20	5.20
Business Office Manager	1.00	1.00
Biller/Collector	0.50	1.50
Utilization Review-RN	2.00	2.00
Receptionist/Switchboard	2.80	2.80
Admin/Payroll/Reception	1.00	1.00
Medical Records Director	1.00	1.00
Pharmacy (Contracted)	1.00	1.00
Other: Training	2.00	2.00
Unit/Program Director	Contract	Contract
Registered Nurses	5.40	11.40
Licensed Practical Nurses	3.60	6.00
Mental Health Tech	7.55	15.86
Dietary Supervisor	1.00	1.00
Cooks	2.00	2.00
Dietary Aides	1.00	1.50
Social Service Directors (Therapists)	1.00	1.00
Therapists	1.55	3.43
Recreational Therapist	1.38	2.25
Medical Records	0.00	1.00
Housekeeping Supervision	1.00	1.00
Housekeepers	1.50	2.63
Transcriptionist	1.00	1.00
Maintenance Supervisor	1.00	1.00
Maintenance Assistance	1.00	1.00
Total FTEs	59.58	82.67

Source: CON application #10233, Schedule 6

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

IRBH states four exclusionary criteria:

- Those who are “mentally retarded” without corresponding affective disturbances or thought disorder
- Those 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

5. Therapeutic approaches to be used.

IRBH asserts their mission is to assist patients 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 states the focus for the Clinical Services team in its therapeutic approach will be based on the following techniques and principles:

- Multidisciplinary approach incorporating psychiatric, psychosocial, and medical components
- Therapeutic milieu designed to encourage patient participation in therapeutic, behavioral, nursing and recreational groups
- Components of Cognitive Behavioral Therapy (CBT) and Rational Emotive Behavior Therapy (REBT) incorporated into clinical groups to develop problem solving and coping skills
- Components of Transactional Analysis to facilitate appropriate communication techniques and more functional interpersonal relationships
- Implementation of the 12-Step Program in relation to psychiatric conditions

IRBH will apply this therapeutic approach to the following services:

- Nursing Services
- Individual Therapy
- Family Therapy
- Family and Patient Education
- Pharmacology
- Activities Therapy
- Discharge Planning
- Referral Service

6. Expected sources of patient referrals.

IRBH expects to receive patient referrals from:

- Cape Canaveral Hospital
- Holmes Regional Medical Center

- Palm Bay Hospital
- Parrish Medical Center
- Viera Hospital
- Wuesthoff Medical Center -- Melbourne
- Wuesthoff Medical Center -- Rockledge
- Other District 7 acute care hospitals
- Circles of Care Child/Adolescent Crisis Stabilization Unit
- Devereux Florida
- Department of Children and Families
- Brevard County Sheriff's Office
- Local psychiatrists, psychologists, physicians and other clinicians
- Managed care companies
- Residential Treatment Programs
- Court order (justice system)
- 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.

The applicant states that based on UHS's experience in its Florida hospitals the average length of stay is expected to be 9.0 days.

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.

IRBH expects 50 percent of admissions to be Baker Act patients based on performance at other UHS child and adolescent psychiatric hospitals throughout Florida. Therefore the applicant estimates approximately 695 Baker Act admissions in year two. The applicant includes the following chart forecasting patient days by payor for years one and two of the proposed project.

**IRBH Forecasted Patient Days by Payor
Years One and Two**

Payor	Patient Days		Percent of Total	
	Year One	Year Two	Year One	Year Two
Medicaid HMO	2,526	5,974	47.8%	47.8%
Blue Cross	604	1,429	11.4%	11.4%
Commercial Insurance	24	56	0.5%	0.4%
Other Managed Care	1,615	3,820	30.5%	30.5%
Self-Pay/Charity	246	580	4.7%	4.6%
Other	273	647	5.2%	5.2%
Total	5,287	12,506	100.0%	100.0%

Source: CON application #10233, page 81

The applicant’s Schedule 7A forecasts 19.6 percent occupancy for year one and 46.2 percent occupancy for year two of the proposed project.

