

## STATE AGENCY ACTION REPORT

### CON APPLICATION FOR CERTIFICATE OF NEED

#### A. PROJECT IDENTIFICATION

1. Applicant/CON Action Number:

**Wolfson Children's Hospital of Jacksonville, Inc./CON #10443**

841 Prudential Drive, Suite 1802  
Jacksonville, Florida 32207

Authorized Representative: Michael D. Aubin  
Senior Vice President  
(904) 202-5066

2. Service District

Pediatric Open Heart Surgery Planning Area 2 which includes District 3 (Alachua, Bradford, Citrus, Columbia, Dixie, Gilchrist, Hamilton, Hernando, Lafayette, Lake, Levy, Marion, Putnam, Sumter, Suwannee and Union Counties) and District 4 (Baker, Clay, Duval, Flagler, Nassau, St. Johns and Volusia Counties).

#### B. PUBLIC HEARING

A public hearing was not held or requested regarding the establishment of a pediatric open heart surgery program within approved CON #10426, in Pediatric Open Heart Surgery Planning Area (POHSPA) 2.

#### Letters of Support

The applicant includes 29 unduplicated letters of support in CON application #10443 (Appendix-Letters of Support). Of these 29 letters, 28 are of POHSPA 2 origin and one is from the State of New York authored by a trustee of the Baptist Health Foundation. All 29 letters indicate an affiliation with the applicant and are all individually composed. All these letters are complimentary of the services provided to children at Wolfson Children's Hospital. All these letters indicate need and support of the applicant to acquire its own Class 2 specialty hospital license. However, the reviewer notes that none of the 29 letters are specific to the application as proposed - to establish a pediatric open heart surgery program. The letters are generically supportive of the applicant acquiring its own Class 2 specialty hospital license. The reviewer also notes that these 29 support letters are duplicates of the 29 support letters for co-batched, companion CON applications #10442 and #10445.

The 29 letters can be categorized as follows: physicians (16 letters), parents of children who are current or former recipients of services at Wolfson Children's Hospital (six letters), Wolfson Children's Hospital board members (three letters), one letter each from a hospital trustee (Baptist Health Foundation), a hospice provider (Northeast Florida Community Hospice®), a Wolfson Children's Hospital volunteer and a supportive area resident.

Some noted themes among the physician letters include:

- Wolfson Children's Hospital has progressed through developmental periods and has functioned well in its current status but for future stages of development as a tertiary and quaternary regional children's hospital, it needs to become a Class 2 institution.
- A separate Class 2 hospital license would allow the hospital to operate without the unnecessary interference of the operations of the adult hospital and without being subservient to the adult hospital's needs.
- In the current situation, there is duplication of effort in regards to Joint Commission compliance.
- The proposal would allow practitioners to be better able to use pediatric processes, operations, administrative support, policies/bylaws and other support services that are more attuned to the unique needs of children.
- While in the current situation Wolfson Children's Hospital provides outstanding care to children, there are barriers because of:
  - The existing combined children and adult hospital operations
  - Substantial burden in providing effective and efficient care for children under these circumstances
- Being administratively combined with adult colleagues via a common Class 1 license has led to many "speed bumps" and barriers to a smooth partnership.
- The world of pediatric medicine is vastly different than the world of Adult Medicine, not just in terms of size of equipment but in disease processes and the very specific requirements that accompany those needs – the proposed project would allow for improved efficiency and elevated quality.
- Wolfson Children's Hospital provides a continuum of care from the prenatal period through transition into adulthood—serving in a lead role in developing national public policy to develop and implement new systems approaches. Becoming a Class 2 institution will be instrumental in the development of the proposed project.
- "Independent" children's hospitals are viewed substantively differently by communities than adult hospitals.
- The essence of children's hospitals is their uniqueness which is always overshadowed by the needs and politics of the adult hospital where a children's hospital is not operating independently.
- Proposed project board structure will allow for decisions in the best interest of the child and their families—not influenced by the needs and priorities of an adult hospital system.

- Budgets, programs, services, professional staff structures, community relationships, etc. will all be improved, facilitated and advanced with the proposed project.
- Limitation in the current structure as:
  - Bylaws are set for adult services with limited knowledge of unique differences in providing services to pediatric patients
  - Unnecessary efforts regarding credentialing
  - Combined medical staffs and medical boards resulting in inefficiencies
- A more nimble structure is needed to address the complexity of navigating operations for a pediatric hospital system.
- Future plans for the applicant to move toward comprehensive pediatric trauma care possibly enabling the hospital to compete for federal funding from a more advantageous position – leading to enhanced quality care for children and their health needs.

**C. PROJECT SUMMARY**

**Wolfson Children’s Hospital of Jacksonville, Inc. (CON application #10443)**, also referenced as WCHJ or the applicant, a development stage corporation and affiliate of not-for-profit hospital provider Baptist Health, is applying to establish a pediatric open heart surgery (OHS) program within approved CON #10426, in POHSPA 2, District 4, Duval County, Florida. Wolfson Children’s Hospital (WCH) and Baptist Medical Center Jacksonville (BMCJ) are both located at the same physical location and currently operate under a common license for Southern Baptist Hospital of Florida, Inc. (SBHF). WCH/BMCJ operate a pediatric OHS program jointly with a statutory teaching hospital, UF Health Jacksonville (UFHJ). The applicant is proposing to establish and operate a specialty hospital for children (patients 17 and under) at its current site under a new separate license in order to better serve children and their health needs. CON application #10443 is specific to a pediatric OHS program at its current site under a new separate license. WCHJ maintains that the change in structure reflects an internal reorganization and will have no impact on the quality of care provided to children on existing providers.

The pediatric OHS program being proposed is currently shared between SBHF and UFHJ. The applicant states that patient care and hospital operations will be seamless during the proposed transition from the SBHF license to the WCHJ license.

Other existing SBHF-licensed services which the applicant is seeking co-batched CON approval in this batching cycle include:

- Pediatric cardiac catheterization services (CON application #10442)
- Pediatric bone marrow transplantation (CON application #10445)

Provided that the proposed co-batched/companion projects are approved the applicant plans to transition all these projects from their current licensed operations at WCH/BMCJ to approved CON #10426 (WCHJ).

According to the applicant, the projects are clearly connected to fully establish the proposed children's specialty hospital. The applicant expects that if approved, the proposed project will not increase the total number of pediatric open heart surgery programs in POHSPA 2.

BMCJ is a Class 1 not-for-profit general hospital with 691 licensed beds and is located at the same physical location as the proposed project. This bed count includes: 582 acute care beds, 24 Level II neonatal intensive care unit (NICU) beds, 32 Level III NICU beds, 39 adult psychiatric beds and 14 child/adolescent psychiatric beds. The affiliate also provides Level II adult cardiovascular services and is a comprehensive stroke center. BMCJ operates a pediatric bone marrow transplantation program and shares a pediatric cardiac catheterization program and a pediatric OHS program with UFHJ.

The Agency notes WCHJ have CONs issued to establish a new 132-bed Class 2 specialty children's hospital (CON #10426), establish a new 24-bed Level II NICU (CON #10427) and establish a new 32-bed Level III NICU (CON #10428) through the delicensure of these same beds from BMCJ.

As a part of the proposed project, if approved and upon licensure, BMCJ will voluntarily delicense the existing pediatric open heart surgery program, the existing pediatric cardiac catheterization program and the existing pediatric bone marrow transplantation program and will simultaneously license those same programs at their existing location, pursuant to the approved CON #10426. CON application #10443 includes a letter to this effect, dated June 6, 2016, signed by A. Hugh Greene, FACHE, President and CEO of Baptist Health, SBHF and Wolfson, Inc.

Upon approval and licensure of the proposed project, UFHJ will voluntarily delicense the existing pediatric OHS program and the existing pediatric cardiac catheterization program. CON application #10443 includes a letter to this effect, dated May 5, 2016, signed by Russell E. Armistead, CEO, UFHJ.

The proposed pediatric OHS program, if approved, is expected to have initiation of service on October 1, 2016. Project costs total \$10,000. The project involves zero gross square feet (GSF) of renovated space and zero GSF of new construction, with no renovation and no construction costs. Total project costs include only the project development cost.

