

STATE AGENCY ACTION REPORT
ON APPLICATION FOR CERTIFICATE OF NEED

A. PROJECT IDENTIFICATION

1. Applicant/CON Action Number

North Florida Regional Medical Center, Inc. d/b/a North Florida Regional Medical Center/CON #10568

P.O. Box 147006

Gainesville, Florida 32614-7006

Authorized Representative: Mr. C. Eric Lawson, CEO
(352) 333-4000

2. Service District/Subdistrict

District 3 (Alachua, Bradford, Citrus, Columbia, Dixie, Gilchrist, Hamilton, Hernando, Lafayette, Lake, Levy, Marion, Putnam, Sumter, Suwannee and Union Counties)

B. PUBLIC HEARING

A public hearing was requested and held on Wednesday, April 17, 2019, at 9:30 a.m. EST at the WellFlorida Council, Inc., in Gainesville, Florida. The hearing was requested by Sabrina B. Dieguez, with Smith and Associates representing The Vines Hospital (TVH) and Seann Frazier representing UF Health Shands (UFHS).

First to speak was Jennifer Hinson with the Rutledge Ecenia law firm who introduced North Florida Regional Medical Center (NFRMC) speakers. Eric Lawson, CEO of NFRMC presented an overview of the proposed project and Hospital Corporation of America (HCA) Healthcare. Mr. Lawson stated the purpose of the project was to address occupancy issues at NFRMC, create a less institutional setting for adult psychiatric services and create additional acute care capacity at the main campus. He stated NFRMC would retain its Baker Act status. Mr. Lawson stated that NFRMC is committed to the care and improvement of human life. Per Mr. Lawson, NFRMC's CY 2018 provision of care to the community consisted of approximately 254,000 patient encounters as follows:

- 28,000 admissions
- 86,000 ER Visits
- 20,000 surgeries
- 120,000 Outpatient Visits

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Mr. Lawson stated that NFRMC has 3,300 caregivers, physicians and volunteers. He cited a number of accolades and statistics regarding NFRMC and HCA, including the economic impact to the area of \$171 million dollars annually for salaries and benefits and 2017 total economic impact of \$307 million (with \$40 million in total taxes paid).

Jenny Rice, Program Director, Behavioral Health HCA NFRMC, spoke next citing the clinical and environmental advantages of the project for patients which include:

- The designed milieu mode is better than the existing medical unit model
- Optimized patient environment based on symptom presentation with individual patient care targeted therapeutic programming
- An outdoor area supporting the therapeutic environment
- Dedicated program space for geriatric track with milieu and programming
- Improved admission efficiency
- Additional space for therapeutic programming including group rooms, activities and quiet areas
- Improved capacity decreasing patient wait time
- Increased private rooms for patients provides better patient experience
- NFRMC's improved capacity would give it the ability to treat more patients closer to home
- Improved parking would prevent the existing long walks for patients and visitors, particularly the elderly

Sarah Fayed, M.D., Chair of Psychiatry, Medical Director NFRMC Behavioral Health Center, spoke next citing Florida having the lowest state funding for mental health services and that 60 percent of Florida patients with mental illness are not getting care. She stated the project would improve inpatient and outpatient treatment and address the current situation which has patients sitting waiting for long periods of time in the ER for admission. She maintained that there is a mental health crisis with the short supply of psychiatric physicians and nurses. Dr. Fayed concluded by stating that the project will provide a better therapeutic environment, improve accessibility as a freestanding facility and serve the geriatric population.

Mr. Gene Nelson, health planner for NFRMC was next and stated that NFRMC only seeks to better serve its existing patient base. He indicated that the main reasons for the project include:

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- The existing campus is overcrowded—decompression is needed based on psychiatric (83.7 percent) and acute care (nearly 82 percent) occupancy
- Utilization is not isolated and has persisted over time
- Both acute care services and behavioral health will benefit from decompression of the main campus when the adult psychiatric beds are relocated
- District 3 has the highest psychiatric occupancy (78.8 percent) of any district (state average at 63.7 percent)
- Beyond relocating the existing 33 beds, NFRMC is proposing to add nine beds from the published fixed need pool (FNP) which was not challenged and no other applicant applied
- NFRMC's project does not assume any market share from other existing providers—the only growth is based on population in the service area
- The 65+ population is the fastest growing age group and NFRMC proposes to establish an organized geriatric service to better serve this population
- NFRMC serves all adult patients and is a Baker Act receiving facility
- Approval of CON application #10568 is conditioned to a minimum of 30 percent of patient days being provided to Medicaid and charity care patients (equivalent to the district average)

Seann Frazier, Esquire, representing UFHS spoke next and introduced the opposition speakers. Roxanne Harcourt, Administrator at UFHS Psychiatric Hospital provided an overview of the beds and services at the facility. She cited several reasons UFHS opposes NFRMC's proposed project including:

- It would serve the same patient population as her facility which has 68 percent occupancy and available beds
- It may decrease services at the proposed facility as it will not have medical/surgical for patients who have medical conditions
- UFHS Psychiatric Hospital operates at a loss and the project could negatively impact existing services
- The projected need is for the southern part of District 3
- It is a duplication of existing services, NFRMC's proposed facility will result in geographic overlap and NFRMC taking patients from UFHS—ultimately resulting in less psychiatric services available in the service area
- Nurse staffing is an issue in Alachua County and expanding beds would compound this problem

Mitch Hall, Assistant Administrator at UFHS Psychiatric Hospital, spoke next. He questioned NFRMC's financial projections stating they were unsustainable. Additional concerns he stated include:

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- NFRMC's proposed Medicaid/charity care condition is a decrease from their existing 47 percent and due to losses he feels NFRMC would strive for lower provision of care to these patients resulting in his facility serving more of these patients
- The freestanding facility would create more patients with medical conditions being served by his facility and many of these are lower funded patients
- The proximity of the new facility to UF's existing psychiatric facility will result in more overlap of the patient base
- Bed availability for mental health patients with medical conditions will be reduced by 33 beds and there already is a local surplus of freestanding psych beds
- The need for additional beds in District 3 is in the southern portion of the district
- The divergence of scarce resources to the proposed project will lead to a negative impact on existing providers

Regina Bussing, M.D., Chair of Psychiatry UFHS, provided several reasons she opposes NFRMC's project, including:

- The proposed project is a duplication of existing services and will not improve access to mental health services
- The proposed project will not be able to serve mentally ill patients with high acuity medical conditions such as cardiovascular, diabetes and pulmonary disease
- The number of patients with medical and mental conditions is increasing especially among the elderly population
- The shortage of mental health professionals could be exacerbated as HCA can afford to pay higher salaries even when operating at a loss
- UFHS services, personnel and optimized care could be impeded along with the continued ability to provide its present level of adult psychiatric services if the proposed project is approved

Mark Richardson, health planner for UFHS, spoke next and provided several points of opposition for the proposed project. These include:

- NFRMC's project provides nothing new—it is a replication of existing services
- There is no geographic access increase and it is, in fact, more of the same
- NFRMC projections of 30 percent Medicaid/charity from its existing 44-46 percent is a step back and actually a reduction of service to approximately 300 patients per year
- There are no problematic services resolved by the project
- There is no existing quality of care issue to be resolved by the project

