

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 #10428

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 32-bed Level III 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 #10428 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 applications #10426 and #10427.

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 #10428), 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 32-bed Level III NICU, within a proposed Class 2 specialty children’s hospital¹ 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 32-bed Level III 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.

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, a 24-bed Level II NICU and CON application #10428 (this proposal), a 32-bed Level III NICU.

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 proposed Class 2 hospital. CON application #10428 includes a letter to this effect, dated March 31, 2016, signed by A. Hugh Greene, FACHE, President and CEO of Baptist Health, SBHF and WCH.

The proposed 32-bed Level III NICU, if approved, is expected to have initiation of service on October 1, 2016. Project costs total \$100,559. The project involves 10,100 gross square feet (GSF) of renovated space (no new construction) with total renovation costs of \$81,000. Total project costs include building and project development. Notes to Schedule 1 indicate that the projected costs for CON applications #10427 and #10428 are accounted for in the CON #10428 application.

In Schedule C of CON application #10428, 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 III 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 32 NICU Level III beds in this application:
 - Acute Care – 132 beds
 - NICU Level II – 24 beds
 - NICU Level III – 32 beds (this application)
 - 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 32 NICU Level III beds currently licensed under SBHF with the licensure of 32 NICU Level III 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 #10428 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 III NICU beds for District 4 was published for the July 2018 planning horizon. The proposed project would not add any additional Level III NICU beds to the district as the Level III NICU beds set for delicensure would be simultaneously licensed at the same physical location with operations at the newly established WCHJ.

District 4 has 56 licensed and 10 approved Level III NICU beds all located in Duval County. District 4’s 56 licensed beds had an occupancy rate of 105.21 percent for the 12-month period ending June 30, 2015. The table below shows the percent of occupancy for District 4 Level III NICUs during this same period.

**District 4
Level III 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
Baptist Medical Center Jacksonville	24	Duval	143.94%
UF Health Jacksonville	32	Duval	76.16%
Total	56		105.21%

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

The reviewer notes that for the 12-month period ending June 30, 2015, District 4 is the only district statewide having a Level III NICU with an occupancy rate in excess of 100 percent, with BMCJ being the only Level III NICU provider in District 4 with an occupancy rate in excess of 100 percent.

The applicant recognizes that the current occupancy percentages are above maximum capacity. WCHJ maintains that as the region’s primary resource for children’s health care and the only Level III NICU provider in District 4 with active pediatric cardiovascular surgeons, active pediatric neurosurgeons and other pediatric subspecialists—the current Level III NICU is not only a district resource but a regional resource. The applicant indicates that it will continue to focus attention and efforts on discharge planning with goals of clinically appropriate reductions in length of stay for Level II infants.

The applicant contends that as an existing provider historical and current utilization of the beds provides justification for the continued need for the 32-bed Level III 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 III 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	18,009	88.1%	9,889	112.9%	54.9%
JUL '13-JUN '14	18,556	90.8%	10,458	119.4%	56.4%
JUL '14-JUN '15	21,504	105.2%	12,609	143.9%	58.6%

Source: CON application #10428, page 14, Table 1-1

WCHJ states that it is important to note that BCMJ had operated 24 NICU Level III beds until adding eight new beds via notification during 2015 for the current license of 32. The applicant asserts that the Agency’s calculations provided in Table 1-1 (above) use the 24-bed capacity. The reviewer confirms that BMCJ provided the Agency with notification (NF140030) to add eight Level III NICU beds to its existing Level III NICU unit. The reviewer confirms that the eight additional beds were licensed on BMCJ’s licensure renewal date, effective July 1, 2015, according to the Agency’s Hospital and Outpatient Services Unit.

The applicant contends that the utilization of Level III beds in the District and within the Wolfson unit have increased significantly. WCHJ maintains that this trend is linked to an increasing average length of stay (ALOS) for NICU Level III patients, as documented by the Health Planning Council of Northeast Florida (HPCNEF).

WCHJ asserts that using HPCNEF data, for the 12-month period ending June 30, 2013, the District 4 ALOS was 30.7 and grew to 33.1 for the 12-month period ending June 30, 2015. See the table below.