In Schedule C of CON application #10443, the applicant conditions the proposed project as follows:

- C.1. Specific site within the subdistrict. The parcel or address is as follows: 800 Prudential Drive, Jacksonville, Florida 32207, Duval County, District 4, Pediatric Heart Service Area 2; the present site; this condition has been included in all related applications
- C.2. Percent of a particular population subgroup to be served. The population subgroup, along with the percent to be served, is as follows: 33 percent of pediatric open heart surgeries to Medicaid, defined as Medicaid and Medicaid managed care combined
- C.3. Special programs listed as: Wolfson, Inc., will operate the beds and services listed below in the children's specialty (Class 2) hospital (ages 17 and under) along with the pediatric open heart surgery program in this application:
  - Acute Care – 132 beds
  - NICU Level II – 24 beds
  - NICU Level III – 32 beds
  - Child and Adolescent Psychiatric – 14 beds via CON exemption request
  - Pediatric Cardiac Catheterization
  - Pediatric Open Heart Surgery (this application)
  - Pediatric Bone Marrow TransplantationThis condition will be included in all related applications.
- C.4. Other, specified as: Simultaneously voluntarily delicense the pediatric open heart surgery program currently licensed under SBHF and UF Health Jacksonville with the licensure the pediatric open heart surgery program at Wolfson, Inc.; this application includes letters from the CEOs of Baptist Health and UF Health Jacksonville agreeing to this condition following Schedule C. This delicensure condition has been included in all associated applications

*Should the proposed project be approved, the applicant's conditions would be reported in the annual condition compliance report, as required by Rule 59C-1.013(3), Florida Administrative Code. The Agency will not impose conditions on already mandated reporting requirements.*

#### **D. REVIEW PROCEDURE**

The evaluation process is structured by the certificate of need review criteria found in Section 408.035, Florida Statutes and 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 (subdistrict), applications are comparatively reviewed to determine which applicant(s) best meet 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 Steve Love analyzed the application with consultation from the financial analyst Eric West, Bureau of Central Services, who reviewed the financial data and Gregory Register, 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. The reviewer provides the following analysis and review of CON application #10443 with regard to statutory and rule criteria.

**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? Ch. 59C-1.008(2), Florida Administrative Code.**

In Volume 42, Number 64, dated April 1, 2016 of the Florida Administrative Register, a fixed need pool of zero was published for additional pediatric open heart surgery programs in Service Planning Area 2 for the July 2018 planning horizon.

As of April 1, 2016, POHSPA 2 had one independent operational and one shared operational pediatric OHS program. The applicant is applying to delicense the pediatric OHS program at BMCJ and simultaneously reestablish that same program at WCHJ. The proposed project will not change the total inventory of pediatric open heart surgery programs in the service area.

**b. In addition to the published zero fixed need pool, Ch. 59C-1.033, Florida Administrative Code, outlines the criteria currently in effect for**

**evaluating applications for pediatric open heart surgery programs and standards which pediatric open heart surgery programs must follow:**

- 1. Pediatric open heart surgery programs shall be established on a regional basis. A new pediatric open heart surgery program shall not normally be approved unless the number of live births in the service planning area, minus the number of existing and approved programs multiplied by 30,000, is at or exceeds 30,000.**

POHSPA 2 consists of Districts 3 and 4. The following table shows the number of live births by county in Districts 3 and 4.

**Total Resident Live Births by County CY 2014**

<b>County</b>	<b>Number of Live Births</b>	<b>Birth Rate per 1,000 Population</b>
Alachua	2,916	11.6
Baker	365	13.4
Bradford	282	10.3
Citrus	1,016	7.1
Clay	2,083	10.6
Columbia	832	12.2
Dixie	169	10.3
Duval	12,514	14.1
Flagler	833	8.2
Gilchrist	167	9.8
Hamilton	145	10.0
Hernando	1,488	8.4
Lafayette	76	8.7
Lake	3,166	10.2
Levy	409	10.0
Marion	3,417	10.0
Nassau	745	9.8
Putnam	831	11.4
Saint Johns	2,148	10.3
Sumter	494	4.5
Suwannee	440	9.9
Union	154	9.8
Volusia	4,767	9.5
<b>TOTAL</b>	<b>39,457</b>	<b>10.8</b>

Source: Florida Department of Health (DOH), Community Health Assessment Resource Tool Set (CHARTS) website at <http://www.floridacharts.com/charts/BirthCharacteristics/>, on June 7, 2016

As shown above, the number of live births in POHSPA 2 in CY 2014, according to the Florida Department of Health’s CHARTS, was 39,457. PCCSPA 2 has one independent operational and one shared operational pediatric open heart surgery program. Therefore, 50,543 additional live births would be required to meet the need threshold in Rule 59C-1.032(8)(e) F.A.C.

The Agency notes that the proposed project is to delicense the pediatric OHS program at BMCJ and simultaneously reestablish that same program at WCHJ (CON application #10443).

WCHJ indicates that according to Florida Vital Statistics, in POHSPA 2, the CY 2013 live births totaled 38,973, in CY 2014 this total was 39,457 and the provisional total for CY 2015 is 40,301. The applicant contends that POHSPA 2 births in 2014 were 20,543 short of the threshold for a second pediatric OHS and that this directs the applicant to provide “not normal” and/or special circumstances that document the need for the proposed program.

**c. Special and “Not Normal” Circumstances**

WCHJ summarizes on page 26 of the application that the need for the proposed project is documented by three main factors:

- Utilization at the existing shared program have provided 104, 120 and 122 patients over CYs 2013, 2014 and 2015, respectively
- Projection of 127 and 131 pediatric OHS patients, in year one (ending 2017) and year two (ending 2018), the first two years of operation
- Available utilization data for pediatric OHS patients by county documents that programs in Jacksonville and Gainesville are appropriate to treat the service area residents by retaining 95.5 percent of patients when the four border counties are removed

WCHJ states that the argument for the proposed program begins with recent utilization of the existing program licensed under SBHF/UFHJ along with the other licensed pediatric OHS programs in Florida. See the table below.

**Pediatric Open Heart Surgery Utilization  
Florida Licensed Programs  
CY 2013 – CY 2015**

<b>Service Area</b>	<b>Facility</b>	<b>CY 2013</b>	<b>CY 2014</b>	<b>CY 2015</b>
POHSPA 1	No Programs	--	--	--
POHSPA 2	UF Health Shands Hospital	118	109	127
	SBHF/UFHJ	104	120	122
POHSPA 3	All Children’s Hospital	236	184	207
	St. Joseph’s Hospital	145	38	112
POHSPA 4	Arnold Palmer Medical Center	155	144	98
	Florida Hospital	68	118	120
	St. Mary’s Medical Center	20	18	0
POHSPA 5	Memorial Regional Hospital	107	131	121
	Jackson Memorial Hospital	47	53	40
	Nicklaus Children’s Hospital	181	194	194
<b>Florida Total</b>		<b>1,181</b>	<b>1,109</b>	<b>1,141</b>

Source: CON application #10443, page 15, Table 1-2



The reviewer confirms that the table above is consistent with the Agency’s records except that in CY 2015, St. Mary’s Medical Center performed a total of 16 pediatric OHSs before July 1, 2015. St. Mary’s Medical Center provided notification of closing its pediatric OHS program effective September 1, 2015.

The applicant discusses discrepancies in the reporting of pediatric OHS programs, as shown in the Agency’s Florida Need Projections for: Pediatric Open Heart Surgery Programs and Pediatric Cardiac Catheterization Programs publication, issued April 2016 (for CY 2015) and the corresponding Agency inpatient hospital database for the same facilities for the same period. WCHJ indicates that its projections will be based primarily on the Agency’s publication with information obtained from the database as guidance. The applicant notes the database utilization of MSDRGs 216-221 and 228-236. The applicant points out 1,141 pediatric OHS procedures statewide reported in the Agency publication is 50.5 percent higher than the 758 surgeries for age 0-14 in the database and 41.6 percent higher than the 806 surgeries reported for the population age 0-17 in the database. WCHJ asserts that the discrepancy is most likely related to OHS for neonatal patients that are discharged under a neonatal MSDRG rather than an OHS MSDRG. See the table below.

**Comparison of Pediatric OHS Data  
Agency Need Publication and Agency Inpatient Databases**

<b>Service Area</b>	<b>Facility</b>	<b>Database* Age 0-14 for FY15</b>	<b>Database* Age 15-17 for FY15</b>	<b>Database* Age 0-17 for FY15</b>	<b>Agency Need Publication CY15</b>
POHSPA 1	No Programs	--	--	--	
POHSPA 2	UF Health Shands Hospital	87	8	95	127
	SBHF/UFHJ	83	5	88	122
POHSPA 3	All Children’s Hospital	125	3	128	207
	St. Joseph’s Hospital	79	7	86	112
POHSPA 4	Arnold Palmer Medical Center	71	2	73	98
	Florida Hospital	44	8	52	120
POHSPA 5	Memorial Regional Hospital	75	5	80	121
	Jackson Memorial Hospital	42	1	43	40
	Nicklaus Children’s Hospital	152	9	161	194
<b>Florida Total</b>		<b>758</b>	<b>48</b>	<b>806</b>	<b>1,141</b>

\* October 2014 to September 2015

Source: CON application #10443, page 17, Table 1-3

WCHJ contends that consistent with its proposal to operate a children’s specialty hospital (Class 2) for children ages 0 to 17, the applicant’s projections for pediatric OHS considers the patient population 0 to 17 rather than the 0 to 14 age range in Agency rule. The applicant estimates a three year (CY 2013 to CY 2015) statewide pediatric OHS use rate of 5.21 (per 1,000 births) and an estimated three year (CY 2013 to CY 2015) POHSPA 2 pediatric OHS use rate of 5.89 (per 1,000 births). According to WCHJ, these

use rates are determined from data reported in the Agency’s Florida Need Projections. In addition, live birth totals are drawn for the same three year period from Florida Vital Statistics. See the table below.

