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 #10427
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 proposed establishment of 24-bed Level II neonatal intensive care unit (NICU) within a proposed new Class 2, 132-bed acute care children's specialty hospital (co-batched and companion CON application #10426) in District 4 (Duval County), Florida.

Letters of Support

The applicant included 29 letters of support in CON application #10427 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 exact duplicates of the 30 support letters for co-batched and companion CON application #10426 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 #10427), also referenced as WCHJ or the applicant, a development stage corporation and an affiliate of not-for-profit hospital provider Baptist Health, is applying to establish a 24-bed Level II NICU, within a proposed

Class 2 specialty children's hospital[1] in District 4, Duval County, Florida. Wolfson Children's Hospital (WCH) and Baptist Medical Center Jacksonville (BMCJ), 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 operate the proposed unit 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 24-bed Level II NICU proposed for this project is currently licensed under SBHF and is managed by Wolfson to provide neonatal 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 increase in beds 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, at a future time, 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.

BCMJ is a Class I not-for-profit general hospital with 691 licensed beds. 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. BCMJ 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

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

proposed Class 2 hospital. CON application #10427 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 24-bed Level II NICU, if approved, is expected to have initiation of service on October 1, 2016. Project costs total $10,000. The project involves 10,100 gross square feet (GSF) of renovated space (no new construction) with total renovation costs of $0.00. Total project costs include project development. Notes to Schedule 1 indicate that the projected costs are so small, all costs for CON application #10427 and #10428 are accounted for in the CON #10428 application.

In Schedule C of CON application #10427, 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 NICU Level II 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 24 NICU Level II beds in this application:
  - Acute Care – 132 beds
  - NICU Level II – 24 beds (this application)
  - NICU Level III – 32 beds
  - Child and Adolescent Psychiatric – 14 beds via a CON exemption request
  - Pediatric Cardiac Catheterization
  - Pediatric Open Heart Surgery
  - Pediatric Bone Marrow Transplantation
- C.4. Other, specified as: Simultaneously voluntarily delicense 24 NICU Level II beds currently licensed under SBHF with the licensure of 24 NICU Level II 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 presents the following analysis and review of CON application #10427 regarding the identified 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 10, dated January 15, 2016, of the Florida Administrative Register, a fixed need pool of zero additional Level II NICU beds for District 4 was published for the July 2018 planning horizon. The proposed project would not add any additional Level II NICU beds to the district as the Level II NICU beds set for delicensure pursuant to this proposal would be simultaneously licensed at the same physical location with operations at the newly established WCHJ.

District 4 has 107 licensed and 16 approved Level II NICU beds spread among the following counties: Clay, Duval, St. Johns and Volusia. District 4's 107 licensed beds had an occupancy rate of 57.01 percent for the 12-month period ending June 30, 2015. The table below shows the percent of occupancy for District 4 Level II NICUs during this same period.

District 4
Level II NICU Licensed Beds, by County and Total Occupancy
12-Month Period Ending June 30, 2015

Facility	Licensed Beds	County	Percent Occupancy JUL 2014-JUN 2015
Orange Park Medical Center	7	Clay	103.05%
Baptist Medical Center Jacksonville	24	Duval	54.11%
Baptist Medical Center South	14	Duval	53.68%
Memorial Hospital Jacksonville	10	Duval	44.27%
Saint Vincent's Medical Center Riverside	10	Duval	55.56%
St. Vincent's Medical Center Southside	10	Duval	39.34%
UF Health Jacksonville	16	Duval	57.24%
Flagler Hospital	7	St. Johns	28.38%
Halifax Health Medical Center	9	Volusia	91.42%
Total	**107**		**57.01%**

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

The applicant contends that as an existing provider historical and current utilization of the beds provides justification for the continued need for a 24-bed Level II NICU. The applicant states that using the Agency's Florida Hospital Bed Need Projections and Services Utilization by District publication, for the three years ending June 30, 2015, patient days and occupancy rates are provided. See the table below.

Utilization of NICU Level II Beds
District 4 and Wolfson via SBHF
Three Years Ending June 30, 2015

Time Period	District 4		Wolfson via SBHF		Percent Days at Wolfson
	Days	Occupancy	Days	Occupancy	
JUL '12-JUN '13	24,449*	62.7%	6,068	69.3%	24.8%
JUL '13-JUN '14	25,584	65.5%	5,986	68.3%	23.4%
JUL '14-JUN '15	22,267	57.0%	4,740	54.1%	21.3%

Source: CON application #10427, page 14, Table 1-1
* The reviewer notes that the referenced Agency publication indicates total days of 24,499.