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- HCA's projected losses will result in NFRMC striving to lower services to the project's proposed 30 percent Medicaid/charity care patient level
- There will be a contraction of services which will result in UFHS getting more underfunded patients
- The project is an unnecessary duplication of services which will have a negative impact on UFHS and the community

Geoffrey Smith, Esquire, with Smith and Associates representing TVH spoke next stating that TVH is located in Ocala (Marion County) approximately 30 minutes from Gainesville. He presented several key points in the NHA document (see letters of opposition below). He indicated the document was prepared by Ms. Patricia Greenberg who was unable to attend the hearing. Key points of the opposition include:

- There is no need for a new hospital
- Financial feasibility is not demonstrated at a \$50 million cost
- There is sufficient capacity for existing facilities to address a fixed need of nine beds for the five year horizon addressed by the FNP calculation
- NFRMC cobbled together a facility with 42 adult psychiatric and 24 comprehensive medical rehabilitation (CMR) beds but the application does not explain how it will work
- Opposition is skeptical that NFRMC is unable to manage an 80 percent logistical problem (80 percent occupancy with 387 acute care beds) in the existing facility
- The project is disruptive to the continuum of care through the delicensure of med/psych beds from 43 to 10 beds in the existing acute care setting
- Investor owned hospitals are reluctant to lose money and NFRMC is banking on a two-for-one (Psychiatric/CMR) hospital to help off-set losses
- A better approach to the nine bed FNP is the CON exemption process
- While the number of the district's mental health patients have increased over the last three years, the number of vacant beds has increased at a greater rate
- The new facility will have an adverse impact on UFHS (the safety net provider) and TVH
- TVH presently accepts referrals from two HCA Marion County facilities but in order to cut financial losses, HCA will redirect patients to its new freestanding psychiatric hospital that would normally be referred to TVH
- NFRMC does not propose to have a dedicated geriatric unit

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Stephen Quintyne, CEO of TVH, spoke next and provided a brief history of his facility. He stated that TVH is currently constructing 22 adult psychiatric beds that are proposed to go on-line in August of this year. Mr. Quintyne provided additional reasons to deny the project including:

- The trend in psychiatric care is for outpatient services and partial hospitalization
- There is a shortage of psychiatric doctors and nurses
- The project will have a negative impact on all freestanding psychiatric hospitals in the district, especially The Vines with it having 22 beds coming on-line

Sarah Fayed, M.D., advised that her facility will continue to have a comfort liaison service and hospitalist consultants to address the needs of mental health patients with medical conditions after the new hospital comes on-line. She stated that a lack of nurses doesn't eliminate the need for the project. She restated that NFRMC needs the project in order to address the present situation of having mentally ill patients waiting in its ER for long periods of time to access services.

Craig Miller, Attorney with Rutledge Ecenia law firm spoke on behalf of NFRMC and stated:

- The project will be a Class III hospital and NFRMC will still have med/psych services available
- HCA is not averse to serving patients at a loss and the project is expected to be financially feasible after year two.
- No other applicant commits to adding nine beds and he does not see how adding these beds would negatively affect any program
- If UFHS is running at a one million annual loss then HCA, a larger entity, can run at a loss too
- UFHS is adding adult psychiatric beds also
- The proposed Medicaid/charity condition "is the floor, not the ceiling" and NFRMC expects to serve the present payer mix
- The need for NFRMC's existing 33 beds and the nine bed FNP are not in dispute
- NFRMC has a key card access only area with five patient holding rooms for psychiatric patients because NFRMC's unit is often full and other facilities will not accept transfers—patients then have to sit in these rooms requiring NFRMC to have additional one-on-one labor to watch them
- Denying NFRMC's project "only serves the interest of competitors"

Seann Frazier spoke again stating "the FNP is not the end of the inquiry". He concluded that this is a new facility and as such needs to be addressed as part of community need.

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Regina Bussing, M.D., Chair of Psychiatry, UF Shands Health spoke citing “red herring” assertions against opposition arguments. Per Dr. Bussing, hospitals should serve area need and patients while considering professional resources. HCA “has come in to our relatively small local community” with unintended consequences such as paying higher salaries that are not consistent with local salaries which drain local community resources. UFHS is “willing to do everything” and provides services to all patients, often those with low incomes. Dr. Bussing concluded by stating “the (CON) evaluation for a new facility should include the entire spectrum of the community”.

At the public hearing, two letters of opposition were received from Seann M. Frazier representing UFHS and National Healthcare Associates (NHA) representing TVH.

Mr. Frazier cites the following reasons the project should be denied:

- The need is in the southern portion of District 3 as UFHS has sufficient capacity with excess capacity in Alachua County.
- The proposed project will not enhance financial capacity as the applicant conditions a lower provision of care to these patients than it presently provides.
- NFRMC will provide no new or unique services, or programs and will refer patients with high medical needs to UFHS 10-bed unit at its acute care hospital.
- Approval will have a negative impact on UFHS as it will serve the same patients that would otherwise be served of UFHS Psychiatric Hospital.
- NFRMC proposes a program that is not financially feasible, calling its future commitments into question. He cites the projected \$1.3 and \$1.2 million year one and two losses and contends NFRMC’s pro formas call into question whether they will continue to provide underfunded and unfunded care at existing and projected levels.

NHA submitted a 21-page analysis opposing the project, noting that the proposed project and NFRMC’s proposed CMR facility (CON application #10570) will be a combined facility but does not demonstrate how these components will interface with the existing hospital administration, clinical and financial teams. Major points of opposition to the project include:

- There is insufficient need for a new freestanding psychiatric hospital—the proposal is not a cost-effective way to address a FNP of nine adult psychiatric beds.
- NFRMC does not prove need for additional acute care beds or the lack of ability to expand its existing campus.
- Lack of analysis on impact to patients from losing general acute care hospital-based adult psychiatric beds.

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- Lack of proof of financial feasibility.
- Reducing available beds at NFRMC’s acute care hospital will limit access for patients without the ability to pay and those who have a medical condition in addition to a psychiatric condition.
- NFRMC’s proposed location is 4.5 miles closer to TVH and would compete for the same patients.
- Alachua County already has a freestanding psychiatric hospital.
- District 3 is under-bedded—having available and accessible psychiatric beds within acute care hospitals.
- Alachua County has the second lowest outmigration of patients leaving District 3 to access psychiatric hospitalization.
- District 3 psychiatric patient days and average daily census (ADC) have increased in each of the last three years but the number of licensed and approved beds have grown at a faster rate.
- TVH, UFHS, UFHS Psychiatric Hospital, Lifestream, Springbrook and NFRMC have the vacant bed capacity to meet any incremental need.
- Alachua County has the greatest number of beds and hospitals with three hospitals—91 licensed and 20 approved beds, which should be allowed to become operational and well utilized prior to a new hospital being approved to meet the small incremental demand.
- Between 2016 and 2018, District 3 patient days increased by 12.6 percent and bed days increased by 19.5 percent, which demonstrates incremental bed additions are keeping pace with demand and would likely continue to do so without the disruption a new facility would create.
- Between 2016 and 2018, District 3’s adult psychiatric hospital occupancy rates declined from one and two years prior even though the 2018 occupancy rate exceeds the Agency’s 75 percent occupancy standard.
- TVH relies on HCA’s acute care hospitals to generate 42.1 percent of its admissions from acute care hospitals and 15 percent of its total admissions.
- If NFRMC’s project is approved, HCA’s two Marion County hospitals will likely redirect psychiatric discharges to HCA’s proposed behavioral health sister facility.
- NFRMC will do nothing unique or different to serve the geriatric population although it claims it will have a “Geropsych Tract”, NFRMC does not indicate a specific dedicated geriatric unit.
- The project as depicted on the application’s Schedule 8 is not financially feasible in year one or two, showing a net loss of \$1,213,589 in year two.