**Pediatric OHS Use Rate  
Florida and POHSPA 2  
2013-2015**

	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>Average</b>
FL Births	215,194	219,905	223,666	
FL OHS	1,181	1,109	1,141	
OHS Rate/1000 Births	5.49	5.04	5.10	5.21
POHSPA 2 Births	38,973	39,457	40,301	
POHSPA 2 OHS	222	229	249	
OHS Rate/ 1000 Births	5.70	5.80	6.18	5.89

Source: CON application #10443, page 18, Table 1-4

WCHJ indicates a POHSPA 2 CY 2014 birth rate of 10.8 per 1,000 population. The applicant notes that POHSPA 2 will have a total population of 3,765,980 residents (in 2016) and 3,956,034 residents (in 2021). Using these total population estimates, a constant birth rate of 10.8 and a constant OHS rate of 5.89, WCHJ projects for POHSPA 2 in 2016, 240 OHSs and 252 OHSs in 2021. See the table below.

**OHS Projections for POHSPA 2  
2016 – 2021**

<b>Year</b>	<b>Total Population</b>	<b>Birth Rate</b>	<b>Births</b>	<b>OHS Rate</b>	<b>PHSA 2 OHS</b>
2016	3,765,980	10.8	40,673	5.89	240
2017	3,803,991		41,083		242
2018	3,842,002		41,494		244
2019	3,880,012		41,904		247
2020	3,918,023		42,315		249
2021	3,956,034		42,725		252

Source: CON application #10443, page 21, Table 1-7

The applicant indicates that SBHF/UFHJ performed 67 of 153 (43.79 percent) of the POHSPA 2 pediatric (age 0-17) OHS procedures. WCHJ believes that this places Wolfson’s market share for pediatric open heart surgeries at 45 percent and maintains that this share is held constant throughout the projection period. See the table below.

**OHS Market Share – POHSPA 2  
Pediatrics 0 to 17  
FY15 (October 2014 to September 2015)**

	<b>SBHF/ UFHJ</b>	<b>All Children’s</b>	<b>Arnold Palmer</b>	<b>Florida Hospital</b>	<b>Nicklaus Children’s</b>	<b>St. Joseph’s</b>	<b>UFHS</b>	<b>Total Patients</b>
POHSPA 2 Patients	67	13	14	10	1	2	46	153
POHSPA 2 Share Percent	43.8%	8.5%	9.2%	6.5%	0.7%	1.3%	30.1%	

Source: CON application #10443, page 22, Table 1-8

The applicant states that based on experience in 2015, 12 percent of the hospital’s inpatients were non-POHSPA 2 residents. WCHJ discusses the delivery of pediatric services outside POHSPA 2 due to collaborations and pediatric specialty centers in POHSPA 2 as well as non-POHSPA 2 areas. The applicant maintains these regional children’s specialty centers provide clinics for local children to see Wolfson-based specialist and use Wolfson-based services:

- Fleming Island
- Lake City
- Daytona Beach
- Tallahassee
- Brunswick

WCHJ estimates an out-of-area percentage forecast to increase from 12.0 percent to 13.0 percent in 2016, 14.0 percent in 2017 and stabilizing at 16 percent in 2018. The applicant maintains that based on its prior projections and its out-of-area patient estimates, WCHJ anticipates 127 and 131 OHS patients in 2017 and 2018, respectively. See the table below.

**Projected Pediatric OHS Patients  
Wolfson, Inc. Proposed Specialty Hospital for Children**

	<b>2016</b>	<b>2017 Year 1</b>	<b>2018 Year 2</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
POHSPA 2 Patients	240	242	244	247	249	252
Wolfson Share Percent	45%	45%	45%	45%	45%	45%
Wolfson Patients From POHSPA 2	108	109	110	111	112	113
Out-of-Area Percent	13.0%	14.0%	16.0%	16.0%	16.0%	16.0%
Wolfson Out-of-Area Patients	16	18	21	21	21	22
Wolfson Total OHS Patients	124	127	131	132	134	135

Source: CON application #10443, page 23, Table 1-9

WCJH emphasizes that its estimates will not adversely impact any other existing pediatric OHS programs in Florida. WCHJ utilizes the Agency inpatient database in providing out-migration and retention totals, by county for POHSPA 2 OHS patients (age 0 to 17) for October 2014 to September 2015. See the table below.

**Out-Migration and Retention  
POHSPA 2 OHS Patients 0-17 by County  
October 2014 - September 2015**

<b>Patient County</b>	<b>County's Total Patients</b>	<b>SBHF/ UHFJ County</b>	<b>UFHS From County</b>	<b>Total PHSA 2 Hospitals</b>	<b>Percent Retained at PHSA 2 Hospitals</b>
Alachua	12		11	11	91.7%
Bradford	1		1	1	
Citrus	2		1	1	50.0%
Clay	7	6	1	7	
Columbia	3		3	3	
Duval	43	41	2	43	
Flagler	2	2		2	
Gilchrist	1		1	1	
Hernando	13			0	0.0%
Lake	6		1	1	16.7%
Levy	4		4	4	
Marion	18		15	15	83.3%
Nassau	4	4		4	
Putnam	3		3	3	
Saint Johns	11	9	1	10	90.9%
Suwannee	2		2	2	
Volusia	21	5		5	23.8%
<b>TOTAL</b>	<b>153</b>	<b>67</b>	<b>46</b>	<b>113</b>	<b>73.9%</b>
<b>TOTAL Without Border Counties</b>	<b>111</b>	<b>62</b>	<b>44</b>	<b>106</b>	<b>95.5%</b>

Source: CON application #10443, page 25, Table 1-10

WCHJ indicates that the lowest percentage of patients retained by POHSPA 2 programs are in the four “border” counties, meaning that that share a border with another POHSPA and are located within close proximity to a pediatric OHS program in those POHSPAs. The applicant briefly discusses the non-POHSPA 2 pediatric OHS programs that are physically near the stated border counties. WCHJ points out that when the two border counties are removed, the two existing pediatric OHS programs in POHSPA 2 retain 95.5 percent (106 of 111 patients) of the POHSPA 2 patients. According to WCHJ, this analysis clearly demonstrates that the presence of the two existing programs in Jacksonville and Gainesville are appropriate for meeting the OHS needs for patients in POHSPA 2.

WCJH emphasizes that its estimates will not adversely impact any other existing pediatric cardiac catheterization programs in Florida. The applicant contends that the need for the proposed project extends beyond the reasons shown above. The applicant maintains that there are many benefits to licensing Wolfson separately from SBHF:

- Increased focus and efficiency:
  - Under the current combined hospital model, policies and procedures generally must apply to both pediatric and adult patients. With WCHJ separately licensed, the facility can focus all of its efforts exclusively on pediatrics to care for children.
- Increased grant funding and philanthropy:
  - Combined financial results disguise Wolfson's need for grant funding for patient care initiatives, teaching and research efforts. Separate licensure will allow Wolfson to accurately provide the hospital's true costs and provide separate financial statements.
- Enhanced access to care:
  - As a separate entity, WCHJ will have more flexibility to participate as a pediatric health care provider for health plans and allow for the development of pediatric direct contracts with insurers or employers. The expansion will increase the region's access to pediatric specialties and specialists at Wolfson.
- Attracting more pediatric specialists:
  - Separate licensure will provide possible access to federal Children's Hospital Graduate Medical Education (CHGME) funds for the training of future pediatric medical professionals. Physicians often choose to live and work in the community where they trained.

The applicant discusses these four topics in greater detail (pages 27 to 35 of the application). WCHJ contends that if approved, the proposed project will eliminate requirements and distractions to adult care, allowing a singular focus on the care of children.

## **2. Agency Rule Preferences**

**Does the project respond to preferences stated in Agency rules? See Chapter 59C-1.033 of the Florida Administrative Code.**

Chapter 59C-1.033 of the Florida Administrative Code contains standards the Agency utilizes in assessing the applicant's ability to provide quality care. References to adult open heart surgery programs have been deleted.

The reviewer notes that the applicant is a development stage corporation and has no operating history. However, the referenced current/existing program is that of Wolfson, within the existing BMCJ, and is currently licensed by the Agency to provide pediatric OHS as a shared program with UFHJ.

a. **Service Availability – Rule 59C-1.033 (3), Florida Administrative Code**

- (1) Each pediatric open heart surgery program must have the capability to provide a full range of open heart surgery operations, including at a minimum:**
- (a) Repair or replacement of heart valves;**
  - (b) Repair of congenital heart defects;**
  - (c) Cardiac revascularization;**
  - (d) Repair or reconstruction of intrathoracic vessels; and**
  - (e) Treatment of cardiac trauma.**
  - (f) Applicants for pediatric open heart surgery programs shall document the manner in which they will meet the requirements of this paragraph.**

The applicant indicates that the existing pediatric OHS program has the capacity to provide a full range of OHS operations including those listed above, and will continue to provide these surgeries in the proposed program.