WCHJ contends that District 4 has experienced a decline in the utilization of NICU II beds over the past three years (ending June 30, 2015) primarily because of a decreasing average length of stay (ALOS) for NICU II patients, as documented by the Health Planning Council of Northeast Florida (HPCNEF). WCHJ asserts that while the data values differ from the Agency's District 4 days count as shown in Table 1-1 of the application (above), WCHJ maintains that the HPCNEF data mirrors the utilization trend and the experience of WCH regarding the ALOS for NICU Level II. See the table below.

District 4 NICU II Discharges, Discharge Days and ALOS
Three Years Ending June 30, 2015

Time Period	Discharges	Discharge Days	ALOS
JUL '12-JUN '13	2,090	27,402	13.1
JUL '13-JUN '14	2,132	28,312	13.3
JUL '14-JUN '15	2,012	24,475	12.2

Source: CON application #10427, page 14, Table 1-2

WCHJ indicates that the proposed project is critical to the care of newborns not just in District 4 but the surrounding region as the NICU II beds are linked to the highly utilized NICU Level III beds and provide a step-down unit as Level III newborns progress toward discharge.

WCHJ analyzed BCMJ's patient origin data for all NICU patients (Level II NICU and Level III NICU) and determined that 90 percent of patients were from District 4 counties (highlighted). The applicant also determined that of the total 584 NICU patients (for the 12 months ending September 30, 2015), 525 (89.90 percent) were a District 4 county patient. See the table below.

Wolfson NICU II and III Patient Origin
FY 2015 (October 2014 – September 2015)

County	State	NICU Patients	Percent Total	Cumulative Percent
TOTAL		**584**		
Duval	FL	351	60.1%	60.1%
Clay	FL	55	9.4%	69.5%
St. Johns	FL	50	8.6%	78.1%
Nassau	FL	36	6.2%	84.2%
Camden	GA	19	3.3%	87.5%
Volusia	FL	17	2.9%	90.4%
Putnam	FL	10	1.7%	92.1%
Baker	FL	8	1.4%	93.5%
Flagler	FL	8	1.4%	94.9%
Glynn	GA	3	0.5%	95.4%
Leon	FL	3	0.5%	95.9%
Brantley	GA	2	0.3%	96.2%
Charlton	GA	2	0.3%	96.6%
Columbia	FL	2	0.3%	96.9%
Okaloosa	FL	2	0.3%	97.3%
Orange	FL	2	0.3%	97.6%
Seminole	FL	2	0.3%	97.9%
Appling	GA	1	0.2%	98.1%
Brevard	FL	1	0.2%	98.3%
Clayton	GA	1	0.2%	98.5%
Jefferson	FL	1	0.2%	98.6%
Liberty	FL	1	0.2%	98.8%
Lowndes	GA	1	0.2%	99.0%
Manatee	FL	1	0.2%	99.1%
Pierce	GA	1	0.2%	99.3%
Ware	GA	1	0.2%	99.5%
# N/A		3	0.5%	100.0%
			100.0%	
District 4		**525**	**89.9%**	

Source: CON application #10427, page 16, Table 1-3

WCHJ states that the Agency releases a Hospital Inpatient Data File quarterly but that this source was ruled out for analyzing and forecasting utilization for two reasons (discussed on page 17 of CON application #10427):

- Hospitals that do not currently have licensed NICU beds report patient activity within the neonatology DRGs (789-794)
- It is difficult to separate the DRGs into Level II and Level III patients because hospitals only licensed for Level II beds report activity among the full set of DRGs

The applicant states that using the Agency's Florida Hospital Bed Need Projections and Services Utilization by District publication, for the three years ending June 30, 2015, District 4 NICU II patient days and NICU III patient days as well as NICU II percentages and NICU III percentages are provided. See the table below.

District 4 NICU Utilization
Three Years Ending June 30, 2015

Time Period	NICU II Days	NICU III Days	Total NICU Days	Percent NICU II	Percent NICU III
JUL '12-JUN '13	24,499	18,009	42,508	57.6%	42.4%
JUL '13-JUN '14	25,584	18,556	44,140	58.0%	42.0%
JUL '14-JUN '15	22,267	21,504	43,771	50.9%	49.1%

Source: CON application #10427, page 17, Table 1-4

The reviewer notes using the same source, the applicant's stated NICU II days and NICU III days are consistent with the applicant's table. However, the reviewer points out different (and consistently higher) Level II NICU and Level III NICU occupancy rates, for the referenced years. The reviewer generates the table below to account for these differences.