The analysis notes that NFRMC’s new facility will be 37 miles due north of TVH—with two HCA Marion County acute care hospitals sitting between the two sites. A table is provided which shows that in CY 2018,

TVH admitted 304 patients these Marion facilities (Ocala Regional Medical Center and West Marion Community Hospital) and TVH admitted 52 patients from NFRMC is shown to have provided 52 admissions during CY 2018—totaling 9.4 percent of TVH admissions. Details on District 3 resident admissions were presented as well. NHA maintains that another freestanding psychiatric hospital would draw patients from the same pool as the existing psychiatric hospitals and the project will adversely and significantly impact each of the District’s five freestanding facilities.

Letters of Support

North Florida Regional Medical Center, Inc. (CON application #10568) includes six letters of support in Tab 3 of CON application #10568. These were from the following:

- Eric L. Godet, President/CEO, Greater Gainesville Chamber of Commerce
- Nannett Hoffman, M.D., adjunct assistant professor Internal Medicine, University of Central Florida College of Medicine
- Michael R. Johnson, M.D., Medical Director, Sarkis Family Psychiatry
- Gary Gillette, M.D., Medical Director, NFRMC Emergency Department and President of Gainesville Emergency Medical Associates
- Sarah M. Fayad, M.D., Chair of Psychiatry, Medical Director Behavioral Health Center, NFRMC
- Deborah Wheeler, RN, CCM, Director of Case Management, NFRMC

Common themes in these letters are NFRMC’s quality care, the need for geriatric-specific inpatient psychiatric services, lack of available space at the existing facility and improved care options that will be obtained with the proposed facility.

C. PROJECT SUMMARY

North Florida Regional Medical Center, Inc. d/b/a North Florida Regional Medical Center (CON application #10568), is a Florida for-profit corporation and a subsidiary of HCA Holdings, Inc. The applicant proposes to establish a new 42-bed Class III adult psychiatric hospital utilizing 33 adult psychiatric beds presently located at NFRMC, in District 3, Alachua County. The nine additional beds sought in the application are in response to the Agency’s nine-bed FNP published February 1, 2019. The applicant indicates that the project will be located at 4086 SW 41st Boulevard in Gainesville, which is approximately—3.37 miles from NFRMC, 3.15 miles from UFHS and 5.96 miles from UFHS Psychiatric Hospital.¹ NFRMC maintains that

¹ Per the Agency’s website at <https://www.floridahealthfinder.gov>.

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HCA-affiliated hospitals in Florida operate 22 adult psychiatric programs with a cumulative total of 830 beds.

NFRMC is licensed as a Class 1 general hospital with a total of 432 licensed beds, as follows: 387 acute care beds, 12 Level II neonatal intensive care unit (NICU) beds and 33 adult psychiatric beds. NFR's non-CON regulated programs include Level II adult cardiovascular services and comprehensive stroke center services. The hospital is also a Baker Act Receiving Facility.

The project involves 63,634 gross square feet (GSF) of new construction. Total construction cost is \$29,221,000. Total project cost is \$49,613,874. Project cost includes land, building, equipment, project development, financing and start-up costs.

The applicant anticipates issuance of license in June 2021 and initiation of service on July 1, 2021.

NFRMC includes the following Schedule C Condition:

- NFRMC will provide a minimum of 30 percent of its annual adult inpatient days to the combination of Medicaid and medically indigent patients which includes Medicaid, Medicaid HMO and self-pay/other (including charity care) patients

Note: Should the proposed project be approved, the applicant's condition would be reported in the annual condition compliance report as required by Rule 59C-1.013 (3) Florida Administrative Code.

Issuance of a CON is required prior to licensure of certain health care facilities and services. The review of a CON application and ultimate approval or denial of a proposed project is based upon the applicable statutory criteria in the Health Facility and Services Development Act (408.031-408.045, Florida Statutes) and applicable rule criteria within Chapters 59C-1 and 59C-2, Florida Administrative Code. An approved CON does not guarantee licensure of the proposed project. Meeting the applicable licensure requirements and licensure of the proposed project is the sole responsibility of the applicant.

D. REVIEW PROCEDURE

The evaluation process is structured by the certificate of need review criteria found in Section 408.035, Florida Statutes; and applicable rules of the State of Florida, Chapters 59C-1 and 59C-2, Florida Administrative Code. These criteria form the basis for the goals of the review process. The goals represent desirable outcomes to be attained by successful applicants who demonstrate an overall compliance with the criteria. Analysis of an applicant's capability to undertake the proposed project successfully is conducted by evaluating the responses and data provided in the application, and independent information gathered by the reviewer.

Applications are analyzed to identify strengths and weaknesses in each proposal. If more than one application is submitted for the same type of project in the same district, applications are comparatively reviewed to determine which applicant(s) best meets the review criteria.

Rule 59C-1.010 (3) (b), Florida Administrative Code, prohibits any amendments once an application has been deemed complete. The burden of proof to entitlement of a certificate rests with the applicant.

As such, the applicant is responsible for the representations in the application. This is attested to as part of the application in the Certification of the applicant.

As part of the fact-finding, the consultant, James B. McLemore, analyzed the application with consultation from the financial analyst, Everett "Butch" Broussard of the Bureau of Central Services, who reviewed the financial data and Scott Waltz of the Office of Plans and Construction, who reviewed the application for conformance with the architectural criteria.

E. CONFORMITY OF PROJECT WITH REVIEW CRITERIA

The following indicate the level of conformity of the proposed project with the criteria and application content requirements found in Florida Statutes, Sections 408.035, and 408.037 and applicable rules of the State of Florida, Chapter 59C-1 and 59C-2, Florida Administrative Code.

1. Fixed Need Pool

- a. Does the project proposed respond to need as published by a fixed need pool? ss. 408.035(1) (a), Florida Statutes. Rule 59C-1.008(2), Florida Administrative Code and Rule 59C-1.039(5), Florida Administrative Code.**

In Volume 45, Number 22, dated February 1, 2019 of the Florida Administrative Register, a fixed need pool of nine beds was published for adult inpatient psychiatric beds in District 3 for the July 2024 planning horizon.