WCHJ states that it has health care providers, including surgeons, anesthesiologists for open heart surgery, perfusionists, operating room registered nurses and surgical techs in place today. The applicant maintains that it has the necessary personnel and facilities to provide post-surgical care to OHS patients including cardiologists and a 12-bed pediatric cardiovascular ICU with registered nurse staffing capable of providing 1:2 or 1:1 nurse to patient ratio depending on patient age and procedure.

- (2) Each pediatric open heart surgery program must document its ability to implement and apply circulatory assist devices such as intra-aortic balloon assist and prolonged cardiopulmonary partial bypass.**

WCHJ maintains that the existing program has the ability to implement and apply circulatory assisted devices such as intra-aortic balloon assist and prolonged cardiopulmonary partial bypass and will continue to have the ability to do so in the proposed program.

- (3) A health facility with a pediatric open heart surgery program shall provide the following services:**
- (a) Cardiology, hematology, nephrology, pulmonary medicine, and treatment of infectious diseases;**
  - (b) Pathology, including anatomical, clinical, blood bank, and coagulation laboratory services;**

- (c) **Anesthesiology, including respiratory therapy;**
- (d) **Radiology, including diagnostic nuclear medicine;**
- (e) **Neurology;**
- (f) **Inpatient cardiac catheterization;**
- (g) **Non-invasive cardiographics, including electro-cardiography, exercise stress testing, and echocardiography;**
- (h) **Intensive care; and**
- (i) **Emergency care available 24 hours per day for cardiac emergencies.**

WCHJ states that it has a total of 30 pediatric medical staff specialties, 276 active pediatric physicians at WCH and 375 total physicians among all categories at WCH. According to WCHJ, these physicians document the presence of active physician specialists in the categories listed above.

The applicant notes that the provision of pediatric inpatient cardiac catheterization is discussed in co-batched CON application #10442. WCHJ also indicates the provision of extensive non-invasive cardiology services including, but not limited to, electrocardiography, stress testing and echocardiography.

WCHJ states that it has a 12-bed pediatric cardiovascular intensive care unit (CVICU) staffed by 37 registered nurses with training and experience in caring for open heart patients post-surgery. The applicant maintains that the provision of a children's emergency room at its main campus, as well as two freestanding emergency rooms in the Jacksonville area provides a full range of emergency care, including cardiac-related emergencies. The applicant contends that all of these personnel, services and practices will continue in the proposed program.

**b. Service Accessibility Rule 59C-1.033(4), Florida Administrative Code.**

- (1) **Hours of Operation. Pediatric open heart surgery programs shall be available for elective open heart operations eight hours per day, five days a week. Each pediatric open heart surgery program shall possess the capability of rapid mobilization of the surgical and medical support teams for emergency cases 24 hours per day, seven days a week. Applicants for pediatric open heart surgery programs shall document the manner in which they will meet this requirement.**

WCHJ indicates that the existing pediatric OHS program is available for elective OHS operations eight hours per day, Monday through Friday, and is capable of rapid mobilization 24/7. The applicant indicates that existing physician staffing documents the ability to

provide 24/7 coverage and that the pediatric CVICU is staffed 24/7. WCHJ contends that these staffing levels, policies and practices will continue in the proposed program.

- (2) **Open Heart Surgery Team Mobilization. Pediatric open heart surgery shall be available for emergency open heart surgery operations within a maximum waiting period of two hours.**

WCHJ indicates that the existing physician staffing levels document the ability to provide 24/7 coverage and the existing surgical team of registered nurses, surgical techs and perfusionists are included within the existing Baptist Health 24/7 call coverage policy. The applicant states that these staffing levels, policies and practices will continue in the proposed program.

- (3) **Underserved Population Groups. Pediatric open heart surgery shall be available to all persons in need. A patient's eligibility for open heart surgery shall be independent of his or her ability to pay. Applicants for pediatric open heart surgery programs shall document the manner in which they will meet this requirement. Pediatric open and closed heart surgery shall be available in each pediatric open heart surgery program service area.**

The applicant conditions project approval to 33 percent of pediatric open heart surgeries to Medicaid, defined as Medicaid and Medicaid managed care combined. Schedule 7A of the application indicates that in year one (ending 2017) the applicant estimates Medicaid/Medicaid HMO at 45.6 percent and self-pay at 24.4 percent and in year two (ending 2018) the applicant estimates Medicaid/Medicaid HMO at 45.8 percent and self-pay at 24.4 percent, total annual patient days.

c. **Service Quality Rule 59C-1.033(5), Florida Administrative Code.**

- (1) **Availability of Health Personnel. Any applicant proposing to establish a pediatric open heart surgery program must document that adequate numbers of properly trained personnel will be available to perform in the following capacities during open heart surgery:**

- (a) **A cardiovascular surgeon, board-certified by the American Board of Thoracic Surgery, or board-eligible;**
- (b) **A physician to assist the operating surgeon;**
- (c) **A board-certified or board-eligible anesthesiologist trained in open heart surgery;**
- (d) **A registered nurse or certified operating room technician trained to serve in open heart surgery operations and perform circulating duties; and**



- (e) A perfusionist to perform extracorporeal perfusion, or a physician or a specially trained nurse, technician, or physician assistant under the supervision of the operating surgeon to operate the heart-lung machine.**

WCHJ states that the current pediatric OHS program has three fellow-trained and board certified physicians with active privileges. According to the applicant, these surgeons will continue to staff the proposed program. See the table below.

**Active Pediatric Cardiothoracic Surgeons at Wolfson**

<b>Pediatric Cardiothoracic Surgeon</b>	<b>Florida License</b>	<b>Board Certification(s)</b>
Eric L. Ceithaml, MD	ME50651	Thoracic Surgery
Michael S. Shillingford, MD	ME109640	Thoracic Surgery
Mark S. Bleiweis, MD	ME95724	Thoracic Surgery and Congenital Cardiac Surgery

Source: CON application #10443, page 40, Table 2-1

The applicant states and the reviewer confirms that each of these physician’s curriculum vitae (CV) is included in the application Appendix and that a review of these CVs indicates that these physicians have Florida licensure and are board certified as shown in the table above.

WCHJ states that the existing program has six pediatric anesthesiologists with active privileges with training in OHS. According to the applicant, these six physicians will continue to staff the proposed program. See the table below.

**Active Pediatric Anesthesiologists at Wolfson with OHS Training**

<b>Pediatric Cardiothoracic Surgeon</b>	<b>Florida License</b>	<b>Board Certification(s)</b>
Robert B. Bryskin, MD	ME100847	Pediatric Anesthesiology and Anesthesiology
Steve V. Collins, MD	ME76156	Pediatric Anesthesiology and Anesthesiology
Gohalem Felema, MD	ME110492	Pediatric Anesthesiology and Anesthesiology
Renee M. Heng, MD	ME116903	Pediatric Anesthesiology and Anesthesiology
Bevan P. Londergan, MD	ME112918	Pediatric Anesthesiology and Anesthesiology
Kevin J. Sullivan, MD	ME70848	Pediatric Anesthesiology, Anesthesiology, Pediatrics and Pediatric Critical Care

Source: CON application #10443, page 40, Table 2-2

The reviewer notes that per the Department of Health/Division of Medical Quality Assurance/Health Licensee Search website, these six physicians have a clear/active Florida medical license. According to

the same source, the license information/practitioner profile/specialty certification page is consistent with the table above, with the following exceptions:

**Physician, Florida License and Board Certification**

<b>Physician Name</b>	<b>Florida License</b>	<b>Board Certification(s)</b>
Steve V. Collins, MD	ME76156	Anesthesiology
Gohalem Felema, MD	ME110492	None
Renee M. Heng, MD	ME116903	None
Bevan P. Londergan, MD	ME112918	Anesthesiology
Kevin J. Sullivan, MD	ME70848	Anesthesiology, Pediatrics and Pediatric Critical Care

Source: (<https://appsmqa.doh.state.fl.us/MQASearchServices/Home>, June 29, 2016)

WCHJ states that the existing program utilizes a surgical physician’s assistant, four registered nurses and four surgical techs. The applicant indicates that these team members will seamlessly transition to the proposed program when licensed under Wolfson, Inc. WCHJ maintains that the existing program is staffed by two perfusionists for operating room coverage to meet the perfusionist requirement and that these team members will continue their roles in the proposed program.

- (2) Follow-up Care. Following an open heart surgery operation, patients shall be cared for in an intensive care unit that provides 24-hour nursing coverage with at least one registered nurse for every two patients during the first hours of post-operative care. There shall be at least one board-certified or board-eligible pediatric cardiac surgeon on the staff of a hospital with a pediatric open heart surgery program. A clinical cardiologist must be available for consultation to the surgical team and responsible for the medical management of patients as well as the selection of suitable candidates for surgery along with the cardiovascular surgical team. Backup personnel in cardiology, anesthesiology, pathology, thoracic surgery and radiology shall be on call in case of an emergency. Twenty-four hour per day coverage must be arranged for the operation of the cardiopulmonary bypass pump. All members of the team caring for cardiovascular surgical patients must be proficient in cardiopulmonary resuscitation.**

WCHJ states having a 12-bed CVICU that is staffed by 37 registered nurses with training and experience in caring for open heart patients post-surgery and maintains a 1:2 or 1:1 nurse to patient ratio depending on patient age and/or procedure. The applicant notes that these practices will continue in the proposed program.

