

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 #10426

841 Prudential Drive, Suite 1802
Jacksonville, Florida 32207

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

2. Service District/Subdistrict

District 4/Subdistrict 4-3 (Duval County)

B. PUBLIC HEARING

A public hearing was not held or requested regarding the establishment of a 132 acute care bed children's specialty (Class 2) hospital (ages 17 and under) in District 4, Subdistrict 4-3, Duval County, Florida.

Letters of Support

The applicant included 29 letters of support in CON application #10426 and the Agency received one independently. Of these 30 letters, 29 were of District 4/Subdistrict 4-3 origin and one was from the State of New York. All 30 letters indicated an affiliation with the applicant and were generally individually composed. All these letters were complimentary of the services provided to children at Wolfson Children's Hospital and the need for the applicant to acquire its own license. The reviewer notes that these 30 support letters are duplicates of the 30 support letters for co-batched, companion CON applications #10427 and #10428.

The 30 letters can be categorized as follows: physicians (15 letters), parents of children who are current or former recipients of services at Wolfson Children's Hospital (seven letters), other area residents (four letters), a hospital trustee, a hospice provider, a Wolfson Children's Hospital board member and Wolfson Children's Hospital volunteer.

Common themes noted among the physician letters include:

- Wolfson Children’s Hospital has functioned well in its current status but for future stages of development (tertiary and quaternary regional children’s hospital) it needs to become a Class 2 institution
- 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
- “Independent” children’s hospitals are viewed substantively differently by communities than adult hospitals
- The essence of children’s hospitals is their uniqueness which can be 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 and 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
- Greater coherence amongst pediatric specialties in terms of policies, funding and philanthropy

C. PROJECT SUMMARY

Wolfson Children’s Hospital of Jacksonville, Inc. (CON application #10426), also referenced as Wolfson, Inc., WCHJ or the applicant, a development stage corporation and affiliate of not-for-profit hospital provider Baptist Health, is applying to establish a 132-bed Class 2 specialty children’s hospital¹ in District 4, Subdistrict 4-3, 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). The applicant is proposing to establish and

¹ The total facility proposed (188 licensed beds) is a combination of the following three co-batched/companion applications: CON application #10426 (this proposal, a 132-bed Class 2 specialty children’s hospital), CON application #10247, a 24-bed Level II neonatal intensive care unit (NICU) and CON application #10428 (a 32-bed Level III NICU).

operate the proposed facility under a new, separate license, to better serve children and their health care needs. WCHJ maintains that the change in structure reflects an internal reorganization and will have no impact on the quality of care provided to children at Wolfson nor on existing providers.

The existing 132 acute care beds proposed for this project are currently licensed under SBHF and are managed by Wolfson to provide pediatric care. The applicant states that patient care and hospital operations will be seamless during the proposed transition from the SBHF license to the WCHJ license, with no bed increase or change in physical location.

Other existing SBHF-licensed beds and services at Wolfson's for which the applicant plans to seek CON approval to transition to WCHJ include:

- Pediatric psychiatric unit (14 beds)
- Pediatric cardiac catheterization
- Pediatric open heart surgery
- Pediatric bone marrow transplantation

According to the applicant, the projects are clearly connected to fully establish the proposed children's specialty hospital.

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 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 open heart surgery program with UF Health Jacksonville.

As a part of the proposed project (and the co-batched/companion projects), if approved, BMCJ will voluntarily delicense 132 of its acute care beds, 24 Level II NICU beds, 32 Level III NICU beds and will simultaneously license those beds at their existing location to the proposed Class 2 hospital. CON application #10426 includes a letter to this effect, dated March 31, 2016, signed by A. Hugh Greene, FACHE, President and CEO of Baptist Health, SBHF and Wolfson, Inc.

The proposed Class 2 specialty children's hospital, if approved, is expected to have initiation of service on October 1, 2016. Project costs total \$2,531,088. The project involves 25,006 gross square feet (GSF) of renovated space (no new construction) with total renovation costs of \$258,080. Total project costs include building, equipment, project development and intangible assets and deferred costs.