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

Time Period	Discharges	Discharge Days	ALOS
JUL '12-JUN '13	509	15,615	30.7
JUL '13-JUN '14	497	15,546	31.3
JUL '14-JUN '15	577	19,086	33.1

Source: CON application #10428, page 14, Table 1-2

WCHJ stresses that the specialized care – such as complex neonatal surgery, neonatal cardiovascular surgery, pediatric neurology and neurosurgery – that is classified as NICU Level III services, emphasizes how essential it is for the proposed project to be licensed with the co-batched and companions proposed by CON applications #10426 and #10427.

The applicant analyzed BCMJ's patient origin data for all NICU patients (Level II Level III) 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 #10428, 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 #10428):

- 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 #10428, 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 #10428, 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 are 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 #10428, 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 #10428, 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 Table 1-6 of the application. The applicant's estimates range 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 #10428, page 19, Table 1-8

The applicant offers 2017 and 2018 estimates for the proposed project's Level III 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 III Days at Proposed Wolfson, Inc.
2017-2018**

Year	NICU Total Days	Percent NICU III	NICU III Days	Wolfson, Inc. Percent NICU III Days	Wolfson, Inc. NICU III Days
2017	45,072	51%	22,085	60.5%	13,355
2018	45,599	51%	22,344	61.3%	13,689

Source: CON application #10428, page 20, Table 1-9

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

Year	Discharges	Patient Days	ALOS	ADC	Occupancy
2017	325	13,355	41.1	36.6	114.3%
2018	333	13,689	41.1	37.5	117.2%

Source: CON application #10428, page 20, Table 1-10

WCHJ maintains that it recognizes the current and projected occupancy percentages are above maximum capacity. The applicant contends that it will continue to focus its attention and efforts on discharge planning with goals of clinically appropriate reductions in length of stay for Level III infants. WCHJ indicates that at the time of filing this application, the applicant does not have any immediately available remedies for addressing occupancy but have “completed an engagement” with an architectural firm specializing in space planning to create a multi-year plan to relocate existing parking and one building that will allow for the construction of new inpatient space, including a completely new NICU that will replace the existing beds and expand the total capacity.

The applicant 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.

WCHJ discusses these four topics in greater detail (pages 22 to 29 of the application). The applicant maintains 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 III 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 32-bed Level III 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 III NICU beds to district as the Level III NICU beds set for delicensure would be simultaneously licensed at the same physical location with operations at the proposed Class 2 hospital (co-batched/companion CON application #10426). District 4's 56 licensed beds had an occupancy rate of 105.21 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 III 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 54.2 percent Medicaid (19.5 percent Medicaid plus 34.7 percent Medicaid managed care), 38.0 percent private pay (37.0 percent managed care, 0.6 percent self-pay and 0.4 percent commercial) while the remaining 7.7 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 a slight difference (0.1 percent) for other managed care for year two. The reviewer notes that this slight difference could be due to rounding. See the table below.

NICU Level III Payer Mix

Payer	Percent of Total
Medicaid	54.2%
Private Pay including self-pay	38.0%
Other	7.7%

Source: CON application #10428, 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) The establishment of Level III neonatal intensive care services shall not normally be approved unless the hospital also provides Level II neonatal intensive care services. Hospitals may be approved for Level II neonatal intensive care services without providing Level III services. In a comparative review, preference for the approval of Level II beds shall be given to hospitals, which have both Level II neonatal intensive care beds and Level III neonatal intensive care beds.**

The applicant is the sole Level III NICU applicant in this batch. The applicant has submitted simultaneous applications to develop a 24-bed Level II NICU (CON application #10427) and a 32-bed Level III NICU. The application complies with this provision.

- c. **Ch. 59C-1.042(5), Florida Administrative Code - Minimum Unit Size. Hospitals proposing the establishment of new Level III neonatal intensive care services shall propose a Level III neonatal intensive care unit with a minimum of five beds and should have 15 or more Level II neonatal intensive care unit 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 32-bed Level III NICU submitted in conjunction with an application for a 24-bed Level II NICU (CON application #10427). Therefore, this provision is met.