According to WCHJ, there are eight pediatric cardiologists with active privileges at Wolfson that are available for consultation and medical

management of the OHS patients. WCHJ indicates that the current cardiologists will continue to staff the proposed program. See the table below.

**Active Pediatric Cardiologists at Wolfson**

<b>Pediatric Cardiologist</b>	<b>Florida License</b>	<b>Board Certification(s)</b>
Randall M. Bryant, MD	ME72840	Pediatric Cardiology and Pediatrics
Robert F. English, MD	ME87563	Pediatric Cardiology and Pediatrics
Jose E. Ettedgui, MD	ME86378	Pediatric Cardiology and Pediatrics
Jason G. Ho, MD	ME113301	Pediatric Cardiology and Pediatrics
Brandon E. Kuebler, MD	ME109642	Internal Medicine, Adult Congenital Heart Disease, Pediatric Cardiology and Pediatrics
Stephanie R. Lacey, DO	OS9818	Pediatric Cardiology and Pediatrics
Thomas J. Moon, Jr., MD	ME113107	Pediatric Cardiology and Pediatrics
Daniel L. Neagu, MD	ME112644	Pediatric Cardiology and Pediatrics

Source: CON application #10443, page 42, Table 2-3

The reviewer notes that per the Department of Health/Division of Medical Quality Assurance/Health Licensee Search website, these eight physicians have a clear/active Florida medical license. According to the same source, the license information/practitioner profile/specialty certification page is consistent with the table above, with the following exceptions:

**Physician, Florida License and Board Certification**

<b>Physician Name</b>	<b>Florida License</b>	<b>Board Certification(s)</b>
Brandon E. Kuebler, MD	ME109642	Internal Medicine, Pediatric Cardiology and Pediatrics
Stephanie R. Lacey, DO	ME109642	Pediatrics

Source: (<https://apps.mqa.doh.state.fl.us/MQASearchServices/Home>, June 29, 2016)

WCJH indicates that there are 11 radiation oncologists and eight pathologists serving the existing program. The reviewer notes that this follow-up care provision is already licensed and operational at WCH.

- d. Patient Charges. Charges for open heart surgery operations in a hospital shall be comparable with the charges established by similar institutions in the service area, when patient mix, reimbursement methods, cost accounting methods, labor market differences and other extenuating factors are taken into account.**

The applicant expects its proposed pediatric OHS program will be comparable to other existing providers in the area for the same types of patients, when mix of patients, cost accounting methods, and market factors are considered. WCHJ also expects a net patient service revenue in year one (ending 2017) of \$51,200 based on a total net operative revenue of \$6,502,458.

**4. 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.**

The applicant states that BMCJ will voluntarily delicense the existing pediatric open heart surgery program, the existing pediatric cardiac catheterization program and the existing pediatric bone marrow transplantation program and will simultaneously license those same programs at their existing location, pursuant to CON #10426. Letters signed by authorized representatives of BMCJ and UFHJ, the two existing shared pediatric open heart surgery program providers in Jacksonville (Duval County) are included in the application. These letters indicate plans to voluntarily delicense each of the shared pediatric open heart surgery programs upon CON approval and licensure of the proposed program.

UF Health Shands Hospital, located in Gainesville (District 3) and the shared program between BMCJ and UFHJ, located in Jacksonville (District 4) are the operational providers of pediatric open heart surgery services in Service Area II. There are no CON approved pediatric open heart surgery programs pending licensure in Service Area II. The chart below demonstrates pediatric open heart program utilization for CY 2015:

**Pediatric Open Heart Surgery Program Utilization Data  
CY 2015**

<b>Facility by Service Area</b>	<b>Total # of Procedures</b>
Service Area 1 (Districts 1 and 2)	
No Providers	0
Service Area 2 (Districts 3 and 4)	
UF Health Shands Hospital	127
BMCJ/UFHJ	122
Service Area 3 (Districts 5, 6 and 8)	
All Children's Hospital	207
St. Joseph's Hospital	112
Service Area 4 (Districts 7 and 9)	
Arnold Palmer Medical Center	98
Florida Hospital	120
Service Area 5 (Districts 10 and 11)	
Memorial Regional Hospital	121
Jackson Memorial Hospital	40
Nicklaus Children's Hospital	194
<b>Total</b>	<b>1,141</b>

Source: Florida Need Projections and Utilization for Pediatric Cardiac Catheterization and Pediatric Heart Surgery Programs and Transplantation Programs for July 2018 Planning Horizon, issued April 1, 2016

The table below represents the historical utilization reported by UF Health Shands Hospital and the shared BMCJ/UFHJ program, Service Area II's pediatric open heart surgery providers for the periods specified.

**Pediatric Service Planning Area II  
Open Heart Surgery Procedures  
CY 2011 - 2015**

Facility	District	County	2011	2012	2013	2014	2015
UFHSH	3	Alachua	93	100	118	109	127
BMCJ/UFHJ	4	Duval	111	97	104	120	122
<b>Total</b>			<b>204</b>	<b>197</b>	<b>222</b>	<b>229</b>	<b>249</b>

Source: Florida Need Projections and Utilization for Pediatric Cardiac Catheterization and Pediatric Heart Surgery Programs and Transplantation Programs for years indicated

As shown in the table above, for the five years ending December 31, 2015, Service Area II pediatric open heart surgery procedures generally trended upward—procedures in CY 2011 were 204 and total procedures in CY 2015 were 249.

The table below represents use rates for District 3 and District 4 pediatric open heart surgery cases for CY 2015, which demonstrates that 22 of 97 (22.68 percent) POHSPA 2 residents out-migrated to other service areas to obtain needed surgery, while 75 of 97 (77.32 percent) remained in POHSPA 2. The Agency utilized MSDRGs 216-221 and 228-236 in its 2015 discharge data run, to attain these totals. See the table below.

**Hospital of Treatment for District 3 and District 4 Residents  
CY 2015 Pediatric Open Heart Surgery Cases**

Facility	Service Area	District 3 and District 4 Patients	Out-Migration Cases
BMCJ	II	47	
UFHSH	II	28	
Johns Hopkins/All Children's Hospital	III	8	8
Arnold Palmer Medical Center	IV	7	7
Florida Hospital	IV	5	5
St. Joseph's Hospital	III	1	1
Nicklaus Children's Hospital	V	1	1
<b>Total</b>		<b>97</b>	<b>22</b>

Source: Florida Center for Health Information and Transparency

WCHJ reiterates that the proposed project is part of a series of CON applications to operate a children's specialty hospital under a separate hospital license, with the same beds and services that are currently operated under the SBHF license.

WCHJ discusses that three of Wolfson's five Children's Specialty Centers – Clay County, Volusia County and Columbia County located in POHSPA 2 and that these centers further enhance access to pediatric care and to

Wolfson services. The applicant notes that hospitals under the SBHF license have opened freestanding emergency rooms and that these provide access to pediatric emergency medicine specialists and nurses near where patients live, including emergency transportation for direct admits to Wolfson when the patient's condition requires an inpatient admission.

WCHJ reiterates total pediatric open heart surgery procedures in POHSPA 2 of 222, 229 and 249 in CY2013, CY2014 and CY2015, respectively. These totals are also consistent with Agency records. WCHJ also reiterates that for the 12-month period ending September 2015, the two existing programs retained 73.9 percent of pediatric OHS patients originating in POHSPA 2 and additionally retained 95.5 percent of pediatric OHS patients originating in POHSPA 2, when patient origins from the four "border" counties are excluded.

The applicant maintains that forecasted pediatric open heart surgery utilization from POHSPA 2 and out-of-area patients yielding 127 and 131 patients in year one (ending 2017) and year two (ending 2018).