District 4 NICU Utilization
Three Years Ending June 30, 2015

Time Period	NICU II Days	NICU III Days	Total NICU Days	Percent NICU II	Percent NICU III
JUL '12-JUN '13	24,499	18,009	42,508	62.73%	88.11%
JUL '13-JUN '14	25,584	18,556	44,140	65.51%	90.78%
JUL '14-JUN '15	22,267	21,504	43,771	57.01%	105.21%

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

WCHJ states that using Florida Department of Health, FloridaCharts.com data downloaded on March 9, 2016, from 2012 to 2015 (provisional), the District 4 births rose from 23,031 (2012) to 24,173 (2015 provisional). The reviewer collapses each discreet county to indicate only the district total for each year below.

District 4 Births by Year
2012 – 2014 plus 2015 Provisional

Area	2012	2013	2014	2015 Provisional
District 4	**23,031**	**23,136**	**23,455**	**24,173**

Source: CON application #10427, page 18, Table 1-5

WCHJ contends that the births by year can be combined with the NICU patient days to create a use rate for all (Level II and III) NICU beds, defined as NICU bed days per birth. The applicant states that the average NICU days per birth for the most recent three-year period is 1.87. See the table below.

NICU Utilization Rate (Days per Birth)
District 4 / Three Years Ending June 30, 2015

Time Period	Total NICU Days	Births (1)	NICU Days per Birth
JUL '12-JUN '13	42,508	23,031	1.85
JUL '13-JUN '14	44,140	23,136	1.91
JUL '14-JUN '15	43,771	23,445	1.87

(1) Births are for calendar years 2012, 2013 and 2014, respectively
Source: CON application #10427, page 18, Table 1-6

The applicant lists each district from highest to lowest birth rates, indicating that District 4 has the third highest birth rate (61.93) of the 11 districts. The reviewer confirms the applicant's table below.

Three-Year Average Birth Rate by District
2012 – 2014

District	Birth Rate
District 1	69.56
District 6	62.77
District 4	61.93
District 9	61.40
District 10	61.40
District 8	60.38
District 3	59.07
District 11	58.04
District 7	57.01
District 5	56.72
District 2	54.05

Source: CON application #10427, page 19, Table 1-7

WCHJ contends that the birth rate and population can be combined to forecast the expected number of births for District 4 (2016-2018) which can then be used to forecast the expected number of NICU days (2016-2018) based on the average utilization rate established in the application. The applicant's estimates NICU days from 44,575 (2016) to 45,599 (2018). See the table below.

Forecast Births and NICU Total Days
District 4
2016 - 2018

Time Period	Birth Rate	Females 55 to 44	Future Births	Average NICU Days/Birth	Future NICU Total Days
2016	61.93	384,903	23,837	1.87	44,575
2017		389,191	24,103		45,072
2018		393,746	24,385		45,599

Source: CON application #10427, page 19, Table 1-8

The applicant offers 2017 and 2018 estimates for the proposed project's Level II NICU days as well as its percentage of days, discharges, patient days, the ALOS, average daily census (ADC) and expected occupancy rates. See the tables below.

Forecast of NICU II Days at Proposed Wolfson, Inc.
2017-2018

Year	NICU Total Days	Percent NICU II	NICU II Days	Wolfson, Inc. Percent NICU II Days	Wolfson, Inc. NICU II Days
2017	45,072	49%	22,987	21.4%	4,919
2018	45,599	49%	23,256	21.7%	5,047

Source: CON application #10427, page 20, Table 1-9

Proposed Wolfson, Inc. Level II Utilization Forecast
Year One (2017) and Year Two (2018)

Year	Discharges	Patient Days	ALOS	ADC	Occupancy
2017	336	4,919	14.5	13.5	56.2%
2018	347	5,047	14.5	13.8	57.6%

Source: CON application #10427, page 20, Table 1-10

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 improvement 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 21 to 29 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.

b. Regardless of whether bed need is shown under the need formula, the establishment of new Level II neonatal intensive care services within a district shall not normally be approved unless the average occupancy rate for Level II beds in the district equals or exceeds 80 percent for the most recent 12-month period ending six months prior to the beginning date of the quarter of the publication of the fixed need pool.