District 3 has eight hospitals with a total of 295 adult inpatient psychiatric beds that reported an occupancy rate of 78.77 percent for the 12-month period ending on June 30, 2018. The Centers, Inc., a Class III hospital with 15 adult psychiatric beds closed on October 26, 2018. An additional 54 adult psychiatric beds were approved but not yet licensed as of December 7, 2018. These include 20 beds at UFHS Psychiatric Hospital (Alachua County) via Exemption #E180006, 22 beds at TVH (Marion County) Exemption #E180005 and 12 beds at Springbrook Hospital (Hernando County) Exemption #E150011.

The table below shows the District 3 facilities during the July 2017- June 2018 utilization reporting period with licensed adult psychiatric beds by service class, bed counts and adult occupancy rates.

**District 3
Adult Inpatient Psychiatric Utilization
12 Months Ending June 30, 2018**

Facility	Service Class	# Adult Beds	Adult Occupancy
North Florida Regional Medical Center	Class I Hospital	33	83.70%
UF Health Shands Hospital	Class I Hospital	10	89.62%
UF Health Shands Psychiatric Hospital	Class III Hospital	48	69.57%
Springbrook Hospital	Class III Hospital	61	111.35%
Lifestream Behavioral Center	Class III Hospital	41	82.17%
LRMC Senior Behavioral Health Center	Class III Hospital	21	21.10%
The Centers, Inc.	Class III Hospital	15	201.24%
The Vines Hospital	Class III Hospital	66	38.44%
District 3 Total		295	78.77%

Source: Florida Hospital Bed Need Projections and Service Utilizations by District, January 2019 Batching Cycle.

Note: The Centers, Inc. closed effective 10/26/18.

The chart below contains the population estimates for the total adult population (age 18 and older) in District 3 for January 2018 and the July 2024 planning horizon.

**District 3
Population Aged 18 and Over
January 2018 - July 2024 Planning Horizon**

County	Population Aged 18 and Over January 2018	Population Aged 18 and Over July 2024	Percent Change
District Total	1,451,477	1,618,199	11.49%
State Total	16,313,821	17,783,125	9.01%

Source: Agency for Health Care Administration Population Projections, published February 2015

NFRMC states that the project is a relocation of the facility’s existing 33 adult inpatient psychiatric beds and the addition of the nine beds from the current FNP. The applicant contends that NFRMC’s acute care occupancy of 77.5 percent during the 12 months ending June 30, 2018 and the first six months of 2018 occupancy of 81.6 percent result in levels of utilization such that the facility “is effectively operating at capacity” and there is “an urgent need to decompress the main campus” to increase acute care bed inventory. The reviewer notes that during the 12 months ending June 30, 2018, 387 acute care beds at 77.5 percent occupancy, results in approximately 87 beds ($387 \times 77.5 \text{ percent} = 299.93$ and $387 - 300 = 87$) available on any given day. During the first six months of 2018, 81.6 percent occupancy results in approximately 71 beds available. There does not appear to be an urgent need to decompress for acute care bed utilization. The reviewer reviewed NFRMC’s utilization data as reported to WellFlorida Council, Inc., for 3rd quarter (28,827 patient days) and 4th quarter (29,343 patient days) 2018. For CY 2018, NFRMC had 141,255 acute care bed days and 115,529 patient days for 81.79 percent occupancy. Therefore, on any given day 70 acute care beds ($387 \times 81.79 \text{ percent} = 316.53$) were available during CY 2018. There does appear to be increasing utilization but there remains a sizeable acute care bed availability. NFRMC indicates the space vacated by the behavioral health unit will be renovated to house 30 additional acute care beds.

The applicant states that need for the project is predicated on the following factors:

- 1) Physical plant constraints at NFRMC impinging on the ability to continuously deliver the service to all in need
- 2) Nine-bed FNP and no competing applicant to meet said need
- 3) Documented difficulties encountered in placing patients into existing psychiatric beds at NFRMC or elsewhere due to capacity constraints associated with high occupancy levels
- 4) Geographic inaccessibility of certain adult psychiatric programs located in the southern areas of District 3
- 5) Need for additional, dedicated behavioral health programming for the geriatric population within District 3.

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NFRMC lists the following number of improvements in the delivery of behavioral health services the proposed project will provide:

- 1) The new campus will be smaller, quieter, with parking more proximate to the entrance, less institutional building/grounds and easy access to outdoor spaces.
- 2) The existing unit at NFRMC is on the fourth floor and offers no convenient access to outdoor areas.
- 3) Current acceptance of patients from other hospitals currently takes place via the emergency department even though they are medically clear, which is not always the best therapeutic environment for psychiatric patients.
- 4) The new building will provide a quiet, pleasant intake area serving as a “front door” for admissions.
- 5) There will be a number of patient lounge and activity areas on each wing of the building as well as visitor waiting areas. The present location does not have adequate room for these amenities.

The applicant maintains that the letters of support submitted with CON application #10568 illustrate that the relocation to a new campus, including establishing a geriatric program and adding nine beds, represents a much needed enhancement of its current adult psychiatric service. The applicant contends that the project will be successful based on better meeting NFRMC’s own adult psychiatric inpatient needs while not diverting market share from other providers. NFRMC asserts that it is difficult to conceive of any adverse impact on other providers arising out of the proposed project.

NFRMC discusses its “High-Quality Behavioral Health Program”, awards and recognitions, HCA affiliation and financial strength/stability. The applicant states it has all of the resources available to implement and operate the proposed project efficiently and effectively including managerial and operational expertise at the hospital, as well as support from HCA division and corporate entities. The applicant concludes that approval of the project will allow NFRMC “to move forward expeditiously to meet the needs for additional adult psychiatric services identified as well as to decompress the main campus location and provide additional needed acute care capacity”.

The applicant presents a brief description of the new facility design and states existing physicians and staff will serve the same base of patients. The proposed “psychiatric unit” will maintain its status as a Baker Act receiving facility serving all payer classes including both Medicaid and Medicaid managed care enrollees.² The applicant includes HCA’s 22 Florida hospitals with adult inpatient psychiatric programs by facility

² The reviewer notes that NFRMC referred to the project as a “unit” or new hospital interchangeably throughout the application.

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name and bed count along with approved but not licensed beds—totaling 810 adult psychiatric beds, 20 adult substance abuse beds and 19 (out of 22 total facilities) Baker Act receiving facilities.³

NFRMC provides a narrative of its acute care service area detailing patient utilization, population growth and projected service demand. The applicant indicates that the project will provide an “opportunity to more efficiently meet current and future community needs while modestly expanding psychiatric bed capacity by nine beds consistent with the current published fixed need pool”. NFRMC’s location in Alachua County and District 3’s adult psychiatric beds are discussed. The applicant notes NFRMC primarily serves Alachua County residents and residents of the 11 counties located primarily to the north, west and east of the hospital. See the table below.