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

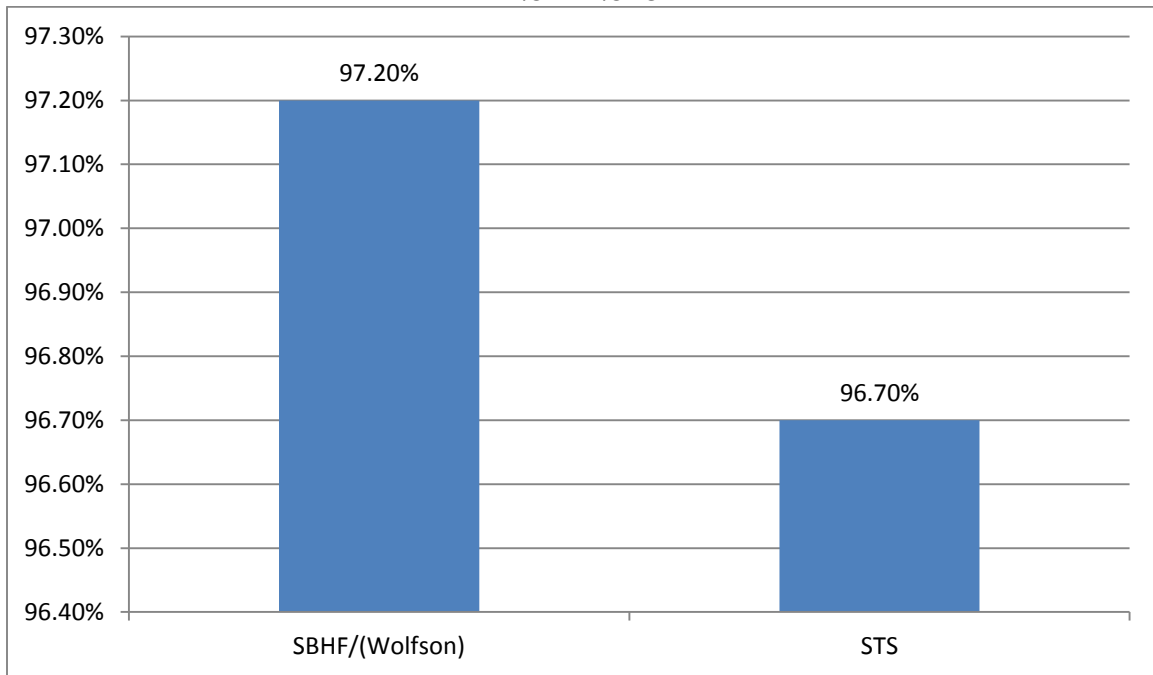
WCHJ is a development stage corporation and has no operating history. However, WCH currently operates under the license held by BMCJ/SBHF and the applicant included the Agency License and The Joint Commission Accreditation Summary. The applicant points out that The Joint Commission recognizes SBHF as a Top Performer on Key Quality Measures for children's asthma for 2014.

The applicant discusses the specific awards below and eight additional awards on pages 54 through 55 of the application. WCHJ indicates that the following recognitions/award are held by Baptist Health (the parent) facilities, including Wolfson's current operations:

- Magnet Designation
- *US News* Best Children's Hospitals
- Beacon Award for Excellence – Gold

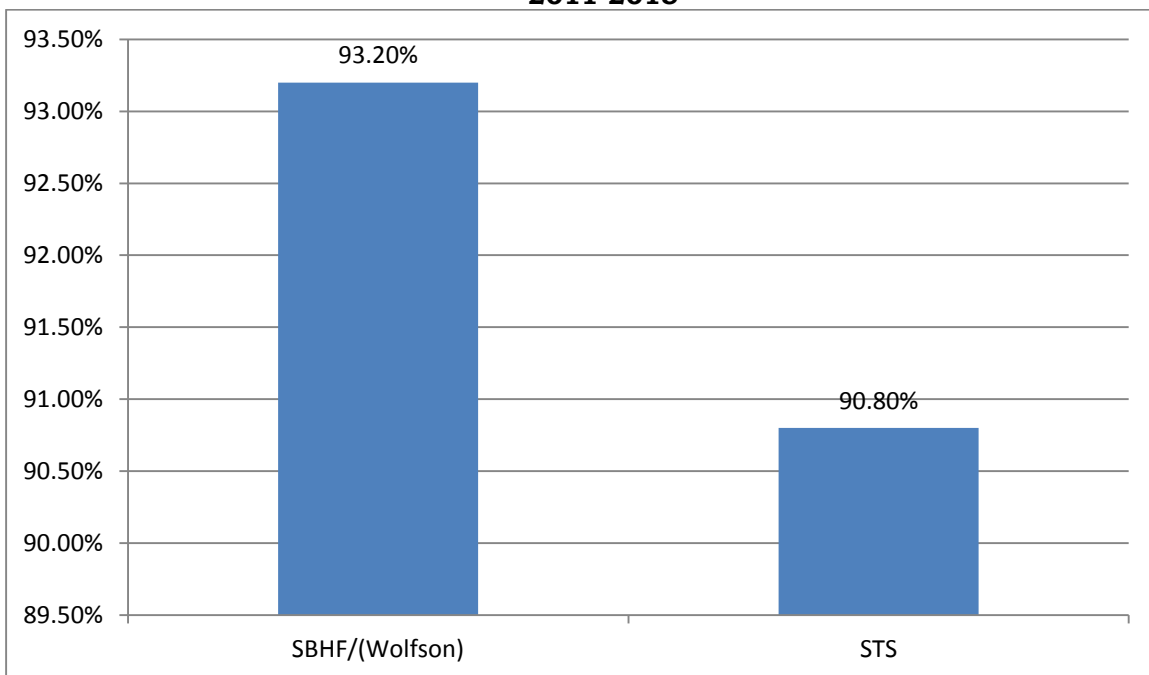
According to WCHJ, the existing heart program shares patient outcomes and other information with the Society of Thoracic Surgeons (STS) for their national database comparing results of more than 100 children's heart surgery programs. WCHJ provides the following three graphs to provide a comparison of the existing program's outcomes to those of other children's hospitals. According to WCHJ, overall survival rates pediatric heart surgery graph is compared to a pediatric volume of 780 cases and the high complexity pediatric heart surgeries graph is compared to the STS operative survival Category 5 – the most complex cases. See the three graphs below.

**Overall Survival Rates for Pediatric Heart Surgery  
2011-2015**



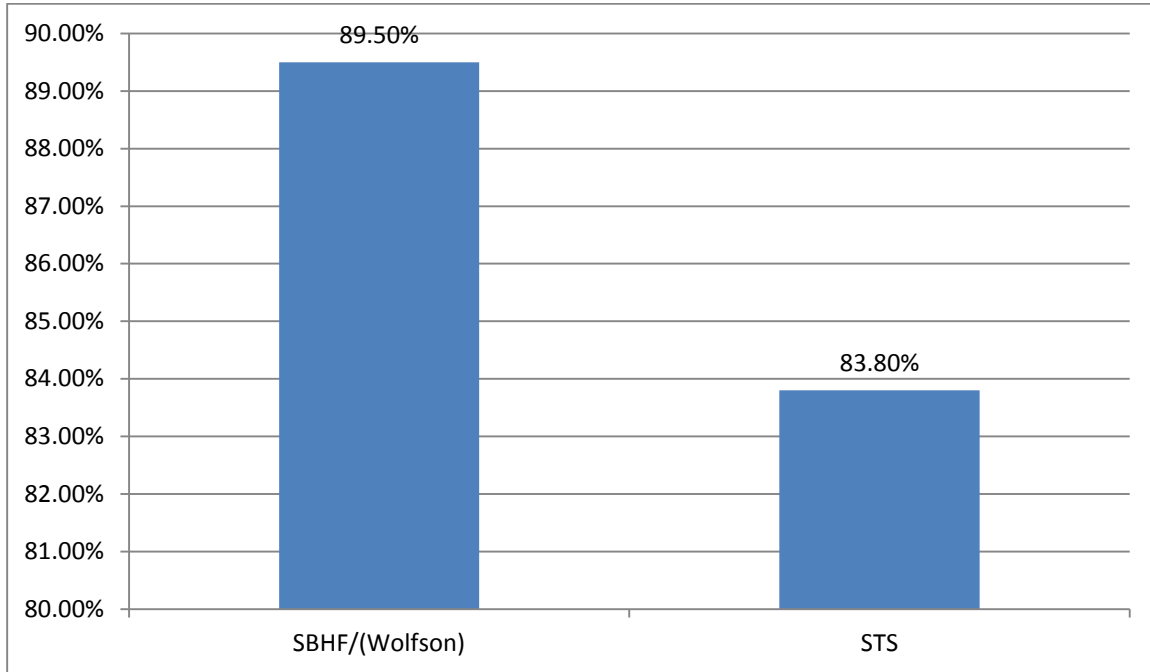
CON application #10443, page 53

**Neonatal Heart Surgery Survival Rates  
2011-2015**



CON application #10443, page 53

**High Complexity Pediatric Heart Surgeries  
2011-2015**



CON application #10443, page 54

Baptist Health operates four hospitals in Florida, three hospitals in Duval County and one hospital in Nassau County, with a cumulative total of 1,022 licensed beds. Agency records indicate that Baptist Health affiliated hospitals had four substantiated complaints during the three-year period ending June 7, 2016 with BMCJ having three substantiated complaints. A single complaint can encompass multiple complaint categories. The tables below account for these Baptist Health and BMCJ substantiated complaints by complaint categories.

**Baptist Health Substantiated Complaint Categories  
Three Years Ending June 7, 2016**

Complaint Category	Number Substantiated
Quality of Care/Treatment	3
Admission/Transfer/Discharge Rights	1
Nursing Services	1

Source: Agency for Health Care Administration complaint records

**Baptist Medical Center Jacksonville  
Substantiated Complaint Categories  
Three Years Ending June 7, 2016**

Complaint Category	Number Substantiated
Quality of Care/Treatment	2
Admission/Transfer/Discharge Rights	1
Nursing Services	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.**

The purpose of our analysis for this section is to determine if the applicant has access to the funds necessary to fund this and all capital projects. Our review includes an analysis of the short and long-term position of the applicant, parent, or other related parties who will fund the project. The analysis of the short and long term position is intended to provide some level of objective assurance on the likelihood that funding will be available. The stronger the short term position, the more likely cash on hand or cash flows could be used to fund the project. The stronger the long-term position, the more likely that debt financing could be achieved if necessary to fund the project. We also calculate working capital (current assets less current liabilities) a measure of excess liquidity that could be used to fund capital projects.