As the applicant plans to physically locate the proposed 24-bed Level II NICU at BMCJ's current physical location, and because this criterion specifically looks at the district occupancy level, only District 4 occupancy is considered. As previously stated in Item E.1.a. of this report, the proposed project would not add any additional Level II NICU beds to the district as the Level II NICU beds set for delicensure would be simultaneously licensed at the same physical location with operations at the newly established proposed Class 2 hospital (co-batched/companion CON application #10426). District 4's 107 licensed beds had an occupancy rate of 57.01 percent for the 12-month period ending June 30, 2015.

c. Conversion of Underutilized Acute Care Beds. New Level II or Level III neonatal intensive care unit beds shall normally be approved only if the applicant converts a number of acute care beds as defined in Rule 59C-1.038, excluding specialty beds, which is equal to the number of Level II or Level III beds proposed, unless the applicant can reasonably project an occupancy rate of 75 percent for the applicable planning horizon, based on historical utilization patterns, for all acute care beds, excluding specialty beds. If the conversion of the number of acute care beds which equals the number of proposed Level II or Level III beds would result in an acute care occupancy exceeding 75 percent for the applicable planning horizon, the applicant shall only be required to convert the number of beds necessary to achieve a projected 75 percent acute care occupancy for the applicable planning horizon, excluding specialty beds.

The applicant proposes to establish the Level II NICU project in a new Class 2 hospital (co-batched and companion CON application #10426). Therefore, this provision does not apply to this proposal.

d. Other Special Circumstances:

WCHJ does not offer additional special circumstances.

2. Agency Rule Preferences

Please indicate how each applicable preference for the type of service proposed is met. Ch. 59C-1.042, Florida Administrative Code.

a. Ch. 59C-1.042(3)(k), Florida Administrative Code - Services to Medically Indigent and Medicaid Patients. In a comparative review, preference shall be given to hospitals which propose to provide neonatal intensive care services to Children's Medical Services patients, Medicaid patients, and non-Children's Medical Services patients who are defined as charity care patients according to the Health Care Board, Florida Hospital Uniform Reporting System Manual, Chapter III, Section 3223. The applicant shall estimate, based on its historical patient data by type of payer, the percentage of neonatal intensive care services patient days that will be allocated to:

(1) Charity care patient;
(2) Medicaid patients;
(3) Private pay patients, including self-pay; and
(4) Regional Perinatal Intensive Care Center Program and Step Down Neonatal Special Care Unit patients.

WCHJ projects 53.3 percent Medicaid (19.9 percent Medicaid plus 33.4 percent Medicaid managed care), 39.0 percent private pay (37.9 percent other managed care, 0.7 percent self-pay and 0.4 percent commercial) while the remaining 7.8 percent is other for the proposed project for the first two years of operation. The applicant states that this payer mix is reflected in the applicant's Schedule 7B. The reviewer confirms that this is consistent for year one (ending 2017) in the applicant's Schedule 7B with only slight differences (0.1 percent) for commercial insurance and other managed care for year two. The reviewer notes that these slight differences could be due to rounding. See the table below.

NICU Level II Payer Mix

Payer	Percent of Total
Medicaid	53.3%
Private Pay including self-pay	39.0%
Other	7.8%

Source: CON application #10427, page 30, Table 2-1

b. Ch. 59C-1.042(4), Florida Administrative Code - Level II and Level III Service Continuity. To help assure the continuity of services provided to neonatal intensive care services patients:

(1) Applicants proposing to provide Level II or Level III neonatal intensive care services shall ensure developmental follow-up on patients after discharge to monitor the outcome of care and assure necessary referrals to community resources.

The applicant states that all families in the existing NICU are seen by a social worker who screens for community resources (and related needs) and provides referrals as appropriate. The applicant also states that NICU parents are educated about Early Steps (a developmental therapy program) and that follow-up is performed. WCHJ maintains that these practices will continue in the proposed project.

The Agency reiterates that according to the applicant, the proposed project delicenses the existing 24-bed Level II NICU that is licensed and operational at Class 1 BMCJ and simultaneously and seamlessly, on the same site, establishes the same NICU unit at Class 2 WCHJ.

c. Ch. 59C-1.042(5), Florida Administrative Code - Minimum Unit Size. Hospitals proposing the establishment of new Level II neonatal intensive care services shall propose a Level II neonatal intensive care unit with a minimum of 10 beds. Hospitals under contract with the Department of Health and Rehabilitative Services' Children's Medical Services Program for the provision of regional perinatal intensive care center or step-down neonatal special care unit are exempt from these requirements.

This application is for a 24-bed Level II NICU submitted in conjunction with a co-batched/companion application for a 32-bed Level III NICU (CON application #10428). Therefore, this provision is met.

d. Ch. 59C-1.042(6) - Minimum Birth Volume Requirement. Hospitals applying for Level II neonatal intensive care services shall not normally be approved unless the hospital has a minimum service volume of 1,000 live births for the most recent 12-month period ending six months prior to the beginning date of the quarter of the publication of the fixed bed need pool. Specialty children's hospitals are exempt from these requirements.