In Schedule C of CON application #10426, 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, Subdistrict 4-3; the present site; this condition will be 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 acute care patient days 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 132 acute care beds in this application:
 - Acute Care – 132 beds
 - NICU Level II – 24 beds
 - NICU Level III – 32 beds
 - Child and Adolescent Psychiatric
 - Pediatric Cardiac Catheterization
 - Pediatric Open Heart Surgery
 - Pediatric Bone Marrow Transplantation
- C.4. Other, specified as: Simultaneously voluntarily delicense 132 acute care beds currently licensed under SBHF with the licensure of 132 acute care beds at Wolfson, Inc.

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 #10426 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.**

Certificate of Need (CON) regulations do not contain an acute care bed need or specialty children’s hospital methodology. Therefore, no fixed need pool was published in District 4, Subdistrict 4-3, Duval County.

If no Agency rule exists, the applicant will be responsible for demonstrating need through a needs assessment methodology described in section 59C-1.008 (2) (e) 2. Florida Administrative Code, which includes, at a minimum, consideration of the following topics:

- a. Population demographics and dynamics**
- b. Availability, utilization and quality of like services in the district, subdistrict or both;**
- c. Medical treatment trends; and**
- d. Market conditions**

The utilization of Class 1 hospitals (all ages) is provided in the table below by district for the 12-month period ending June 30, 2015. The reviewer notes that District 4 had the fourth highest occupancy rate of the 11 districts statewide, with a higher average occupancy rate than the state overall.

Acute Care Utilization by District 12 Months Ending June 30, 2015		
District	Beds	Occupancy
District 1	1,936	45.89%
District 2	1,638	52.27%
District 3	4,097	67.28%
District 4	5,048	60.56%
District 5	4,400	48.99%
District 6	6,157	56.45%
District 7	6,115	67.07%
District 8	4,122	55.81%
District 9	4,898	61.86%
District 10	4,926	51.13%
District 11	7,608	53.16%
STATE TOTAL	50,942	57.27%

Source: Florida Hospital Bed Need Projections and Service Utilization by District, published January 2016

Pediatric services can be performed in any general Class 1 acute care hospital. The Agency does not keep an inventory or publish utilization statistics for pediatric beds. However, the Agency does keep an inventory and publishes utilization statistics for acute care beds, which may be designated by a hospital for pediatric use. There were 50,942 licensed acute care beds in Florida for the 12-month period ending June 30, 2015 with an average utilization of 57.27 percent.

There are currently three hospitals in the state that are designated children’s hospitals and licensed as Class 2 pediatric hospitals: All Children’s Hospital located in Pinellas County, Nemours Children’s

Hospital located in Orange County and Nicklaus Children’s Hospital located in Miami-Dade County. The following table illustrates the utilization at these three facilities for the five-year period ending June 30, 2015.

**Utilization at Florida’s Class 2 Hospitals
Five Years Ending June 30, 2015**

District	Facility	JUL 2010 JUN 2011	JUL 2011 JUN 2012	JUL 2012 JUN 2013	JUL 2013 JUN 2014	JUL 2014 JUN 2015
5	All Children's Hospital	74.74%	72.23%	67.31%	64.48%	64.42%
7	Nemours Children’s Hospital* (lic. 10/11/12)			22.69%	26.79%	29.31%
11	Nicklaus Children's Hospital	63.01%	58.65%	57.71%	55.61%	56.71%

Source: Florida Hospital Bed Need Projections and Service Utilization by District, for the referenced years

The reviewer notes the following occupancy rate characteristics at each of the three facilities referenced in the table above for the five-year period ending June 30, 2015:

- All Children’s Hospital’s occupancy rate declined each year, with a highest occupancy rate of 74.74 percent (12 months ending June 30, 2011) to a lowest occupancy rate of 64.42 percent (12 months ending June 30, 2015)
- Nemours Children’s Hospital’s occupancy rate rose each year, with a highest occupancy rate of 29.31 percent (12 months ending June 30, 2015) and a lowest occupancy rate of 22.69 percent (12 months ending June 30, 2013, the first year of its operation)
- Nicklaus Children’s Hospital’s occupancy rate declined for each of the four years ending June 30, 2014, with a highest occupancy rate of 63.01 percent (12 months ending June 30, 2011) to a lowest occupancy rate of 55.61 percent (12 months ending June 30, 2014)

The applicant indicates that need is demonstrated for the proposed project, as the proposed beds are currently operated and services are provided at BMCJ.