Historically we have compared all applicant financial ratios regardless of type to bench marks established from financial ratios collected from Florida acute care hospitals. While not always a perfect match to a particular CON project it is a reasonable proxy for health care related entities. The chart below is an analysis of the audited financial statements of Baptist Health System, Inc. and Subsidiaries (Parent) where the short term and long term measures fall on the scale (highlighted in gray) for the most recent year. All numbers except for ratios are in thousands.

<b>Baptist Health System, Inc. and Subsidiaries (in thousands)</b>		
	<b>Sep-15</b>	<b>Sep-14</b>
Current Assets	\$361,527	\$352,243
Total Assets	\$2,789,741	\$2,445,858
Current Liabilities	\$197,040	\$186,901
Total Liabilities	\$1,132,303	\$893,545
Net Assets	\$1,657,438	\$1,552,313
Total Revenues	\$1,511,271	\$1,349,954
Excess of Revenues Over Expenses	\$119,072	\$191,439
Cash Flow from Operations	\$144,799	\$173,494
<b>Short-Term Analysis</b>		
Current Ratio (CA/CL)	1.8	1.9
Cash Flow to Current Liabilities (CFO/CL)	73.49%	92.83%
<b>Long-Term Analysis</b>		
Long-Term Debt to Net Assets (TL-CL/NA)	56.4%	45.5%
Total Margin (ER/TR)	7.88%	14.18%
<b>Measure of Available Funding</b>		
Working Capital	\$164,487	\$165,342

<b>Position</b>	<b>Strong</b>	<b>Good</b>	<b>Adequate</b>	<b>Moderately Weak</b>	<b>Weak</b>
Current Ratio	above 3	3 - 2.3	2.3 - 1.7	1.7 - 1.0	< 1.0
Cash Flow to Current Liabilities	>150%	150%-100%	100% - 50%	50% - 0%	< 0%
Debt to Equity	0% - 10%	10%-35%	35%-65%	65%-95%	> 95% or < 0%
Total Margin	> 12%	12% - 8.5%	8.5% - 5.5%	5.5% - 0%	< 0%

**Capital Requirements and Funding:**

The applicant indicates on Schedule 2 capital projects totaling \$16,034,386 which includes equipment, renovations, acute care beds, NICU III Beds, NICU II Beds, Ped Cardiac Catheterization, Ped Open Heart Surgery (the CON currently under review), and Ped Bone Marrow Transplant. Funding for this project will be provided by the parent. The parent provided a copy of its September 30, 2015 and 2014 audited financial statements. 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. Based on our analysis above, the parent has an adequate financial position.

**Staffing:**

The applicant provides a Schedule 6 for new inpatient health care facilities. Schedule 6 indicates that the proposed project will consist of 14.5 FTEs in year one (ending 2017) and 14.8 FTEs in year two (ending 2018). The reviewer notes that according to Schedule 10 of the application, initiation of service is set for October 1, 2016. See the table below.

<b>Wolfson Children’s Hospital of Jacksonville, Inc. (CON application #10443) Staffing Patterns Year One and Year Two of Operations</b>		
	<b>Year One Ending 2017</b>	<b>Years Two Ending 2018</b>
<b>Administration</b>		
Secretary	0.2	0.2
Other	0.1	0.1
<b>Physicians</b>		
<b>Nursing</b>		
R.N.s	8.1	8.3
Nurses’ Aides	4.9	5.1
Other	1.0	1.0
<b>Ancillary</b>		
<b>Dietary</b>		
<b>Social Services</b>		
<b>Plant Maintenance</b>		
Maintenance Assistance	0.1	0.1
<b>GRAND TOTAL</b>	<b>14.5*</b>	<b>14.8</b>

Source: CON application #10443, Schedule 6

NOTE: \* The reviewer notes that the grand total for year one is arithmetically 14.1 FTEs.

Notes to Schedule 6 indicate that staffing levels were determined by comparing the current staffing levels by job code for the functions included specifically for open heart surgery procedures and associated pre- and post-procedural care, ended September 2015.

**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 seven and eight), and efficiency, (the degree of economies achievable through the management skills 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 go either beyond what the market will tolerate, or may decrease to levels where activities are no longer sustainable.

Because the proposed pediatric open heart surgery program cannot operate without the support of the hospital, we have evaluated the reasonableness of the projections of the entire hospital including the project. The applicant was compared to other pediatric hospitals. This hospital does not have historical operations to determine the average length of stay to calculate the case mix. However, this hospital was formerly part of an established hospital. Because of this, the Agency used the case mix for the former parent facility. This methodology is used to adjust the group values to reflect the intensity of the patient as measured by length of stay. Inflation adjustments were based on the new CMS Market Basket, 1st Quarter, 2016.

NRPD, CPD and profitability or operating margin that fall within the group range are considered reasonable projections.

	PROJECTIONS PER APPLICANT		COMPARATIVE GROUP VALUES PPD		
	Total	PPD	Highest	Median	Lowest
Net Revenues	251,243,757	4,178	4,447	3,691	2,972
Total Expenses	231,567,741	3,850	6,028	3,757	2,887
Operating Income	19,676,016	327	481	311	-2,340
Operating Margin	7.83%		<b>Comparative Group Values</b>		
	Days	Percent	Highest	Median	Lowest
Occupancy	60,141	81.57%	72.52%	57.22%	27.25%
Medicaid/MDCD HMO	33,251	55.29%	70.73%	68.52%	66.40%
Medicare	173	0.29%	0.42%	0.38%	0.25%

The projected net revenue, total expenses and profit per patient day fall within the group range and are considered reasonable. Profitability appears achievable.

**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.**

Strictly from a financial perspective, the type of competition that would result in increased efficiencies, service, and quality is limited in health care.

Cost effectiveness through competition is typically achieved via a combination of competitive pricing that forces more efficient cost to remain profitable and offering higher quality and additional services to attract patients from competitors. In addition, competitive forces truly do not begin to take shape until existing business' market share is threatened. The existing health care system's barrier to price based competition via fixed price payers limits any significant gains in cost effectiveness and quality that would be generated from competition.

**Conclusion:**

This project is not likely to have a material impact on competition 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 proposed 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 have a 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 for Health Care Administration'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.**

The applicant is a development stage corporation and has no Medicaid history. However, the parent, not-for-profit hospital provider Baptist Health, operates a total of four hospitals in Florida, all in District 4, with BMCJ the current provider of the licensed pediatric open heart surgery program slated for delicensure at BMCJ to be simultaneously licensed at WCHJ.

The Agency maintains payer source data for pediatric open heart surgery cases. MS-DRG data obtained from the Florida Center for Health Information and Transparency indicates that Florida hospitals reported 549 pediatric open heart surgery procedures in CY 2015. See the table below.

**Florida Pediatric Open Heart Surgery Discharges  
MS-DRGs 216-221 and 228-236  
CY 2015**

Facility	Total Procedures	Total Medicaid/Medicaid Managed Care and Charity Care Procedures	Percent Medicaid/Medicaid Managed Care and Charity Care Procedures	Total Patient Days	Medicaid/Medicaid Managed Care and Charity Care Days	Percent Medicaid/Medicaid Managed Care and Charity Care
St. Mary's Medical Center	4	4	100.00%	23	23	100.00%
Tampa General Hospital	1	1	100.00%	2	2	100.00%
St. Joseph's Hospital	56	40	71.43%	376	304	80.85%
Arnold Palmer Medical Center	50	31	62.00%	607	458	75.45%
Jackson Memorial Hospital	21	16	76.19%	144	108	75.00%
UF Health Shands Hospital	63	36	57.14%	952	705	74.05%
Florida Hospital	32	20	62.50%	260	174	66.92%
Johns Hopkins/All Children's Hosp	92	57	61.96%	1,642	1,066	64.92%
Nicklaus Children's Hospital*	107	64	59.81%	1,229	774	62.98%
Memorial Regional Hospital	57	28	49.12%	865	457	52.83%
Baptist Medical Center Jacksonville	66	30	45.45%	527	216	40.99%
<b>Total</b>	<b>549</b>	<b>327</b>	<b>59.56%</b>	<b>6,627</b>	<b>4,287</b>	<b>64.69%</b>

Source: Florida Center for Health Information and Transparency

As shown above, 59.56 percent of the state's total pediatric open heart surgery procedures and 64.69 percent of the total pediatric open heart surgery patient days were provided to Medicaid and Medicaid Managed Care, in CY 2015. It is noted that there were no reported charity care procedures and no charity care patient days for this procedure in CY 2015.

The table below illustrates BMCJ state fiscal year (SFY) 2015-2016 low-income pool (LIP) program participation, as of June 6, 2016. BMCJ is currently not a disproportionate share hospital (DSH) provider. The reviewer notes that BMCJ has fully exhausted its SFY 2015-2016 LIP allocation.