The application is proposing the establishment of a Level II NICU in a specialty children's hospital. Specialty children's hospitals are exempt from these requirements. Therefore, this provision is satisfied.

e. Ch. 59C-1.042(7) - Geographic Access. Level II and Level III neonatal intensive care services shall be available within two hours ground travel time under normal traffic conditions for 90 percent of the population in the service district.

The applicant states and the reviewer confirms that this provision is met.

f. Ch. 59C-1.042(8) - Quality of Care Standards.

(1) Physician Staffing: Level II neonatal intensive care services shall be directed by a neonatologist or a group of neonatologists who are on active staff of the hospital with unlimited privileges and provide 24-hour coverage, and who are either board-certified or board-eligible in neonatal-perinatal medicine. In addition, facilities with Level III neonatal intensive care services shall be required to maintain a fetal medical specialist on active staff of the hospital with unlimited staff privileges. Specialty children's hospital are exempt from this provision.

The applicant states that neonatologists from UF Health Jacksonville staff the existing NICU and will continue to provide staffing in the proposed project. The applicant provides a list of these physicians on page 33 of the application.

(2) Nursing Staffing: The nursing staff in Level II and Level III neonatal intensive care units shall be under the supervision of a head nurse with experience and training in neonatal intensive care nursing. The head nurse shall be a registered professional nurse. At least one-half of the nursing personnel assigned to each work shift in Level II and Level III neonatal intensive care units must be registered nurses.

WCHJ notes that NICU nurse managers and assistant nurse managers for the proposed project have experience in neonatal intensive care nursing through their current management roles in the existing NICU.

(3) Special Skills of Nursing Staff: Nurses in Level II and Level III neonatal intensive care units shall be trained to administer cardio-respiratory monitoring, assist in ventilation, administer I.V. fluids, provide pre-operative and post-operative care of newborns requiring surgery, manage neonates being transported, and provide emergency treatment of conditions such as apnea, seizures, and respiratory distress.

The applicant states that NICU nurses at Wolfson must be deemed competent using the department's "Competency and Checklist Tool" before the nurse is allowed to work independently with patient assignment. WCHJ maintains that the "Competency and Checklist Tool" will continue to be used in the proposed project.

(4) Respiratory Therapy Technician Staffing: At least one certified respiratory care practitioner therapist with expertise in the care of Neonates shall be available in the hospitals with Level II or Level III neonatal intensive care services at all times. There shall be at least one respiratory therapist technician for every four infants receiving assisted ventilation.

The applicant maintains that Wolfson's current respiratory therapy department has 41 respiratory therapists plus 12 additional "PRN respiratory therapists" and provides respiratory care in the NICU. The applicant indicates it meets the ratio of one therapist to four assisted ventilation infants. WCHJ maintains that this current practice will be continued in the proposed project. The reviewer notes that there are no specific respiratory therapist FTEs listed in Schedule 6 of this application.

(5) Blood Gases Determination: Blood gas determination shall be available and accessible on a 24-hour basis in all hospitals with Level II or Level III neonatal intensive care services.

The applicant states that blood gas determination is currently available on a 24-hour basis and will remain available around the clock in the proposed project. The reviewer notes that there are no specific laboratory staffing FTEs listed in Schedule 6 of this application--although Schedule 8 indicates a per patient day expense of $10.27 for laboratory services for 2017 and $10.61 for 2018.

(6) Ancillary Service Requirements: Hospitals providing Level II or Level III neonatal intensive care services shall provide on-site, on a 24-hour basis, x-ray, obstetric ultrasound, and clinical laboratory services. Anesthesia shall be available on an on-call basis within 30 minutes. Clinical laboratory services shall have the capability to perform microstudies.

The applicant maintains that currently all required ancillary services are available on a 24-hour basis and that these services will be available in the proposed unit within the proposed specialty children's hospital. The reviewer notes that there are no specific radiology techs or laboratory techs FTEs listed in Schedule 6 of this application—although Schedule 8 indicates a per patient day expense of $10.27 for laboratory services for 2017 and $10.61 for 2018. In addition, Schedule 8 indicates a per patient day expense of $2.32 for radiology services for 2017 and $2.39 for 2018.