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

IRBH states it is UHS’s policy to provide financial assistance based on federal poverty guidelines to patients with no health insurance or other state or federal health assistance or for whom the out of pocket expenses are significant.

According to the applicant, the business office financial counselor will screen patients who indicate an inability to pay to determine if verifiable income qualifies for charity care. Patients whose verifiable family income for the previous 12 months is less than or equal to 200 percent of the federal poverty level qualify for charity care, unless the amount of hospital charges exceeds 25 percent of annual family income.

IRBH promises to treat patients whether they are indigent and regardless of their ability to pay. The applicant asserts it will maintain a charity care policy similar to UBC and CFBH’s policy, which is provided in the supporting documents of CON application #10233.

- g. 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.**

The applicant agrees to report the number of hospital inpatient general psychiatric service admissions and patient days by age and primary diagnosis code to the Agency within 45 days after the end of each calendar quarter.

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?**

IRBH notes that of District 7’s three child and adolescent psychiatric hospital providers, only UBC and CFBH are freestanding specialty psychiatric hospitals. The applicant presents the following chart demonstrating that for CY 2013, the five child and adolescent psychiatric providers in District 7 functioned at 78.3 percent occupancy. IRBH points out that three of the five providers in the district exceeded the Agency’s threshold of 75 percent occupancy for the 12-month period.

District 7 Child and Adolescent Psychiatric Bed Inventory and Occupancy CY 2013

Provider	County	Licensed Beds	Patient Days	Occupancy Rate
Devereux Florida	Brevard	100	27,386	75.03%
Central Florida Behavioral Hospital	Orange	23	6,331	59.79%
La Amistad	Orange	40	13,300	91.10%
South Seminole Hospital	Seminole	24	2,380	27.17%
University Behavioral Center	Orange	88	30,874	96.12%
District 7	--	275	80,271	78.26%

Source: CON application #10233, page 86

Note: Nemours Children’s Hospital was approved to establish a 10-bed unit via E120009 on August 3, 2013, therefore it has no utilization data for CY 2013

The applicant notes that it is likely the above facilities consistently operate at even greater functional occupancy because genders and some diagnoses cannot be comingled. IRBH also mentions there will be a 30-bed decrease in licensed beds for the district. Without the approval of the proposed 74 beds, the applicant believes occupancy would increase from 78 percent to 90 percent.

IRBH also states that the need for available and accessible child and adolescent behavioral health services in Brevard County is supported by the Brevard County Community Health Improvement Plan 2013-2016. One of the plan’s issues is access to care, and specifically mentions improving services and reducing barriers to behavioral health care for children.

IRBH states that most District 7 residents primarily remain within District 7 for psychiatric inpatient treatment. As demonstrated in the table below, UBC has nearly half of the market share with 47 percent of resident cases in CY 2013. The applicant further examines Brevard County residents who sought psychiatric treatment, which totaled 99 patients. Please see the chart below.

**District 7 and Brevard County Resident Market Share
MDC 19, Ages 0 through 17
CY 2013**

Facility	Hospital County	District 7 Cases	District 7 Market Share	Brevard County Only Cases	Brevard County Market Share
University Behavioral Center	Orange	1,131	47.0%	37	37.4%
Central Florida Behavioral Hospital	Orange	663	27.6%	25	25.3%
South Seminole Hospital	Seminole	462	19.2%	--	--
La Amistad Residential Treatment Center	Orange	115	4.8%	20	20.2%
Devereux Florida	Brevard	9	0.4%	4	4.0%
Halifax Psychiatric Center North	Volusia	6	0.2%	1	1.0%
IRBH Medical Center	Indian River	6	0.2%	6	6.1%
Nemours Children’s Hospital	Orange	4	0.2%	--	--
Shands at Vista	Alachua	3	0.1%	1	1.0%
Orlando Regional South Seminole Hospital	Seminole	--	--	5	5.1%
All Other	--	7	0.3%	--	--
Total	--	2,406	100.0%	99	100.0%