The applicant provides a narrative description of MS-DRGs that are excluded from the acute care definition and lists each excluded MS-DRG on page 14-15, Table 1 of the application. WCHJ provides a map (page 16, Map 1-1 of the application) to account for Wolfson’s pediatric discharges by ZIP Code for July 2014 to June 2015. A full listing of all 339 ZIP Codes (plus three “other” non-defined groupings) for the entirety of the 7,689 discharges is provided in the applicant’s Appendix-Acute Care: Patient Origin listing. For its initial analysis, the primary service area (PSA) is considered as the group of ZIP Codes that represent 75 percent of Wolfson’s discharges (shown as red in the applicant’s map), the secondary service area (SSA) is considered to be those ZIP Codes that comprise the next 15 percent of patient activity or 75 to 90 percent (shown as white in the applicant’s map) and the remaining 10 percent (shown as blue in the applicant’s map) is considered out-of-area. See the table below.

**Wolfson Pediatric (0 to 17) Acute Care Discharges
July 2014 to July 2015**

County	State	Patients	Percent Total	Cumulative Percent
TOTAL		7,689		
Duval	FL	4,400	52.7%	57.2%
Clay	FL	831	10.8%	68.0%
St. Johns	FL	751	9.8%	77.8%
Nassau	FL	299	3.9%	81.7%
Camden	GA	163	2.1%	83.8%
Flagler	FL	151	2.0%	85.8%
Baker	FL	124	1.6%	87.4%
Glynn	GA	101	1.3%	88.7%
Putnam	FL	91	1.2%	89.9%
Volusia	FL	65	0.8%	90.7%
Ware	GA	46	0.6%	91.3%
Lowndes	GA	38	0.5%	91.8%
Charlton	GA	34	0.4%	92.3%
Leon	FL	29	0.4%	92.6%
Alachua	FL	26	0.3%	93.0%
Columbia	FL	23	0.3%	93.3%
Clinch	GA	19	0.2%	93.5%
McIntosh	GA	18	0.2%	93.8%
Pierce	GA	14	0.2%	93.9%
Coffee	GA	12	0.2%	94.1%
Wakulla	FL	12	0.2%	94.3%
Brantley	GA	11	0.1%	94.4%
Broward	FL	11	0.1%	94.5%
Okaloosa	FL	11	0.1%	94.7%
Suwannee	FL	11	0.1%	94.8%
Bradford	FL	10	0.1%	95.0%
Gadsden	FL	10	0.1%	95.1%
All Others / N=199		378	4.9%	100.0%

Source: CON application #10426, page 17, Table 1-2

WCHJ contends that the actual utilization data for Georgia residents essentially prevents the development of the use-rate based forecast used in the application. To align this application with co-batched companion applications, the applicant offers a seven county (all in District 4) service area definition, accounting for 86.1 percent of the total 7,689 discharges, with 1,068 or 13.9 percent as out-of-area discharges. See the table below.

**Service Area Definition
Wolfson Children’s Hospital**

	TOTAL		7,689		
Wolfson Service Area	County	State	Patients	Percent Total	Cumulative Percent
	Duval	FL	4,400	57.2%	57.2%
	Clay	FL	831	10.8%	68.0%
	St. Johns	FL	751	9.8%	77.8%
	Nassau	FL	299	3.9%	81.7%
	Flagler	FL	151	2.0%	83.7%
	Baker	FL	124	1.6%	85.3%
	Volusia	FL	65	0.8%	86.1%
Out of Area			1,068	13.9%	100.0%

Source: CON application #10426, page 19, Table 1-3

WCHJ indicates that District 4 had a total of 35,254 acute care patient days from July 2014 to June 2015 and District 4 total population for age 0 to 17 was 433,823 in 2015. The applicant calculates the patient days per 1,000 population by age cohort and that the use-rates range from a high of 165.29 for patients age 0-4 to a low of 45.76 for patients age 5-9. See the table below.