(7) Nutritional Services: Each hospital with Level II or Level III neonatal intensive care services shall have a dietician or nutritionist to provide information on patient dietary needs while in the hospital and to provide the patient's family instruction or counseling regarding the appropriate nutritional and dietary needs of the patient after discharge.

The applicant states that the existing NICU has two full-time neonatal nutritionists and WCHJ offers further discussion of its nutritional services. WCHJ maintains that these practices will continue in the proposed project. The reviewer notes that there are no specific dietician or nutritionist FTEs listed in Schedule 6 of this application.

(8) Social Services: Each hospital with Level II or Level III neonatal intensive care services shall make available the services of the hospital's social service department to patients' families which shall include, but not be limited to, family counseling and referral to appropriate agencies for services. Children potentially eligible for the Medicaid, Children's Medical Services, or Developmental Services Programs shall be referred to the appropriate eligibility worker for eligibility determination.

The applicant states that all families in the existing NICU are seen by a social worker who screens for community resource (and related needs) and provides referrals as appropriate. The applicant also states the NICU patients are educated about Early Steps and that follow-up is performed. WCHJ indicates that social workers provide resources such as car seats, cribs, counseling and bereavement services and these practices will continue in the proposed project. The reviewer notes that there are no specific social worker FTEs listed in Schedule 6 of this application.

(9) Developmental Disabilities Intervention Services: Each hospital that provides Level II or Level III neonatal intensive care services shall provide in-hospital intervention services for infants identified as being at high-risk for developmental disabilities to include developmental assessment, intervention, and parental support and education.

The applicant states that all families in the existing NICU are seen by a social worker who screens for community resource needs including developmental disabilities. WCHJ states the NICU parents are educated about Early Steps and that follow-up is performed. The applicant indicates that Wolfson Rehab will also make referrals to outpatient therapy program for babies assessed to require more intensive services. WCHJ maintains that these practices will continue in the proposed project. The reviewer notes that there are no specific social worker FTEs listed in Schedule 6 of this application.

(10) Discharge Planning: Each hospital that provides Level II or Level III neonatal intensive care services shall have an interdisciplinary staff responsible for discharge planning. Each hospital shall designate a person responsible for discharge planning.

The applicant states that discharge planning in the Wolfson NICU is managed by an interdisciplinary team that coordinates discharge planning for each patient and that this approach will continue in the proposed project. WCHJ lists the 15 members of the NICU discharge planning team on page 37 of CON application #10427.

g. Ch. 59C-1.042(9), Florida Administrative Code - Level II Neonatal Intensive Care Unit Standards: The following standards shall apply to Level II neonatal intensive care services:

(1) Nurse to Neonate Staffing Ratio. Hospitals shall have a nurse to neonate ratio of at least 1:4 in Level II neonatal intensive care units at all times. At least 50 percent of the nurses shall be registered nurses.

The applicant states that staffing for the existing NICU is budgeted at a 1:2 nurse to neonate staffing ratio and this model will be used for the proposed project, surpassing the 1:4 requirement. WCHJ notes that 88 percent of 144 team members in the NICU are registered nurses. The reviewer notes that both CON application #10427 (this project) and CON application #10428 (the co-batched/companion 32-bed Level III NICU project), combined, have an FTE total of 155.8 in year one (2017) and 158.9 in year two (2018).

(2) Requirements for Level II NICU Patient Stations. Each patient station in a Level II NICU shall have, at a minimum:

a. Fifty square feet per infant;
b. Two wall-mounted suction outlets preferably equipped with a unit alarm to signal loss of vacuum;
c. Eight electrical outlets;
d. Two oxygen outlets and an equal number of compressed air outlets and adequate provisions for mixing these gases;
e. An incubator or radiant warmer;
f. One heated humidifier and oxyhood;
g. One respiration or heart rate monitor;
h. One resuscitation bag and mask;
i. One infusion pump;
j. At least one oxygen analyzer for every three beds;
k. At least one non-invasive blood pressure monitoring device for every three beds;
l. At least one portable suction device; and
m. Not less than one ventilator for every three beds.

WCHJ maintains that the equipment listed above is provided in the current NICU and will be provided in the proposed project.

(3) Equipment Required to be Available to Each Level II NICU on demand:

a. An EKG machine with print-out capacity;
b. Transcutaneous oxygen monitoring equipment; and
c. Availability of continuous blood pressure measurement.

The applicant indicates that the equipment listed above is provided in the current NICU and will be provided in the proposed project.

h. Level III Neonatal Intensive Care Unit Standards.