<b>Baptist Health Medical Center Jacksonville LIP and DSH Program Participation SFY 2015-2016</b>		
<b>Program</b>	<b>Annual Total Allocation</b>	<b>Year-to-Date Total Allocation as of June 6, 2016</b>
LIP	\$264,548	\$264,548

Source: Agency Division of Medicaid, Office of Program Finance

WCHJ points out that Wolfson's operations are governed and will continue to be directed by Baptist Health's ongoing policy and practice of providing health care services in a non-discriminatory manner to all patients, including Medicaid and the medically indigent. The applicant indicates that

Baptist Health’s services to those who lack financial resources to obtain health care is directed by system-wide financial policies.

The applicant includes the signed, five-page Baptist Health Policy and Procedure Manual (Hospital Financial Assistance Policy effective September 1, 2015). In this policy, the reviewer notes that for patients with family income equal to or less than 200 percent of the Federal Poverty Level (FPL), the amount eligible for financial assistance equals the patient responsible balance. Eligibility for financial assistance for patients with family income in excess of 200 percent FPL is also described in this policy.

The applicant additionally includes the signed, one-page Baptist Health Policy and Procedure Manual (Self-Pay Discounts Policy effective October 2013). In this policy, the reviewer notes that for fully uninsured patients (except for CT, MRI, and childbirth services) patients verified to have no form of third party healthcare services will be provided discounts necessary to reduce their self-pay obligation to 35 percent of billed charges. Eligibility for discount assistance for third party coverage for patients that have exhausted their benefit or for non-covered services is also described in this policy.

WCHJ indicates that its commitment to Medicaid patients and the medically indigent is evident when the analysis is restricted to those patients who were treated in units with services that are part of WCH. The applicant contends that using Wolfson’s internal financial statements, 52.8 percent of WCH’s gross revenue was from Medicaid and self-pay in FY 2015. See the table below.

**Wolfson Children’s Hospital  
Revenue Analysis by Payer / FY 2015**

<b>Payer</b>	<b>Percent Gross Revenue</b>
Medicaid	51.9%
Self-Pay	0.9%
Managed Care	37.8%
Tricare and Other	8.5%
Medicare	1.0%
<b>TOTAL</b>	<b>100.0%</b>

Source: CON application #10443, page 71, Table 3-5

The applicant’s Schedule 7A includes estimates of utilization for the proposed program by payer mix, for year one and year two. See the table below.

**Wolfson Children’s Hospital of Jacksonville, Inc. (CON application #10443)  
 Estimated Patient Days and Percentage by Payer Mix  
 for the Proposed Pediatric Open Heart Surgery Program  
 Year One and Year Two**

Payer	Year One (Ending 2017)		Year Two (Ending 2018)	
	Total Patient Days	Percent of Patient Days	Total Patient Days	Percent of Patient Days
Medicaid	4	3.1%	4	3.1%
Medicaid HMO	54	42.5%	56	42.7%
Other Managed Care	34	26.8%	35	26.7%
Other Payers	4	3.1%	4	3.1%
Self-Pay	31	24.4%	32	24.4%
<b>Total</b>	<b>127</b>	<b>*</b>	<b>131</b>	<b>**</b>

Source: CON application #10443, Schedule 7A

NOTE: The reviewer notes that the applicant does not include a total percentage of patient days for year one (\*) or for year two (\*\*). The year one percentage of patient days arithmetic total is 99.9 percent and this discrepancy of 0.1 percent is likely due to rounding. The year two percentage of patient days arithmetic total is 100.0 percent.

The applicant conditions project approval to 33 percent of pediatric open heart surgeries to Medicaid, defined as Medicaid and Medicaid managed care combined. There are no conditions on the existing pediatric OHS program at WCH/BMCJ and no conditions on the existing shared program between WCH/BMCJ and UFHJ.

**F. SUMMARY**

**Wolfson Children’s Hospital of Jacksonville, Inc. (CON application #10443)**, a development stage corporation and an affiliate of not-for-profit hospital provider Baptist Health, is applying to establish a pediatric open heart surgery program within approved CON #10426, in POHSPA 2, Duval County, Florida. The applicant submitted additional companion applications in this batching cycle (CON applications #10442 and #10445). The proposed project would result in the applicant acquiring the entirety of the shared BMCJ/UFHJ pediatric open heart surgery program with WCHJ becoming the exclusive license-holder of the proposed program in District 4. The proposed project would not change the inventory count or the physical location of the existing pediatric open heart surgery program.

Letters signed by authorized representatives of BMCJ and UFHJ, the two existing shared pediatric open heart surgery program providers in Jacksonville (Duval County) are included in the application. These letters indicate plans to voluntarily delicense each of the shared pediatric open heart surgery programs upon CON approval and licensure of the proposed program.

Project costs total \$10,000. The project involves zero GSF of renovated space and zero GSF of new construction, with no renovation and no construction costs. Total project costs include only the project development cost.

The applicant’s proposed conditions are included on page five of this report.



**Need:**

The applicant is applying in the absence of published need. However, the Agency notes that the proposed project would not change the inventory count or the physical location of the existing pediatric open heart surgery program—therefore there would be no proposed increase in the total number or physical location of the existing pediatric open heart surgery programs in POHSPA 2. The applicant contends that “not normal” circumstances, discussed extensively, warrant project approval, these circumstances include:

- Utilization at the existing program—with care having been provided to 104, 120 and 122 patients over CYs 2013, 2014 and 2015
- Projection of 127 and 131 pediatric OHS patients, in year one (ending 2017) and year two (ending 2018)
- Retentions of 95.5 percent of patients when the four “border” counties are removed from the planning service area
- Increased focus and efficiency, as operating under a separate license will relieve WCHJ of the distractions and duplications that result from pairing with adult hospitals
- Increased grant funding and philanthropy
- Enhanced access to care
- Attracting more pediatric specialists

**Quality of Care:**

As a development stage corporation, the applicant has no operating history. However, the pediatric open heart surgery program slated for licensure to the applicant at approved Class 2 hospital CON #10426 is already licensed by the Agency and is operational under the Class 1 hospital license for BMCJ which is accredited by The Joint Commission.

Agency data indicates that Baptist Health affiliated hospitals had four substantiated complaints during the three-year period ending June 7, 2016 with BMCJ having three substantiated complaints during this same three-year period.

The applicant’s parent demonstrates the ability to provide quality care.

**Financial Feasibility/Availability of Funds**

- Funding for this project and the entire capital budget should be available as needed
- This project appears to be financially feasible
- This project is not likely to have a material impact on competition to promote quality and cost-effectiveness

**Architectural Analysis**

The cost estimate and project completion forecast 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 costs or the proposed completion schedule.

**Medicaid/Charity Care:**

The applicant conditions project approval to 33 percent of pediatric open heart surgeries to Medicaid, defined as Medicaid and Medicaid managed care combined.

Schedule 7A of the application indicates that in year one (ending 2017), the applicant estimates Medicaid/Medicaid HMO at 45.6 percent and self-pay at 24.4 percent and in year two (ending 2018), the applicant estimates Medicaid/Medicaid HMO at 45.8 percent and self-pay at 24.4 percent, total annual patient days.

BCMJ had an annual allocation of \$264,548 for SFY 2015-2016 for the LIP, has fully exhausted that allocation and is not a DSH provider.

**G. RECOMMENDATION**

Approve CON #10443 to establish a new pediatric open heart surgery program within approved CON #10426, in POHSPA 2, District 4, Duval County. The total project cost is \$10,000. The project involves zero GSF of renovated space and zero GSF of new construction, with no renovation and no construction costs.

**CONDITIONS:**

- C.1. Specific site within the subdistrict. The parcel or address is as follows: 800 Prudential Drive, Jacksonville, Florida 32207, Duval County, District 4, Pediatric Heart Service Area 2; the present site; this condition has been included in all related applications
- C.2. Percent of a particular population subgroup to be served. The population subgroup, along with the percent to be served, is as follows: 33 percent of pediatric open heart surgeries to Medicaid, defined as Medicaid and Medicaid managed care combined
- C.3. Special programs listed as: Wolfson, Inc., will operate the beds and services listed below in the children's specialty (Class 2) hospital (ages 17 and under) along with the pediatric open heart surgery program in this application:
  - Acute Care – 132 beds
  - NICU Level II – 24 beds

- NICU Level III – 32 beds
- Child and Adolescent Psychiatric – 14 beds via CON exemption request
- Pediatric Cardiac Catheterization
- Pediatric Open Heart Surgery (this application)
- Pediatric Bone Marrow Transplantation

This condition will be included in all related applications.

- C.4. Other, specified as: Simultaneously voluntarily delicense the pediatric open heart surgery program currently licensed under SBHF and UF Health Jacksonville with the licensure the pediatric open heart surgery program at Wolfson, Inc.; this application includes letters from the CEOs of Baptist Health and UF Health Jacksonville agreeing to this condition following Schedule C. This delicensure condition has been included in all associated applications

**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 Administration Services Manager**  
**Certificate of Need**