**North Florida Regional Medical Center
Patient Origin of Adult Behavioral Health Inpatients
July 2017—June 2018**

County/Area	Number of Discharges	Percent of Total
Alachua	722	35.8%
Columbia	147	7.3%
Marion	142	7.0%
Putnam	129	6.4%
Dixie	71	3.5%
Levy	70	3.5%
Suwannee	63	3.1%
Gilchrist	49	2.4%
Bradford	47	2.3%
Union	35	1.7%
Citrus	21	1.0%
Hamilton	18	0.9%
PSA Total	1,514	75.1%
Other District 3	33	1.6%
Other FL (non D3)	348	17.3%
Non FL/Unknown	122	6.0%
Total	2,017	100.0%

Source: CON application #10568, page 15

The reviewer notes that the applicant’s identified acute primary service area (PSA) total divided by the total discharges computes to 75.06 percent. The applicant provides a map of its identified PSA and charts of the population age 18-64 and 65 and over as of January 1, 2019 and January 1, 2023 specific to the counties in its PSA. The reviewer arranged the PSA counties by order of NFRMC’s discharge volume. The reviewer also notes that while the applicant has identified a particular

³ The reviewer confirmed bed counts, services and Baker Act facilities @ <http://FloridaHealthFinder.gov>. Blake Medical Center, Doctors Hospital of Sarasota & Mercy Hospital are not Baker Act facilities. The 50 approved beds: Orange Park Medical Center (26) & JFK Medical Center North Campus (24) were not yet licensed as of 4/26/19.

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PSA, the Agency looks at psychiatric services on a district level pursuant to 59C-1.040, Florida Statutes—in this case that would encompass the entirety of District 3. See the table below.

**North Florida Regional Medical Center
Adult Inpatient Psychiatric Service Area
Adult Population Dynamics
January 1, 2019—January 1, 2023**

County	January 1, 2019			January 1, 2023			Percent Change		
	Population Age 18-64	Population 65+	Total	Population Age 18-64	Population 65+	Total	Age 18-64	Age 65+	Total
Alachua	176,476	39,206	215,682	179,039	45,423	224,462	1.5%	15.9%	4.1%
Columbia	43,355	13,570	56,925	44,233	15,481	59,714	2.0%	14.1%	4.9%
Marion	197,019	106,850	303,869	207,321	118,577	32,589	5.2%	11.0%	7.2%
Putnam	41,569	15,963	57,532	40,937	17,127	58,064	-1.5%	7.3%	0.9%
Dixie	10,258	4,044	14,302	10,473	4,509	14,982	2.1%	11.5%	4.8%
Levy	25,112	9,940	35,052	25,952	11,105	37,057	3.3%	11.7%	5.7%
Suwannee	27,173	9,886	37,059	28,013	10,901	38,319	3.1%	10.3%	5.0%
Gilchrist	10,618	3,882	14,500	10,791	4,448	15,239	1.6%	14.6%	5.1%
Bradford	17,191	5,224	22,415	17,260	5,785	23,045	0.4%	10.7%	2.8%
Union	11,509	2,103	13,612	11,550	2,342	13,892	0.4%	11.4%	2.1%
Citrus	76,949	52,355	129,304	79,449	56,393	135,842	3.2%	7.7%	5.1%
Hamilton	9,523	2,769	12,292	9,428	3,161	12,589	-1.0%	14.2%	2.4%
PSA Total	646,752	265,792	912,544	664,446	295,252	959,698	2.7%	11.1%	5.2%

Source: CON application #10568, page 18

The applicant states the data above clearly demonstrates that NFRMC’s self-identified 12-county service area will have an overall midpoint of the project’s second year operation population growth of 5.2 percent (912,544 to 959,698). Striking to the applicant is the increase in the age 65+ population which it notes will increase 11.1 percent (265,792 to 295,252) during the same period. The applicant indicates that by January 1, 2013, the 65+ population will comprise nearly 31 percent of the service area’s age 18+ population. The applicant states that “partly in response to these (population) trends NFRMC intends to develop and implement specific behavioral health programming geared toward the geriatric population”.

NFRMC next discusses District 3 and its 33-bed unit’s utilization during the 12 months ending June 30, 2018, noting that its 83.7 percent occupancy rate was well above the 75 percent target rate the Agency utilizes for determining need. Per the applicant, an “internal analysis of behavioral health unit capacity denials indicates there were a total of 1,042 potential adult psychiatric admissions denied either at NFRMC or other area providers during CY 2017”. However, little detail was provided on how the “denied admissions” were determined with Tab 4 only including monthly summaries for calendar years 2017 and 2018 indicating that NFRMC accounted for 78 of the denied admissions in CY 2017 and 116 of the 870 total denied admissions during CY 2018. The applicant notes that CY 2017’s denied admissions translate to an ADC of 17.9 days and “similar levels of denials were identified during CY 2018”.

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The applicant's table in Tab 4 shows these denied admissions—870 in CY 2018 translates to an ADC of 13.06 days.

The applicant provides a chart showing District 3's adult psychiatric bed utilization for July 2017—June 2018 and contends overall utilization supports need for its project. NFRMC indicates that TVH's low utilization during the reporting period is a "radical anomaly" and "a not normal circumstance".

The applicant discusses the distance from NFRMC to the district's providers (UFHS Psychiatric Hospital, UFHS 10-bed unit utilization and TVH). The applicant notes that outside Alachua County, TVH is the closest to the project's proposed location at 37 miles and the district's other three providers range from 72 to 101 miles which are not reasonable alternatives for patients seeking care at NFRMC.

NFRMC cites letters of support from five writers. Dr. Michael R. Johnson, Medical Director, Sarkis Family Psychiatry, states the "greatest problem (with NFRMC) is the lack of available space for expansion of the inpatient program". He notes having problems getting patients admitted due to lack of beds and the current situation requiring co-mingling geriatric patients or patients suffering from depression with patients suffering from psychosis and/or aggression. Nanette Hoffman, MD, adjunct assistant professor Internal Medicine at University of Central Florida College of Medicine, states that as "a practicing Geriatrician in the area for over 30 years, currently affiliated with NFRMC, the North Central Florida population is aging...Most elderly want choices besides Shands University of Florida proximate to their homes". She states that "an inpatient unit within our health system focused on the special mental health needs along with physical frailty in our aging patients could potentially reduce repeat emergency department visits and the revolving door of fragmented and costly care for the elderly with difficult to manage psychiatric and/or behavioral symptoms in the community".

The applicant recounts the service area population data and the need for additional geriatric inpatient services, which "NFRMC fully intends to address" with this project. The proposed 42-bed adult psychiatric hospital "will be filled rapidly" according to NFRMC based on its current high adult inpatient psychiatric occupancy, "population growth within the service area, especially the age 65+ group", associated difficulties encountered with placing patients into existing psychiatric beds and the need within NFRMC's service area for dedicated behavioral health programming for the geriatric population. NFRMC concludes that the project's utilization will be a result of better absorption of current demand and population growth and not the diversion of patients from other providers. The applicant projects utilization for the 42-bed facility

will be 75.77 percent (11,616 patient days) during the 12 months ending June 30, 2022 and 76.48 percent (11,724 patient days) in year two ending June 30, 2023.

NFRMC maintains that the project will be successful based on better meeting its institutional adult psychiatric inpatient needs, not as a result of diverting market share from other providers. The applicant contends that it is difficult to conceive of any adverse impact on other providers arising out of this project.