**District 4 Current Utilization Rate
Acute Care Patient Days (July 2014 – June 2015)
2015 Population**

Age Cohort	Patient Discharges	Patient Days	2015 Population	2015 Days per 1,000 Population
Age 0 to 4	4,619	19,198	116,114	165.29
Age 5 to 9	1,760	5,430	118,670	45.76
Age 10 to 14	1,690	5,950	122,550	48.55
Age 15 to 17	1,399	4,676	76,459	61.16
TOTAL	9,468	35,254	433,823	81.26

Source: CON application #10426, page 20, Table 1-4

The applicant states that using Nielsen estimates, the target population is projected to increase by 10,948 persons over the next five years (2016 to 2021) with the most significant growth in the 15-17 and the 0-4 age groups underlining the importance of forecasting by age cohort and not by total population. See the table below.

**District 4
2016 and 2021 Population for Age 0 to 17**

	Total 0 to 4	Total 5 to 9	Total 10 to 14	Total 15 to 17	Total
2016	117,262	120,681	124,419	77,197	439,496
2021	120,855	121,866	125,847	81,876	450,444
Change	3,593	1,248	1,428	4,679	10,948
Percent Change	3.1%	1.0%	1.1%	6.1%	2.5%

Source: CON application #10426, page 20, Table 1-5

WCHJ states that the forecast for the total pediatric population in the District 4 service area is determined by multiplying the current use rates by the population projections. The applicant’s estimated patient day range is from 35,664 (in 2016) to 36,670 (in 2021). The reviewer collapses each discreet year 2016 through 2021—see the table below.

**Projected Service Area Patient Days
Pediatric Acute**

	Total 1 to 4	Total 5 to 9	Total 10 to 14	Total 15 to 17	Total
2016	19,383	5,519	6,041	4,721	35,664
2021	19,977	5,576	6,110	5,007	36,670

Source: CON application #10426, page 21, Table 1-6

For the 12 months ending June 2015, WCHJ uses the same estimate and projection scenario shown above to determine Wolfson’s overall share of District 4 acute care patient days was 69.8 percent (24,590 Wolfson patient days divided by 35,254 total patient days). The applicant presents the following table to illustrate total pediatric acute care patient days for July 2014 through June 2015. See the table below.

**District 4 Acute Care Patient Days Share
July 2014 to June 2015**

Hospital	Pediatric Acute Care Days	Market Share by Percent
District 4 Total	35,254	
Wolfson Children’s Hospital	24,590	69.8%
Florida Hospital	2,234	6.3%
Arnold Palmer Medical Center	1,999	5.7%
UF Health Shands Hospital	1,760	5.0%
Halifax Health Medical Center	1,740	4.9%
UF Health Jacksonville	1,021	2.9%
Nemours Children’s Hospital	819	2.3%

Source: CON application #10426, page 22, Table 1-8

WCHJ indicates that it currently operates regional children’s specialty centers providing clinics for local children to see Wolfson-based specialists and use Wolfson-based services, including physical therapy.

The applicant indicates that the following communities have such centers:

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

WCHJ states an expectation for Wolfson’s out-of-area percentage to increase from the current 15.1 percent to 19.0 percent in 2017 and 21.0 percent in 2018.

The applicant provides anticipated total service area patient days, the WCHJ market share percentage and total WCHJ service area patient days, out-of-area patient days including total days, the average daily census (ADC) and occupancy percentage for 2017 through 2021. See the table below.