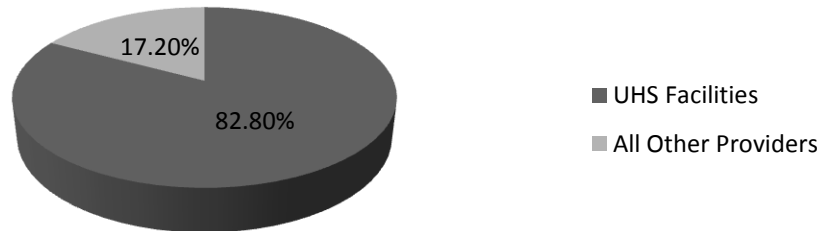
Source: CON application #10233, page 92

The reviewer notes the Brevard County Market Share column arithmetically totals 100.1 percent.

Based on the above figures, the applicant notes the three UHS facilities in District 7 -- UBC, CFBH, and La Amistad -- have 83 percent market share of Brevard County child and adolescent psychiatric inpatient utilization. IRBH notes these three facilities are between 38 and 60.2 miles from central Brevard (Rockledge), causing geographic burdens that put stress on family involvement during the treatment process.

The applicant provides the following pie chart and notes that even with its nearest hospital being 38 miles away and outside Brevard County, UHS still contributes the most to serving child and adolescent psychiatric patients. IRBH notes, discharges are only from providers with licensed psychiatric beds.

UHS Market Share in Brevard County Child and Adolescent Psychiatric Discharges Calendar Year 2013



Source: CON application #10233, page 33

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.

IRBH is a newly formed entity and does not have a history of providing care. However, the applicant states intent to develop a quality assurance and performance improvement program based on other Florida UHS child and adolescent psychiatric hospitals such as UBC and CFBH.

The applicant states that UHS's Behavioral Health Division is the largest provider of premier behavioral health services in the United States. IRBH indicates that despite UHS's large size, its philosophy is to maintain an individualized approach to each facility. Treatment programs and services vary by facility and cater to the needs of the community they serve.

The applicant notes that the proposed 74-bed facility will be the child and adolescent hospital to admit and treat Baker Act patients in Brevard County and will have a separate entrance, triage and holding area for voluntary admissions.

IRBH states that its goal is to provide the very best behavioral health care services to children and adolescents 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 an annual Performance Improvement Plan (PIP). The PIP will continuously focus on improving important functions and processes of the organization in order to increase the quality of care and patient outcome and to enhance operational efficiency.

IRBH indicates that it will provide a wide variety of continuing education courses for its employees. Additionally, the applicant has conditioned approval of the proposed project to the following quality measures:

- IRBH will seek to become a training site for Eastern Florida State College and UCF, and any others in area, for nursing students, social services, activities therapy and others
- IRBH will seek to become a residency training site for UCF College of Medicine

UHS has 15 licensed hospitals in Florida with a total of 1,607 beds. Agency data indicates that UHS affiliated hospitals had 62 substantiated complaints during the three-year period ending September 10, 2014. A single complaint can encompass multiple complaint categories. The table below has these listed by complaint categories.

**UHS Substantiated Complaints in Florida Hospitals
Past 36 Months**

Complaint Category	Number Substantiated
Quality of Care/Treatment	27
Resident/Patient/Client Rights	18
Resident/Patient/Client Assessment	8
Nursing Services	7
State Licensure	7
Admission, Transfer & Discharge Rights	6
Resident/Patient/Client Abuse	5
Restraints/Seclusion General	5
Administration/Personnel	3
Emergency Access	2
EMTALA	2
Unqualified Personnel	2
Physical Environment	2
Dietary Services	1
Falsification of Records/Reports	1
Infection Control	1
Physician Services	1

Source: Florida 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.**

The applicant is a start-up entity with no assets, liabilities or revenues and was created primarily for the purpose of obtaining a CON for a child and adolescent inpatient psychiatric hospital in Brevard County, Florida.

The applicant is a wholly owned subsidiary of UHS (parent). In support of the applicant, the parent company provided a letter of financial commitment, committing the parent company to fund the total project cost, working capital and operating deficits for the proposed facility.