2. Agency Rule Criteria/Preferences

a. Priority Considerations for hospital inpatient general psychiatric services (Rule 59C-1.040 (4)(f), Florida Administrative Code) (NOTE: All references to child/adolescent psychiatric services are deleted). In weighing and balancing statutory and rule review criteria, preference will be given to applicants who:

- 1. Provide Medicaid and charity care days as a percentage of their total patient days equal to or greater than the average percentage of Medicaid and charity care patient days of total patient days provided by other hospitals in the district, as determined by the Florida Center for Health Information and Policy Analysis hospital discharge data for the 12-month period ending six months prior to the beginning date of the quarter of the publication of the fixed bed need pool.**

North Florida Regional Medical Center, Inc. (CON application #10568) states it currently serves Medicaid and charity care patients and will continue to do so with the project. The applicant projects to have 16.2 percent of its year two total annual patient days to Medicaid/Medicaid HMO patients and 16.8 percent to charity and self-pay patients. A representative sample of District 3 and NFRMC's Medicaid/Medicaid HMO days reported during the 12 months ending June 30, 2018 shows 21.30 percent of its patient days were Medicaid/Medicaid HMO compared to the District 3 facilities average of 15.03 percent.

- 2. Propose to serve the most seriously mentally ill patients (e.g. suicidal patients; patients with acute schizophrenia; patients with severe depression) to the extent that these patients can benefit from a hospital-based organized inpatient treatment program.**

North Florida Regional Medical Center, Inc. (CON application #10568) states that it currently serves the most seriously mentally

ill patients and will continue to do so with the proposed project. NFRMC is currently a Baker Act receiving facility and the proposed facility will continue to serve as a Baker Act receiving facility. Admission criteria, screening and admissions with a list of severity of illness and intensity of service criteria guidelines are included the application's Tab 6.

3. Propose to serve Medicaid-eligible persons.

North Florida Regional Medical Center, Inc. (CON application #10568) asserts it is above the District average in provision of care to Medicaid-eligible persons. Schedule 7B of CON application #10568, shows the applicant proposes to provide 17.5 percent of year one and 16.2 percent of year two patient days to Medicaid/Medicaid HMO patients.

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

North Florida Regional Medical Center, Inc. (CON application #10568) states it presently serves these individuals and will continue to do so. The applicant's table on page 79 depicts the historical provision of care by payer source at the NFRMC. The table indicates that from July 2017 – June 2018 the provision of 1.9 percent of its total patient days were non-payment.

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

North Florida Regional Medical Center, Inc. (CON application #10568) indicates that it is a designated Baker Act Receiving Facility currently and expresses a commitment to maintain status as a Baker Act Receiving Facility at the proposed premise.

- b. Minimum Size of Specialty Hospitals (Rule 59C-1.040(3)(e) Florida Administrative Code). A specialty hospital providing hospital inpatient psychiatric services shall have a minimum capacity of 40 beds. The minimum capacity of a specialty hospital providing hospital inpatient psychiatric services may include beds used for hospital inpatient substance abuse services regulated under Rule 59C-1.041, F.A.C. The separately organized units for hospital inpatient psychiatric services for adults in specialty hospitals shall meet the minimum size requirements stated in subsection (5) of this rule.**

North Florida Regional Medical Center Inc. (CON application #10568) states that the proposed project complies with this standard as the facility will have two 21-bed units. The applicant's project meets this criterion.

- c. **Access Standard. Hospital inpatient psychiatric services should be available within a maximum ground travel time of 45 minutes under average travel conditions for at least 90% percent of the district's total population. (Rule 59C-1.040(6), Florida Administrative Code).**

North Florida Regional Medical Center, Inc. (CON application #10568) notes that District 3 adult inpatient psychiatric beds are reasonably well distributed across the geographic area and its project will have a negligible effect on geographic accessibility.

- d. **Quality of Care.**

1. **Compliance with Agency Standards. Hospital inpatient general psychiatric services for adults shall comply with the Agency standards for program licensure. Applicants who include a statement in their certificate of need application that they will meet applicable Agency licensure standards are deemed to be in compliance with this provision (Rule 59C-1.040(7)(a), Florida Administrative Code).**

North Florida Regional Medical Center, Inc. (CON application #10568) certifies that it will meet all applicable licensure standards and identifies several provisions of the rule including but not limited to:

- Fire protection
- Comprehensive emergency management plan
- Nutritional services
- Pharmacy services
- Nursing services
- Patient rights and care
- Emergency care
- Quality improvement
- Governing board
- Management and administration
- Organized medical staff
- Rehabilitation, psychiatric and substance abuse programs (NFRMC doesn't have licensed substance abuse or CMR beds)
- Child abuse and neglect
- Facilities and physical plant safety

2. **Continuity. Providers of hospital inpatient psychiatric services shall also provide outpatient services, either directly or through written agreements with community outpatient mental health programs, such as local psychiatrists, local psychologists, community mental health programs, or other local mental health outpatient programs (Rule 59C-1.040(7)(d), Florida Administrative Code).**

North Florida Regional Medical Center, Inc. (CON application #10568) states that it has linkages with community providers for discharge referral and continuity of care. NFRMC notes that clinical social worker/nurses are familiar with the area's long-term skilled nursing, nursing homes, residential care, adult day care, outpatient psychotherapy and partial hospitalization programs. Patient discharge is discussed in detail and the applicant indicates that patients referred to them for inpatient treatment are referred back to that agency or professional unless it is not clinically appropriate.

3. **Screening Program. All facilities providing hospital inpatient psychiatric services shall have a screening program to assess the most appropriate treatment for the patient. Patients with a dual diagnosis of a psychiatric disorder, as defined in subsection (2) and substance abuse, as defined in subsection (2), shall be evaluated to determine the types of treatment needed, the appropriate treatment setting, and, if necessary, the appropriate sequence of treatment for the psychiatric and substance abuse disorders (Rule 59C-1.040(7)(e), Florida Administrative Code).**

NFRMC indicates that a behavioral health assessment will be made within one hour of arrival of a patient presenting to the emergency department under a Baker Act or following the determination that a mental health condition exists. The applicant states that patients admitted to the program receive the following assessments—nursing assessment, medical history, physical examination, psychiatric evaluation and psychosocial assessment. Other assessments, such as physical therapy, vision, hearing, speech/language, etc., may be ordered at the request of the attending psychiatrist. In the case of a dual diagnosis of a psychiatric disorder (primary) and substance abuse (secondary), NFRMC asserts that the screening program will also help determine the appropriate sequence of treatment. NFRMC maintains that the proposed facility will not admit a patient with a primary diagnosis of substance abuse.

- e. **Services Description (Rule 59C-1.040(8), Florida Administrative Code). An applicant for hospital inpatient general psychiatric services shall provide a detailed program description in its certificate of need application including:**

1. Age groups to be served.

North Florida Regional Medical Center, Inc. (CON application #10568) indicates that adults aged 18+ will be served by the proposed project.

2. Specialty programs to be provided (e.g., programs for eating disorders, stress management programs).

North Florida Regional Medical Center, Inc. (CON application #10568) states that the proposed project's design and construction will readily accommodate specialty programming for geriatric patients. The applicant states its "Geropsych Tract" will provide comprehensive diagnosis and treatment for a wide variety of illnesses including depression, bipolar disorder, anxiety and thought disorders. Symptoms may include memory loss, mood disturbances, anxiety, difficulty coping with losses and transitions, or behavioral conditions which can significantly impair social, occupational or other areas of functioning. NFRMC indicates that treatment will be tailored to the individual and program features include medical evaluation, assessment of daily living skills, electroconvulsive therapy (ECT) when indicated, recreational therapy, family support/consultation, group therapy, continuity of care and discharge planning. The geropsych tract multidisciplinary team includes psychiatrists, psychiatric nurses, social workers/case management and therapeutic activities staff.