- d. **Ch. 59C-1.042(6) - Minimum Birth Volume Requirement. Hospitals applying for Level III neonatal intensive care services shall not normally be approved unless the hospital has a minimum service volume of 1,500 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 for the establishment of a Level III 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 III 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 hospitals 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 34 (Table 2-2) of the application.

The reviewer notes that the applicant is proposing the establishment of a Level III NICU in a specialty children's hospital. Specialty children's hospitals are exempt from this provision.

- (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.**

The applicant states 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.**

WCHJ indicates that NICU nurses at the current facility must be deemed competent using the department's "Competency and Checklist Tool" before the nurse is allowed to work independently with patient assignment. The applicant 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 states that Wolfson’s respiratory therapy department, which 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 although, there is a 20.7 FTE total allocated for other (not specified) ancillary therapists.

- (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 \$10.24 for laboratory services for 2017 and \$10.59 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 (CON application #10426). 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 \$10.24 for laboratory services for 2017 and \$10.59 for 2018. In addition, Schedule 8 indicates a per patient day expense of \$11.06 for 2017 and \$11.44 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. The applicant further discusses this provision. 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.

- (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 (a developmental therapy program) 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 38 of CON application #10427.

- g. Ch. 59C-1.042(10), Florida Administrative Code - Level III Neonatal Intensive Care Unit Standards: The following standards shall apply to Level III neonatal intensive care services:**

- (1) Pediatric Cardiologist. A facility providing Level III neonatal intensive care services shall have a pediatric cardiologist, who is either board-certified or board-eligible in pediatric cardiology, available for consultation at all times.**

The applicant states that pediatric cardiologists from UF Health Jacksonville staff the existing NICU Level III beds and will continue to provide staffing in the proposed project. The applicant provides a list of these physicians on page 39 of CON application #10427.

- (2) Nurse to Neonate Staffing Ratio. Hospitals shall have a nurse to neonate ratio of at least 1:2 in Level III 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, complying with the 1:2 requirement. WCHJ notes that 88 percent of the 144 team members in the NICU are registered nurses. The reviewer notes that both CON application #10428 (this project) and CON application #10427 (the co-batched/companion 24-bed Level II NICU project), combined, have an FTE total of 155.8 in year one (2017) and 158.9 in year two (2018).

- (3) **Requirements for Level III NICU Patient Stations. Each patient station in a Level III NICU shall have, at a minimum:**
- a. **Eighty square feet per infant;**
 - b. **Two wall-mounted suction outlets preferably equipped with a unit alarm to signal loss of vacuum;**
 - c. **Twelve 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 non-invasive blood pressure monitoring device for every three beds;**
 - k. **At least one portable suction device; and**
 - l. **Availability of devices capable of measuring continuous arterial oxygenation in the patient.**

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

(4) **Equipment Required in Each Level III NICU:**

- a. **An EKG machine with print-out capacity;**
- b. **Portable suction equipment; and**
- c. **Not less than one ventilator for every three beds.**

The reviewer notes that WCHJ does not respond to this provision. However, the reviewer also notes that the applicant does respond to the corresponding provision (Rule 59C-1.042(9)(c), Florida Administrative Code) in co-batched/companion CON application #10427 stating that the equipment listed above is provided in the current NICU and will be provided in the proposed project.

- 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 Kid Kare ambulance service on page 41 of CON application #10428. 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.**

WCHJ maintains that the existing NICU does not withhold consent to transfer agreements or patient transfers from other NICUs in the in the District or otherwise. Further WCHJ maintains that the existing NICU recognizes its position as the District 4 Level III NICU provider with access to pediatric cardiovascular and neurosurgeons and does not take any action that would willingly deny access to these services. WCHJ indicates that these practices will continue in the proposed project.

- 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 III NICU beds for District 4 for the July 2018 planning horizon. The proposed project would not add any additional Level III NICU beds to the district as the Level III NICU beds set for delicensure pursuant to this proposal would be licensed at the same physical location with operations at the proposed Class 2 hospital (co-batched CON application #10426).