The proposed program is a Level II NICU. This requirement for Level III NICUs does not apply.

i. Ch. 59C-1.042(11) - Emergency Transportation Services: Each hospital providing Level II neonatal intensive care services or Level III neonatal intensive care services shall have or participate in an emergency 24-hour patient transportation system.

(1) Provision of Emergency Transportation. Hospitals providing Level II or Level III neonatal intensive care services must operate a 24-hour emergency transportation system directly, or contract for this service, or participate through a written financial or non-financial agreement with a provider of emergency transportation services.

The applicant responds to this provision in Item E.2.i.(2) below.

(2) Requirements for Emergency Transportation System. Emergency transportation system, as defined in paragraph (11)(a), shall conform to section 64E-2.006, Florida Administrative Code.

WCHJ maintains that Kids Kare is a contract mobile intensive care unit for infants and children, serving a 250-mile radius of Jacksonville, Florida, whose clinical staff is provided by Wolfson. The applicant discusses the Kids Kare ambulance service on page 39 of CON application #10427. WCHJ notes that Life Flight, a complement service of Kids Kare, provides air transport for critically ill infants and children.

j. Ch. 59C-1.042(12) - Transfer Agreements: A hospital providing only Level II neonatal intensive care services shall provide documentation of a transfer agreement with a facility providing Level III neonatal intensive care services in the same or nearest service district for patients in need of Level III services. Facilities providing Level III neonatal intensive care services shall not unreasonably withhold consent to transfer agreements which provide for transfers based upon availability of service in the Level III facility, and which will be applied uniformly to all patients requiring transfer to Level III, as defined in subparagraph (2)(e)2. An applicant for Level II or Level III neonatal intensive care services shall include, as part of the application, a written protocol governing the transfer of neonatal intensive care services patients to other inpatient facilities.

The applicant has submitted co-batched and companion applications for a 132-bed Level II NICU (CON application #10426) and a 32-bed Level III NICU (CON application #10428). If both programs are approved, this provision will not apply.

k. Ch. 59C-1.042(13) - Data Reporting Requirements: All hospitals with Level II or Level III neonatal intensive care services shall provide the Agency or its designee with patient utilization and fiscal reports which contain data relating to patient utilization of Level II and Level III neonatal intensive care services.

1. Utilization Data.
2. Patient Origin Data.

WCHJ indicates that BCMJ currently meets this requirement as an existing provider and will continue to provide the required data to the Agency or its designee on a quarterly basis, for the proposed project.

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.

Volume 42, Number 10, dated January 15, 2016, of the Florida Administrative Register, published a fixed need pool of zero additional Level II NICU beds for District 4 for the July 2018 planning horizon. The proposed project would not add any additional Level II NICU beds to the

district as the Level II NICU beds set for delicensure pursuant to this proposal would be simultaneously licensed at the same physical location with operations at the proposed Class 2 hospital (co-batched CON application #10426).

District 4 has 107 licensed and 16 approved Level II NICU beds spread among four counties: Clay, Duval, St. Johns and Volusia. District 4's 107 licensed beds had an occupancy rate of 57.01 percent for the 12-month period ending June 30, 2015.

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 with--enhancing access to its pediatric specialty care.

WCHJ indicates that BCMJ has a clear history of providing high quality pediatric health care 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's Level II NICU was previously discussed in item E.1.a. of this report. The applicant reiterates its anticipated 2017 and 2018 Level II NICU utilization forecast, duplicated on page 20 and page 44 (Table 1-10) 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 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 page 45 through 47 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, CON application #10428, and CON application #10426. The applicant did not include this CON application (10427). The CON currently under review is expected to add an additional $10,000 in capital projects, if granted, bringing the total 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 29.3 FTEs in year one (ending 2017) and 29.9 FTEs in year two (ending 2018). The year one to year two incremental FTE increases are slight (exactly 0.6 FTEs) and are in the nursing category (R.Ns. only) and the ancillary category ("Other" only), 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 #10427) Staffing Patterns Year One and Year Two of Operations		
	Year One Ending 2017	**Years Two Ending 2018**
Administration		
Director of Nursing	0.2	0.2
Secretary	0.2	0.2
Nursing		
R.N.s	22.0	22.4
Nurses' Aides	2.4	2.4
Other	0.5	0.5
Ancillary		
Physical Therapist	0.3	0.3
Speech Therapist	0.1	0.1
Other	3.6	3.7
Plant Maintenance		
Maintenance Assistant	0.1	0.1
GRAND TOTAL	**29.3**	**29.9**

Source: CON application #10427, Schedule 6

Notes to Schedule 6 indicate that the staffing levels were determined by comparing current staffing levels by job code for the functions included within the Level II NICU ended September 30, 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.