The applicant provided a copy of the December 31, 2013, 10-K for 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--Parent

The applicant'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, an adequate position. Overall, the applicant has an adequate short-term position (see Table 1).

Long-Term Position--Parent

The ratio of long-term debt to net assets of 1.2 is well above average and indicates that long-term debt exceeds equity. With long-term debt exceeding equity, the parent may have difficulty obtaining future debt financing if necessary. 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 applicant has a slightly weak long-term position (see Table 1).

Capital Requirements

The applicant indicates on Schedule 2 capital projects totaling \$16,787,262 million which includes this project and routine capital.

Available Capital

Funding for this project will be provided by the applicant's ultimate parent company. Based on our review, the applicant has working capital of \$372.4 million, cash and current investments of \$17.2 million, and cash flow from operations of \$884.2 million. The applicant appears to have sufficient capital to fund this project.

TABLE 1		
Indian River Behavioral Health, LLC - CON application #10233		
Analysis of Parent Company - Universal Health Services, Inc.		
	Parent	Parent
	12/31/13	12/31/12
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
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	\$799,231,000
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%	9.7%

Conclusion

Yes, 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). The average case mix for similar short-term psychiatric hospitals of 0.8977 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 2nd Quarter 2014, 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.

Projected net revenue per adjusted patient day (NRAPD) of \$609 in year one and \$624 in year two is between the control group's median and lowest values of \$669 and \$186 in year one, and between the median and lowest values of \$689 and \$191 in year two. With net revenues between the control group's median and lowest values, net revenues appear reasonable (see Tables 2 and 3).

Anticipated cost per adjusted patient day (CAPD) of \$1,047 in year one and \$613 in year two is between the control group's median and highest values of \$601 and \$2,037 in year one, and median and lowest values of \$618 and \$206 in year two. With CAPD falling between the control group's median and lowest values in year two, costs appear reasonable (see Tables 2 and 3). The applicant is projecting a decrease in CAPD between year one and year two of \$434, or 41.4 percent. It should be noted that this application is for a new facility. The first year of operation has a below average occupancy rate. The low occupancy rate decreases economies of scale and as the occupancy rate increases, CAPD would be expected to decrease.

The year two projected operating income for the applicant of \$128,286 computes to an operating margin per adjusted patient day of \$10 or 1.6 percent which is between the control group's median and lowest values of \$16 and negative \$1,608. With operating margin between the control group's median and lowest values, operating margin appears reasonable (see Table 3).

TABLE 2

**Indian River Behavioral Health, LLC
CON application #10233
2013 DATA -- Peer Group 15**

	Dec-17 YEAR 2 <u>ACTIVITY</u>	YEAR 1 ACTIVITY <u>PER DAY</u>	VALUES ADJUSTED FOR INFLATION		
			<u>Highest</u>	<u>Median</u>	<u>Lowest</u>
ROUTINE SERVICES	7,930,950	1,500	1,736	1,246	379
INPATIENT THERAPY	0	0	0	0	0
INPATIENT SURGERY	0	0	0	0	0
INPATIENT ANCILLARY SERVICES	0	0	150	0	0
OUTPATIENT SERVICES	0	0	271	28	0
TOTAL PATIENT SERVICES REV.	7,930,950	1,500	1,736	1,376	385
OTHER OPERATING REVENUE	0	0	97	1	0
TOTAL REVENUE	7,930,950	1,500	1,736	1,377	387
DEDUCTIONS FROM REVENUE	4,712,563	891	0	0	0
NET REVENUES	3,218,387	609	808	669	186
EXPENSES					
ROUTINE	1,434,272	271	477	180	81
ANCILLARY	360,010	68	170	20	0
AMBULATORY	0	0	0	0	0
TOTAL PATIENT CARE COST	1,794,282	339	0	0	0
ADMIN. AND OVERHEAD	2,192,081	415	0	0	0
PROPERTY	854,184	162	0	0	0
TOTAL OVERHEAD EXPENSE	3,046,265	576	1,770	369	119
OTHER OPERATING EXPENSE	696,420	132	0	0	0
TOTAL EXPENSES	5,536,967	1,047	2,037	601	201
OPERATING INCOME	-2,318,580	-438 -72.0%	228	16	-1,608
PATIENT DAYS	5,288				
ADJUSTED PATIENT DAYS	5,288				
TOTAL BED DAYS AVAILABLE	27,010				
ADJ. FACTOR	1.0000				
TOTAL NUMBER OF BEDS	74				
PERCENT OCCUPANCY	19.58%				
			VALUES NOT ADJUSTED FOR INFLATION		
			<u>Highest</u>	<u>Median</u>	<u>Lowest</u>
			98.8%	77.6%	3.8%
PAYER TYPE	<u>PATIENT DAYS</u>	<u>% TOTAL</u>			
SELF PAY	246	4.7%			
MEDICAID	0	0.0%	0.0%	0.0%	0.0%
MEDICAID HMO	2,526	47.8%	35.6%	0.0%	0.0%
MEDICARE	0	0.0%	99.9%	36.6%	0.0%
MEDICARE HMO	0	0.0%			
INSURANCE	628	11.9%			
HMO/PPO	1,615	30.5%	89.2%	23.6%	0.0%
OTHER	273	5.2%			
TOTAL	5,288	100%			