A brochure describing NFRMC's specialty programs is included in Tab 10 (Additional Information) of CON application #10568.

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

North Florida Regional Medical Center, Inc. (CON application #10568) states staffing includes 3.0 FTE administrative employees, 21.0 nurses and 12.7 social work staff. An overview of key positions is provided on pages 49-52 of CON application #10568. Job descriptions of key staff are included in Tab 7 of the application. NFRMC includes the following staffing for the proposed project on the application's Schedule 6A.

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North Florida Regional Medical Center, Inc. Proposed Staffing Years One and Two Ending June 30, 2022 & 2023		
Position	FTE – Year One	FTE – Year Two
Administrative Director	1.0	1.0
Director of Nursing	1.0	1.0
Nurse Manager	1.0	1.0
Unit/Program Director	1.0	1.0
Psychiatrists	5.0	5.0
RNs	21.0	21.0
Nurses’ Aides	12.6	12.6
Unit Secretary	2.1	2.1
Social Service Director	1.0	1.0
Activity Director	2.0	2.0
Licensed Social Worker	5.5	5.5
Intake Assessor	4.2	4.2
Total	57.4	57.4

Source: CON application #10568, Schedule 6A

The applicant notes that there will be two FTEs—one psychiatrist and one nurse manager added to NFRMC’s existing staff as a result of the proposed project. No FTEs are shown for non-patient care services (dietary, housekeeping, laundry and plant maintenance). However, the applicant states “these services will be provided directly by the hospital and associated expenses for these service departments have been allocated and included in Schedule 8A”.

4. Patient groups that will be excluded from treatment.

North Florida Regional Medical Center, Inc. (CON application #10568) states that “no patient groups by primary diagnosis ICD code (ICD 10 has superseded ICD 9) that will be excluded from treatment”. The project will serve patients “above the age of 18” who meet the appropriate admission criteria. The applicant indicates that there are circumstances “prospective patients are not appropriate for admission to the psychiatric service, most typically involving concomitant medical conditions, infectious diseases, or patients unable to participate in active treatment due to physical limitations”.

5. Therapeutic approaches to be used.

North Florida Regional Medical Center, Inc. (CON application #10568) refers to its previous response to Rules 59C-1.040(3)(g) and (8)(b) above. The multidisciplinary team patient and staff roles in treatment are discussed. NFRMC asserts that nurses, recreation therapy assistants and mental health associates will be immediately available to interact with patients.

6. Expected sources of patient referrals.

North Florida Regional Medical Center, Inc. (CON application #10568) states that as a well-established provider it draws referrals from area hospitals and the following sources:

- Law enforcement
- Physicians
- Community mental health centers
- Employee assistance programs
- Managed care plans
- General hospital emergency rooms
- Residential treatment programs
- Psychiatrists, psychologists and professional counselors
- Nursing homes/assisted living facilities
- Schools/universities
- Legal/judicial
- Word of mouth/reputation
- Family and friends

NFRMC provides the following table indicating the source of patient referrals by admission during July 2017–June 2018 below.

**North Florida Regional Medical Center
Adult Psychiatric Patient Discharges
July 2017- June 2018**

Admission Source	Discharges	Percent
Non-Health Care Facility	830	41%
Another Hospital	524	26%
Unknown	329	16%
Transfer within NFRMC	111	6%
Clinic/Physician Office	98	5%
Another Health Care Facility	83	4%
Court/Law Enforcement	27	1%
Transfer from Nursing Home	15	1%
Grand Total	2,017	100.0%

Source: CON application #10568, Page 53

The applicant anticipates that the referral sources will remain similar in the future.

7. Expected average length of stay for the hospital inpatient general psychiatric services discharges by age group.

NFRMC predicts that the average length of stay for the proposed project will overall be 5.6 days—5.5 days for patients age 18-64 and 5.8 days for patients age 65+. The applicant states this

projection is derived by the July 2017—June 2018 utilization of its adult program at NFRMC—1,771 patients in the 18-64 group and 246 in the age 65+ group.

- 8. Projected number of hospital inpatient psychiatric services patient days by payer type, including Medicare, Medicaid, Baker Act, private insurance, self-pay and charity care patient days for the first two years of operation after completion of the proposed project.**

North Florida Regional Medical Center, Inc. (CON application #10568) refers to its Schedule 7B for this response and indicates Medicaid/Medicaid HMO is projected to be 16.2 percent and charity/self-pay patients 16.8 percent of the unit's total annual patient days, respectively. The reviewer confirmed this is Schedule 7B's year two figures. The applicant states that Baker Act patients will not be paid for by public funds but private patients admitted under the act will be included in the various payer categories cited.

NFRMC cites its proposed CON condition to provide a minimum of 30 percent of the 42-beds total patient days being provided to Medicaid/Medicaid HMO and charity care/self-pay.

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

North Florida Regional Medical Center, Inc. (CON application #10568) refers to its previous discussion of its "admission policies with regard to charity care patients" and states it "will continue to triage, medically screen, stabilize and admit patients without regard to their ability to pay". The applicant states that it "expects to provide 30.3 percent of its total patient days to charity care and self-pay patients". However, charity and self-pay days are projected to be 18.17 and 16.76 percent of the project's year one and two total patient days, respectively. The reviewer notes that Medicaid/Medicaid HMO days and charity/self-pay days combined result in 35.74 percent of year one and 33.0 percent of year two total annual patient days. NFRMC includes its charity care policy in Tab 5 of the application.

- f. **Quarterly Reports (Rule 59C-1.040(9), Florida Administrative Code). Facilities providing licensed hospital inpatient psychiatric services, including facilities with intensive residential treatment program beds for children and adolescents licensed as specialty hospital beds, shall report to the Agency or its designee, within 45 days after the end of each calendar quarter, the number of hospital inpatient psychiatric services admissions and patient days by age groups (patients under age 18 years and adults).**

The applicant notes historical compliance and states intent to continue to comply with this criterion.

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.**

North Florida Regional Medical Center, Inc. (CON application #10568) refers to its response to "Section E. 1. "Fixed Need Pool" which discusses in detail availability, accessibility and the extent of existing mental health services in its PSA and the existing bed supply in District 3. The applicant notes that it discussed quality of care in its response to rule criteria. NFRMC states it "makes no presentations" regarding the quality of care of other providers in District 3. NFRMC summarizes its reasons to approve the project and concludes "the need for the project proposed...is evidenced by the availability, accessibility and extent of utilization of existing health care facilities and health services in District 3".