**Projected Days, ADC and Occupancy
Wolfson Children’s Hospital of Jacksonville, Inc.**

	2017	2018	2019	2020	2021
Service Area (District 4) Days	35,861	36,060	36,261	36,463	36,670
Wolfson Share Percentage	72.5%	74.0	75.5%	75.5%	76.0%
Wolfson Service Area Days	25,999	26,685	27,377	27,529	27,869
Out-of-Area (OOA) Percentage	19.0%	21.0	21.0%	21.0%	21.5%
OOA Days	6,099	7,093	7,277	7,318	7,633
Total Days	32,098	33,778	34,654	34,847	35,502
ADC	87.9	92.5	94.9	95.2	97.3
Occupancy	66.6%	70.1%	71.9%	72.1%	73.7%

Source: CON application #10426, page 24, Table 1-9

WCHJ contends that the proposed project will greatly simplify hospital operations. The applicant maintains that there are many benefits to licensing Wolfson separately from SBHF summarized below:

- 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 and the of 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 25 to 32 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 Criteria

Does the project respond to preferences stated in agency rules? Ch. 59C-1.032-.044, Florida Administrative Code.

The Agency does not currently have adopted preferences or rule criteria relating to acute care beds or specialty children's hospitals. The acute care rule was repealed as a result of statutory changes made on July 1, 2004. The applicant discusses the Health Care Access criteria (pages 33 through 37 of the application).

3. Statutory Review Criteria

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

The applicant proposes to establish and operate WCHJ under a separate Class 2 hospital license with the same beds and services that are currently licensed and operated by Class 1 BMCJ. WCHJ contends that the proposed project will be able to focus exclusively on pediatrics

allowing the hospital opportunities to participate as a pediatric health care provider in health plans that Baptist does not currently participate enhancing access to its pediatric specialty care.

WCHJ indicates that Wolfson has a clear history of providing high quality pediatric health care through its SBHF license and that this same track record will continue under the separately licensed WCHJ. The applicant asserts that operating under a separate license, it will be relieved of the duplications that result from its pairing with an adult hospital.

The extent of utilization at Wolfson was previously discussed in item E.1.a of this report. The applicant reiterates its anticipated 2017 through 2021 total service area patient days, the WCHJ market share percentage and total WCHJ service area patient days, the out-of-area patient days and percentage, including total days, the average daily census (ADC) and occupancy percentage and provides a table to account for these totals (page 24 and page 43, Table 1-9 of the application).

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, WCHJ currently operates under the license held by BMCJ/SBHF and included the Agency License and 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 noted below and eight additional awards on pages 44 through 46 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

Baptist Health operates four hospitals in Florida, three hospitals in Duval County and one hospital in Nassau County, with a cumulative total of 1,168 licensed beds. Agency records indicate that Baptist Health affiliated hospitals had five substantiated complaints during the three-year period ending April 6, 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 April 6, 2016**

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

Source: Agency for Health Care Administration complaint records

**Baptist Medical Center Jacksonville
Substantiated Complaint Categories
Three Years Ending April 6, 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 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.

Baptist Health System, Inc. and Subsidiaries (in thousands)		
	Sep-15	Sep-14
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
Short-Term Analysis		
Current Ratio (CA/CL)	1.8	1.9
Cash Flow to Current Liabilities (CFO/CL)	73.49%	92.83%
Long-Term Analysis		
Long-Term Debt to Net Assets (TL-CL/NA)	56.4%	45.5%
Total Margin (ER/TR)	7.88%	14.18%
Measure of Available Funding		
Working Capital	\$164,487	\$165,342

Position	Strong	Good	Adequate	Moderately Weak	Weak
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 \$15,994,386 which includes equipment, renovations, and CON application #10428. The applicant did not include CON application #10427 which is expected to add an additional \$10,000 in capital projects. If granted, this brings the total capital requirements to \$16,004,386. 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 the currently licensed facility which is to become the proposed project, if approved. Schedule 6 indicates that the proposed project will consist of 757.0 FTEs in year one (ending 2017) and 767.4 FTEs in year two (ending 2018). The year one to year two incremental FTE increases are in the nursing and ancillary categories, with all other category FTEs remaining constant. The reviewer notes that according to Schedule 10 of the application, initiation of service is set for October 1, 2016. See the table below.