TABLE 3

**Indian River Behavioral Health, LLC
CON application #10233
2013 DATA -- Peer Group 15**

	Dec-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	18,758,999	1,500	1,787	1,282	390
INPATIENT THERAPY	0	0	0	0	0
INPATIENT SURGERY	0	0	0	0	0
INPATIENT ANCILLARY SERVICES	0	0	154	0	0
OUTPATIENT SERVICES	0	0	279	28	0
TOTAL PATIENT SERVICES REV.	18,758,999	1,500	1,787	1,416	396
OTHER OPERATING REVENUE	0	0	100	1	0
TOTAL REVENUE	18,758,999	1,500	1,787	1,416	398
DEDUCTIONS FROM REVENUE	10,959,590	876	0	0	0
NET REVENUES	7,799,409	624	831	689	191
EXPENSES					
ROUTINE	2,465,170	197	491	185	83
ANCILLARY	450,782	36	175	21	0
AMBULATORY	0	0	0	0	0
TOTAL PATIENT CARE COST	2,915,952	233	0	0	0
ADMIN. AND OVERHEAD	2,769,343	221	0	0	0
PROPERTY	924,528	74	0	0	0
TOTAL OVERHEAD EXPENSE	3,693,871	295	1,821	379	123
OTHER OPERATING EXPENSE	1,061,300	85	0	0	0
TOTAL EXPENSES	7,671,123	613	2,096	618	206
OPERATING INCOME	128,286	10 1.6%	228	16	-1,608
PATIENT DAYS	12,506				
ADJUSTED PATIENT DAYS	12,506				
TOTAL BED DAYS AVAILABLE	27,010				
ADJ. FACTOR	1.0000				
TOTAL NUMBER OF BEDS	74				
PERCENT OCCUPANCY	46.30%				
VALUES NOT ADJUSTED FOR INFLATION					
			<u>Highest</u>	<u>Median</u>	<u>Lowest</u>
			98.8%	77.6%	3.8%
PAYER TYPE	<u>PATIENT DAYS</u>	<u>% TOTAL</u>			
SELF PAY	580	4.6%			
MEDICAID	0	0.0%	0.0%	0.0%	0.0%
MEDICAID HMO	5,974	47.8%	35.6%	0.0%	0.0%
MEDICARE	0	0.0%	99.9%	36.6%	0.0%
MEDICARE HMO	0	0.0%			
INSURANCE	1,485	11.9%			
HMO/PPO	3,820	30.5%	89.2%	23.6%	0.0%
OTHER	647	5.2%			
TOTAL	12,506	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 applicant is applying to establish a new Class III Specialty Hospital with 74 child and adolescent inpatient psychiatric hospital beds in District 7, Brevard County, Florida. There is one other short term psychiatric hospital in Brevard County with 52 beds.