The applicant did not submit Schedule 7A, which would have included the projected revenues and patient days for the hospital without this project. Since a neonatal intensive care unit is a small part of overall hospital operations, the Agency must analyze the hospital as a whole. Therefore, the Agency is unable to perform a comparison of the expected revenues and expenses to similar hospitals to determine if the projected revenues and expenses are reasonable.

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 hospitals 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 (WCH's) pediatrics today, 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 61 and 62 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 and 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 #10427)
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 #10427, page 64, Table 3-6

The applicant's Schedule 7B 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 #10427)
Estimated Patient Days and Percentage by Payer Mix
Year One and Year Two

	Year One (Ending 2017)		Year Two (Ending 2018)	
Payer	Total Patient Days	Percent of Patient Days	Total Patient Days	Percent of Patient Days
Medicaid	978	19.9%	1,004	19.9%
Medicaid HMO	1,641	33.4%	1,668	33.4%
Commercial Ins.	22	0.4%	23	0.5%
Other Managed Care	1,863	37.9%	1,906	37.8%
Other Payers	383	7.8%	393	7.8%
Self-Pay	32	0.7%	33	0.7%
Total	**4,914**	**100.1%***	**5,047**	**100.1%***

* The reviewer notes that the applicant leaves these boxes blank in the CON application #10247, Schedule 7B. However, the percentages boxes when totaled result in a sum of 100.1 percent for year one and for year two. The reviewer also notes that this discrepancy could be due to rounding.
Source: CON application #10427, Schedule 7B

The applicant conditions for 33 percent of NICU Level II patient days to Medicaid, defined as Medicaid and Medicaid managed care combined.

F. SUMMARY

Wolfson Children's Hospital of Jacksonville, Inc. (CON application #10427), a development stage corporation and an affiliate of not-for-profit hospital provider Baptist Health, is applying to establish a 24-bed Level II NICU in District 4, Duval County, Florida. The applicant submitted two additional companion applications in this batching cycle (CON applications #10426 and #10428). The proposed project approval would result in delicensure of 24 Level II NICU beds at Class 1 BMCJ and the simultaneous licensure of those same beds at the proposed co-batched/companion CON application #10426. The proposed project would not change the inventory count or the physical location of the existing 24 Level II NICU beds.

Project costs total $10,000. The project involves 10,100 GSF of renovated space (no new construction) with total renovation costs of $0.00. Total project costs include project development. Notes to Schedule 1 indicate that the projected costs are so small, all costs for CON applications #10427 and #10428 are accounted for in the CON application #10428 application.

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

Need:

The applicant indicates that the proposed project is not in response to published need. WCHJ indicates that an analysis of need is presented in the context that if the proposed project is approved, the following enhancements or improvements in availability, quality of care and accessibility to the existing 24-bed Level II NICU currently under a Class 1 hospital license would be realized:

- Increased focus and efficiency
- Increased grant funding and philanthropy
- Enhanced access to care
- Attracting more pediatric specialists

WCHJ indicates that the proposed project is critical to the care of newborns not just in District 4 but the surrounding region as the NICU II beds are linked to the highly utilized NICU Level III beds on the BCMJ license and provide a step-down unit as Level III newborns progress toward discharge.

Quality of Care:

As a development stage corporation, the applicant has no operating history. However, the 24 Level II NICU 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 Review

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.

Medicaid/Charity Care:

The applicant conditions project approval to 33 percent of NICU Level II patient days to Medicaid, defined as Medicaid and Medicaid managed care combined. This condition is higher than the BCMJ Medicaid/Medicaid HMO average and is also higher than the overall District 4 Medicaid/Medicaid HMO average, for FY 2014.

Schedule 7B 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 53.3 percent and Self-Pay at 0.7 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 #10427 to establish a 24-bed Level II NICU in District 4, Duval County. The total project cost is $10,000. The project involves 10,100 GSF of renovation and no renovation costs.

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 NICU Level II 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 24 NICU Level II beds in this application:
  - Acute Care – 132 beds
  - NICU Level II – 24 beds (this application)
  - NICU Level III – 32 beds
  - Child and Adolescent Psychiatric – 14 beds via a CON exemption request
  - Pediatric Cardiac Catheterization
  - Pediatric Open Heart Surgery
  - Pediatric Bone Marrow Transplantation
- C.4. Other, specified as: Simultaneously voluntarily delicense 24 NICU Level II beds currently licensed under SBHF with the licensure of 24 NICU Level II 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