Wolfson Children's Hospital of Jacksonville, Inc. (CON application #10426)		
Staffing Patterns		
Year One and Year Two of Operations		
	Year One Ending 2017	Years Two Ending 2018
Administration		
Administrator	3.0	3.0
Director of Nursing	5.7	5.7
Admissions Director	1.6	1.6
Secretary	14.2	14.2
Other	7.3	7.3
PHYSICIANS		
Other	0.2	0.2
Nursing		
R.N.s	350.1	355.3
Nurses' Aides	147.4	149.5
Other	41.7	42.3
Ancillary		
Physical Therapist	11.4	11.6
Speech Therapist	14.6	14.8
Occupational Therapist	8.1	8.2
Other	135.1	137.1
Dietary		
Dietary Aides	1.6	1.6
Social Services		
Activity Director	1.0	1.0
Activities Assistant	9.5	9.5
Other	4.0	4.0
Plant Maintenance		
Maintenance Assistant	0.7	0.7
GRAND TOTAL	757.0	767.4

Source: CON application #10426, Schedule 6

Notes to Schedule 6 indicate that the staffing levels were determined by comparing current staffing levels for the functions included within the current existing facility.

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.

The applicant did not submit data for the hospital as a whole which would have included the projected revenues and patient days for the hospital including the NICU Level II and Level III units. The Agency must analyze the hospital as a whole for comparisons of expected revenues and expenses to other children's hospitals which include NICU Level II and III operations to determine if the projected revenues and expenses are reasonable. Since the total hospital data was not available, no comparison to other like hospitals was possible.

It should be noted that this CON is for a transfer of the license only from Southern Baptist Hospital of Florida to Wolfson Children's Hospital. Baptist Health System has maintained positive operating margins historically. The most recent Florida Hospital Uniform Reporting System report submitted (2015) showed a positive total margin of \$116,776,059. Even if this project is not immediately profitable, the hospital has sufficient income to absorb losses until profitability can be achieved.

Conclusion:

This project appears to be financially feasible based on the historical operations of the applicant.

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

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 beds and services proposed to be licensed to WCHJ.

The table below illustrates the Medicaid/Medicaid HMO days and percentages as well as charity percentages provided by BMCJ and District 4 overall, in fiscal year (FY) 2014 data from the Florida Hospital Uniform Reporting System (FHURS).

Medicaid, Medicaid HMO and Charity Data Baptist Medical Center Jacksonville and District 4 FY 2014				
Applicant/Area	Medicaid and Medicaid HMO Days	Medicaid and Medicaid HMO Percent	Percent of Charity Care	Percent Combined Medicaid, Medicaid HMO and Charity Care
BMCJ	48,251	21.61%	4.72%	26.33%
District 4 Total	219,101	18.28%	4.25%	22.53%

Source: Agency for Health Care Administration Florida Hospital Uniform Reporting System

Further review of the entire complement of District 4 general acute care hospital providers for FY 2014 indicates that, compared to any other general acute care hospital in District 4, for the period, BMCJ had:

- The second highest number of Medicaid/Medicaid HMO patient days (48,251)
- The third highest percentage of these Medicaid and Medicaid HMO patient days (21.61 percent)
- The third highest percentage of charity care patient days (4.72 percent)

The reviewer confirms that BMCJ is District 4’s second highest volume single provider of acute care services to patients served through Medicaid/Medicaid HMO and the medically indigent (exceeded by UF Health Jacksonville).

The table below illustrates BMCJ state fiscal year (SFY) 2015-2016 low-income pool (LIP) program participation, as of March 22, 2016. Baptist Health Medical Center Jacksonville is currently not a disproportionate share hospital (DSH) provider.

Baptist Health Medical Center Jacksonville LIP and DSH Program Participation SFY 2015-2016		
Program	Annual Total Allocation	Year-to-Date Total Allocation as of March 22, 2016
LIP	\$264,548	\$198,486

Source: Agency Division of Medicaid, Office of Program Finance

WCHJ maintains that Baptist Health’s policy and practice of providing care in a non-discriminatory manner currently applies to pediatrics today and will apply to the proposed project. The applicant asserts that Baptist Health’s commitment to provide health care to the poor and those who lack financial resources to obtain health care is directed by the system-wide Hospital Financial Assistance Policy and the Self-Pay

Discounts Policy. These two policies are included in the Financial Policies portion of the Appendix of the application. The applicant describes these two policies (pages 60 and 61 of the application).