District 4 has 56 licensed and 10 approved Level III NICU beds (a total of 66 licensed and approved Level III NICU beds), with these beds all located in Duval County. District 4's 56 licensed beds had an occupancy rate of 105.21 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 III 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 46 (Table 1-10) of the application. The reviewer notes that the applicant indicates occupancy rates at over 100 percent for both year one and year two – 114.3 percent occupancy (2017) and 117.2 percent (2018).

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

WCHJ is a development stage corporation and has no operating history. However, 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 this project, equipment, renovations, and CON application #10426. The applicant did not include a third CON (10427) that is currently under review this batch. The unlisted CON 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 126.5 FTEs in year one (ending 2017) and 129.0 FTEs in year two (ending 2018). The year one to year two incremental FTE increases are in the nursing category and the ancillary category, 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 #10428)		
Staffing Patterns		
Year One and Year Two of Operations		
	Year One Ending 2017	Years Two Ending 2018
Administration		
Director of Nursing	0.9	0.9
Secretary	0.9	0.9
Nursing		
R.N.s	91.2	93.0
Nurses’ Aides	8.1	8.3
Other	1.7	1.8
Ancillary		
Physical Therapist	1.5	1.5
Speech Therapist	0.7	0.7
Other	20.7	21.1
Plant Maintenance		
Maintenance Assistant	0.8	0.8
GRAND TOTAL	126.5	129.0

Source: CON application #10428, 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 III 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 (page 63 and 64 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 #10428)
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 #10428, page 66, Table 3-5

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 #10428)
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	2,610	19.5%	2,673	19.5%
Medicaid HMO	4,638	34.7%	4,745	34.7%
Commercial Ins.	47	0.4%	48	0.4%
Other Managed Care	4,947	37.0%	5,082	37.1%
Other Payers	1,028	7.7%	1,053	7.7%
Self-Pay	85	0.6%	88	0.6%
Total	13,355	99.9%*	13,689	100.0%*

* The reviewer notes that the applicant leaves these boxes blank in the CON application #10248, Schedule 7B. However, the percentages boxes when totaled result in a sum of 99.9 percent for year one and 100.0 percent in year two. The reviewer also notes that the 99.9 percent could be due to rounding.

Source: CON application #10428, Schedule 7B

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

F. SUMMARY

Wolfson Children’s Hospital of Jacksonville, Inc. (CON application #10428), a development stage corporation and an affiliate of not-for-profit hospital provider Baptist Health, is applying to establish a 32-bed Level III NICU in District 4, Duval County, Florida. The applicant submitted two additional companion applications in this batching cycle (CON application #10426 and #10427). The proposed project approval would result in delicensure of 32 Level III 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 32 Level III NICU beds.

Project costs total \$100,559. The project involves 10,100 GSF of renovated space (no new construction) with total renovation costs of \$81,000. Total project costs include building and project development. Notes to Schedule 1 indicate that the projected costs for CON applications #10427 and #10428 are accounted for in the CON #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 32-bed Level III 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

Additionally, WCHJ stresses that the specialized care – such as complex neonatal surgery, neonatal cardiovascular surgery, pediatric neurology and neurosurgery – that is classified as NICU Level III services, all of which are provided by the applicant, emphasizes how essential it is for the proposed project to be licensed with the proposed co-batched and companion CON application #10426.

Quality of Care:

As a development stage corporation, the applicant has no operating history. However, the 32 Level III 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:

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 III 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 54.2 percent and self-pay at 0.6 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 #10428 to establish a 32-bed Level III NICU in District 4, Duval County. The total project cost is \$100,599. The project involves 10,100 GSF of renovation and a renovation cost of \$81,000.

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 III 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 32 NICU Level III beds in this application:
 - Acute Care – 132 beds
 - NICU Level II – 24 beds
 - NICU Level III – 32 beds (this application)
 - 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 32 NICU Level III beds currently licensed under SBHF with the licensure of 32 NICU Level III 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