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 47 percent of short-term psychiatric hospital charges in Florida, while HMO/PPOs account for approximately 34 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. In this case, the applicant projects 0.0 percent of its projected patient days will come from Medicare and 78.3 percent from HMO/PPOs in year one. In year two these percentages do not change.

The User and Purchaser of Healthcare are Often Different – Roughly 81 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 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.

Conclusion:

No. 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 applicant has submitted all information and documentation necessary to demonstrate compliance with the architectural review criteria. The cost estimate for the propose project provided in Schedule 9, Table A and the project completion forecast provided in Schedule 10 appear to be reasonable. A review of the architectural plans, narratives and other supporting documents did not reveal any deficiencies that are likely to a have significant impact on either construction costs or the proposed completion schedule.

The plans submitted with this application were schematic in detail with the expectation that they will be necessarily revised and refined prior to being submitted for full plan review. The architectural review of this application 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 applicant owner. Approval from the Agency's Office of Plans and Construction is required before the commencement of any construction.

- 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.**

IRBH is a new entity formed for the purpose of filing CON application #10233 and has no operational history.

Per the Florida Hospital Uniform Reporting System data, UHS's Florida psychiatric facilities reported zero Medicaid or Medicaid HMO patient days during Fiscal Year (FY) 2013. Charity care was provided as follows:

**UHS Affiliated Short-term Inpatient Psychiatric Hospitals Adjusted
Charity Care Days & Percent Charity Care of Total Patient Days
FY 2013**

Facility	Charity Care Days	Percent of Total Facility Days
Atlantic Shores Hospital	111	1.0%
Central Florida Behavioral Hospital	2,041	5.7%
Emerald Coast Behavioral Hospital	2,172	8.6%
Fort Lauderdale Hospital	555	1.4%
River Point Behavioral Health	766	2.2%
The Vines Hospital	853	5.9%
Windmoor Healthcare of Clearwater	880	2.2%
Wekiva Springs	489	1.9%
University Behavioral Center	915	2.1%
UHS Total	8,782	3.2%
State Freestanding Short-Term Total	26,051	5.7%

Source: FHURS hospital financial reporting system data for FY 2013

UHS was below the state's charity care average for freestanding short-term inpatient psychiatric facilities during FY 2013.

**UHS Affiliated Long-term Inpatient Psychiatric Hospitals
Adjusted Charity Care Days & Percent Charity Care of Total Patient Days
FY 2013**

Facility	Charity Care Days	Percent of Total Facility Days
La Amistad Residential Treatment Center	239	1.8%
Gulf Coast Treatment Center	0	0.0%
UHS Total	239	1.3%
State Freestanding Long-Term Total	239	0.3%

Source: FHURS hospital financial reporting system data for FY 2013

The state has five long-term inpatient psychiatric hospitals, none of which provided services to Medicaid patients during FY 2013. UHS owns two of these hospitals. UHS exceeded the state long-term psychiatric facility average for charity care as the state's other providers did not report any charity care.

The applicant's Schedule 7A projects 47.77 percent of patient days and \$660 per patient day attributable to Medicaid HMO and 4.64 percent of patient days and -\$467 per patient day attributable to self-pay/charity care for year two (ending December 31, 2018) of the proposed project.

IRBH conditions approval of the proposed project on the provision of at least 35 percent of total hospital patient days to a combination of Medicaid/HMO/charity/self-pay payers, by year two of operations.

F. SUMMARY

Indian River Behavioral Health, LLC (CON application #10233) was formed by and is a wholly owned subsidiary of the parent company Universal Health Services, Inc. (UHS) for the purpose of filing the proposed project and will be referred to as IRBH or the applicant. IRBH proposes to establish a new Class III Specialty Hospital with 74 child and adolescent inpatient psychiatric beds in District 7, Brevard County, Florida.

UHS's Behavioral Health Division operates a total of 193 behavioral health facilities worldwide, with 10 adult psychiatric hospitals in Florida, and an 11th and 12th hospital approved in Marion and Flagler Counties, respectively. UHS also provides residential treatment for children and adolescents at some of its adult psychiatric hospitals and operates residential treatment facilities throughout Florida.

The applicant proposes eight conditions to CON approval on the application's Schedule C.