WCHJ indicates that its commitment to Medicaid patients and the medically indigent is even more 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 (CON application #10426)
Revenue Analysis by Payer / FY 2015**

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

Source: CON application #10426, page 63, Table 3-6

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

**Wolfson Children’s Hospital of Jacksonville, Inc. (CON application #10426)
Estimated Patient Days and Percentage by Payer Mix
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	2,124	6.6%	2,236	6.6
Medicaid HMO	16,690	52.0%	17,563	52.0
Medicare	135	0.4%	142	0.4%
Medicare HMO	22	0.1%	23	0.1%
Commercial Ins.	313	1.0%	330	1.0%
Other Managed Care	9,900	30.8%	10,418	30.8%
Other Payers	2,345	7.3%	2,468	7.3%
Self-Pay	569	1.8%	598	1.8%
Total	32,098	100.0%	33,778	100.0%

Source: CON application #10426, Schedule 7A

F. SUMMARY

Wolfson Children’s Hospital of Jacksonville, Inc. (CON application #10426), a development stage corporation and an affiliate of not-for-profit hospital provider Baptist Health, is applying to establish a 132-bed Class 2 specialty children’s hospital in Subdistrict 4-3, Duval County, Florida. The applicant submitted additional companion applications in this batching cycle (CON applications #10427 and #10428). The proposed project would result in the applicant acquiring a Class 2

hospital license to operate the 132 acute care beds already licensed and operational at BMCJ. The proposed project would not change the inventory count or the physical location of the existing 132 beds.

Project costs total \$2,531,088. The project involves 25,006 GSF of renovated space (no new construction) with total renovation costs of \$258,080. Total project costs include building, equipment, project development and intangible assets/deferred costs.

The applicant's proposed conditions are included on page four of this report.

Need:

CON regulations do not contain an acute care bed or specialty children's hospital need methodology. Therefore, no fixed need pool was published in District 4, Subdistrict 4-3, Duval County.

Pediatric services can be performed in any general Class 1 acute care hospital. The Agency does not keep an inventory or publish utilization statistics for pediatric beds.

The applicant contends that it will seek its own Class 2 hospital license which would result in enhancements or improvements in availability, quality of care and accessibility to the existing 132 beds, including:

- Increased focus and efficiency
- 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 132 acute care beds slated for licensure to the applicant as a Class 2 hospital are already licensed by the Agency and are 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 five substantiated complaints during the three-year period ending April 6, 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 and this project appears to be financially feasible based on the historical operations of the applicant's parent.

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 acute care patient days to Medicaid, defined as Medicaid and Medicaid managed care combined. This condition is higher than the BMCJ Medicaid/Medicaid HMO average and is also higher than the overall District 4 Medicaid/Medicaid HMO average, for FY 2014.

Schedule 7 of the application indicates that in year one (ending 2017) and in year two (ending 2018) the applicant estimates, for each of the two years, Medicaid/Medicaid HMO at 58.6 percent and self-pay at 1.8 percent, total annual patient days.

BCMJ has an annual allocation of \$265,548 for SFY 2015-2016 for the LIP and is not a DSH provider.

G. RECOMMENDATION

Approve CON #10426 to establish a new 132-bed Class 2 specialty children's hospital in District 4, Subdistrict 3, Duval County. The total project cost is \$2,531,088. The project involves 25,006 GSF of renovated space and a total renovation cost of \$258,080.

CONDITIONS:

- C.1. Specific site within the subdistrict. The parcel or address is as follows: 800 Prudential Drive, Jacksonville, Florida 32207, Duval County, Subdistrict 4-3; the present site; this condition will be 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 acute care patient days 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 132 acute care beds in this application:
 - Acute Care – 132 beds
 - NICU Level II – 24 beds
 - NICU Level III – 32 beds
 - Child and Adolescent Psychiatric
 - Pediatric Cardiac Catheterization
 - Pediatric Open Heart Surgery
 - Pediatric Bone Marrow Transplantation
- C.4. Other, specified as: Simultaneously voluntarily delicense 132 acute care beds currently licensed under SBHF with the licensure of 132 acute care beds at Wolfson, Inc.

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