The total project cost is estimated at \$16,737,262. The project involves 50,361 GSF of new construction. The construction cost is \$9,044,535.

Need

In Volume 40, Number 39 of the Florida Administrative Register dated July 18, 2014, a fixed need pool of 74 beds was published for child and adolescent inpatient psychiatric beds in District 7 for the July 2020 Planning Horizon. The applicant's project is in response to the published need.

During the 12-month period ending December 31, 2013, District 7's child and adolescent beds averaged 78.26 percent utilization among five existing facilities.

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

- There is no existing child or adolescent psychiatric hospital beds in Brevard County
- There are no existing child or adolescent psychiatric hospital beds throughout a 129-mile stretch along the east coast, including the entire east coast of Brevard County
- The child and adolescent use rate by county within District 7 is lowest in Brevard County--which is the 12th lowest in the state
- The only existing child and adolescent behavioral health inpatient facility in Brevard County is an IRTF, which provides long term treatment post-acute services rather than stabilization and short term treatment
- The only Baker Act Receiving Facility in the county is a 16-bed public crisis stabilization unit which transfers the patient outside the county for acute hospitalization
- The existing licensed Brevard County provider is an IRTF--Devereux Florida, which is a highly occupied facility with 75 percent occupancy rate
- With only four percent of its patients being Brevard residents in CY 2013, Devereux predominately serves individuals originating from outside District 7 and in fact most patients are from outside the state
- The Brevard County Community Health Improvement Plan 2013-2016 contains several recommendations for the Brevard County health care system under their access to care category, including the following, "Improve behavioral health services so that children, adults and families are active, self-sufficient participants in their communities"

Quality of Care

- UHS's Behavioral Health Division is the largest provider of premier behavioral health services in the United States
- The applicant states that it will develop and maintain an annual Performance Improvement Plan (PIP)
- IRBH indicates that it will provide a wide variety of continuing education courses for its employees
- Agency data indicates that UHS affiliated hospitals had 62 substantiated complaints during the three-year period ending September 10, 2014

Cost/Financial Analysis

- Funding for this project and the entire capital budget should be available as needed
- This project appears to be financially feasible
- 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

Medicaid/Indigent Care

- FHURS FY 2013 financial data indicates that UHS's short-term psychiatric facilities provided 3.2 percent of their total annual patient days to charity care patients
- The applicant's Schedule 7A projects 47.77 percent of patient days and \$660 per patient day attributable to Medicaid HMO and 4.64 percent of patient days and -\$467 per patient day attributable to self-pay/charity care for year two (ending December 31, 2018) of the proposed project
- IRBH conditions approval of the proposed project on the provision of at least 35 percent of total hospital patient days to a combination of Medicaid/HMO/charity/self-pay payers, by year two of operations

Architectural Analysis

- The cost estimate and project completion schedule for the proposed project appear to be reasonable
- A review of the architectural plans, narratives and other supporting documents did not reveal any deficiencies that are likely to have a significant impact on either construction cost or the proposed completion schedule

G. RECOMMENDATION

Approve CON #10233 to establish a new Class III Specialty Hospital with 74 child and adolescent inpatient psychiatric beds in District 7, Brevard County, Florida. The total project cost is \$16,737,262. The project involves 50,361 GSF of new construction and a construction cost of \$9,044,535.

CONDITIONS:

- IRBH will be located in Brevard County
- IRBH will become a designated Baker Act Receiving Facility upon licensure and certification
- Upon licensure and certification, IRBH will seek Joint Commission Accreditation
- The applicant will provide at least 35 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
- IRBH will seek to become a training site for Eastern Florida State College and University of Central Florida (UCF), and any others in the area, for nursing students, social services, activities therapy and others
- IRBH will seek to become a residency training site for UCF College of Medicine
- The applicant will support local community based not-for-profit advocacy groups
- IRBH will support the National Alliance of Mental Illness (NAMI)'s local grass roots efforts by assisting and expanding their presence in Brevard County

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: _____

Marisol Fitch
Health Services and Facilities Consultant Supervisor
Certificate of Need