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

North Florida Regional Medical Center, Inc. (CON application #10568) indicates that the resources and expertise available through the existing program and HCA will confer benefits to the proposed project. Specifically, HCA Behavioral Health Services is stated to be one of the fastest growing HCA service lines and one of the nation's largest acute care psychiatric providers. HCA Behavioral Health Services oversees the operations of all HCA inpatient psychiatric programs and assists in program development, regulatory compliance, training, education and physician recruitment. The applicant lists the 22 HCA affiliate facilities in Florida with 830 adult inpatient behavioral health program beds and states that 19 are Baker Act receiving facilities. The applicant's

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performance improvement plan is discussed in detail and a copy of said plan is included in Tab 11 of the application. Sample policies specific to NFRMC’s inpatient psychiatric services are included in Tab 6 of the application. The applicant provides a detailed description of its ability to provide quality care.

The following table accounts for the three-year substantiated complaint history for the applicant and HCA facilities for the period of March 1, 2016 through March 1, 2019. HCA had a total of 12,324 licensed beds in 51 hospitals during this reporting period. NFRMC had two substantiated complaints (one each in the “State Licensure” and the “Fraud/False Billing” categories) and HCA facilities had 108 substantiated complaints during these 36 months. A single complaint can encompass multiple complaint categories. The substantiated complaint categories, for the parent, is shown in the table below.

**HCA Substantiated Complaint Categories
36 Months Ending March 1, 2019**

Complaint Category	Number Substantiated
Quality of Care/Treatment	39
State Licensure	29
Emergency Access	15
Resident/Patient/Client Rights	11
Admission/Transfer and Discharge	8
Nursing Services	4
Physician Services	4
Billing/Refunds	3
Administration/Personnel	2
Life Safety Code	2
Unqualified Personnel	2
EMTALA	1
Falsification of Records/Reports	1
Fraud/False Billing	1
Infection Control	1
Pharmaceutical Services	1
Physical Environment	1
Resident/Patient/Client Assessment	1
Restraints/Seclusion General	1

Source: Florida Agency for Healthcare Administration Complaint Records

NFRMC demonstrated the ability to provide quality care.

- 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

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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 HCA Healthcare, Inc., where the short-term and long-term measures fall on the scale (highlighted in gray) for the most recent year. All figures except ratios are in thousands.

HCA Healthcare, Inc. - HCA (In Millions)		
	Dec-18	Dec-17
Current Assets	\$10,213	\$9,977
Total Assets	\$39,207	\$36,593
Current Liabilities	\$7,569	\$6,158
Total Liabilities	\$42,125	\$41,588
Net Assets	(\$2,918)	(\$4,995)
Total Revenues	\$46,677	\$43,614
Excess of Revenues Over Expenses	\$5,335	\$4,381
Cash Flow from Operations	\$6,761	\$5,426
Short-Term Analysis		
Current Ratio (CA/CL)	1.3	1.6
Cash Flow to Current Liabilities (CFO/CL)	89.32%	88.11%
Long-Term Analysis		
Long-Term Debt to Net Assets (TL-CL/NA)	-1184.2%	-709.3%
Total Margin (ER/TR)	11.43%	10.04%
Measure of Available Funding		
Working Capital	\$2,644	\$3,819

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 \$179,542,945 which includes funding 2020 and 21 routine capital expenditures, CON #10570, and the subject of this review CON application #10568 of \$49,613,874. In addition to the capital requirements, the applicant projects losses in projected years one and two of \$(2,067,036) and \$(1,892,371), respectively, which will require funding.

The applicant indicated that funding would be provided by its ultimate parent company, HCA. In support of that claim, the applicant provided a letter of financial commitment by HCA senior vice president and treasurer who acknowledged the funding commitment for the project via intercompany loan, and to fund necessary working capital and losses through the start up, and provided HCA Healthcare, Inc.—HCA's Form 10-K for the period ending December 31, 2018. In addition, the applicant provided audited consolidated financial statements for HCA, Florida, for the period ending December 31, 2016 and 2017.

Staff analyzed the relevant financial data contained in the Form 10-K for the purpose of evaluating the applicant's ability to provide the capital and operational funding necessary to implement the project.

Conclusion:

Funding for this project will be provided by related company financing. A letter of commitment was provided by the parent company pledging support. Funding for the entire capital budget should be available as needed, as well as funding for year one and two losses.

d. What is the immediate and long-term financial feasibility of the proposal? ss. 408.035(1) (f), Florida Statutes.

Our comparison is of the applicant's estimates to its latest FHURs report.

Because the proposed adult psychiatric hospital cannot operate without the support of the hospital, we have evaluated the reasonableness of the projections of the entire hospital including the project.

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The hospital will be compared to currently operating adult psychiatric hospitals in the State of Florida as reported in the most recent filings with the Florida Hospital Uniform Reporting System (FHURS) reports and inflated to the projected years. Inflation adjustments were based on the new CMS Market Basket, 3rd Quarter, 2018.

	Projected	Highest	Median	Lowest
NRPD	726	1,142	858	444
CAPD	887	1,259	851	440
OMPD	-161	179	-38	-541
Medicare				
	57%	94%	31%	5%
Medicaid	16%	42%	0%	0%
Total	76%	100%	68%	16%

Conclusion:

The net revenue per patient day (NRPD) and cost per patient day (CPD) are within the control group’s highest and lowest values. The operating margin per patient day (OMPD) is lower than the lowest in the control group. Overall, the projections appear reasonable.

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

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

Conclusion:

This project is not likely to have a material impact on competition to promote quality and cost-effectiveness.

f. Are the proposed costs and methods of construction reasonable? Do they comply with statutory and rule requirements? ss. 408.035(1)(h), Florida Statutes, Ch. 59A-3 or 59A-4, 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 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.

As of May 16, 2019, NFRMC had a scheduled Low Income Pool (LIP) payment of \$14,038 for state fiscal year 2018-2019, of which \$7,014 had been requested or paid. NFRMC was also listed among facilities with a disproportionate share hospital (DSH) program, with a scheduled \$805,669 distribution—\$604,252 of which had been requested or paid.

Per the Florida Hospital Uniform Reporting System (FHURS), statewide, for FY 2017, NFRMC provided 14.80 percent of patient days to Medicaid/Medicaid HMO and 0.54 percent of patient days to charity care. See the table below.

North Florida Regional Medicaid Center and District 3 Medicaid, Medicaid HMO and Charity Data FY 2017					
Applicant/Area	Medicaid and Medicaid HMO Days	Medicaid and Medicaid HMO Percent	Charity Care Days	Percent Charity Care	Percent Combined Medicaid, Medicaid HMO and Charity Care
NFRMC	17,429	14.80%	634	0.54%	15.34%
District 3 Total	179,165	16.16%	17,489	1.58%	17.74%

Source: FHURS data for FY 2017—includes all general acute care facilities in District 3

Among the 17 providers included in the analysis, the applicant provided:

- The fourth largest provision of Medicaid/Medicaid HMO by percentage

- The second largest provision of Medicaid/Medicaid HMO by volume of patient days
- The eleventh largest provision of charity care by percentage
- The eighth largest provision of charity care by volume of patient days

The applicant asserts that it extends and will continue to extend services to all patients in need of care regardless of the ability to pay or source of payment—which will continue with the proposed project. NFRMC expects that the proposed project will ensure accessibility by these and other service area patients both at present and in the future.

The applicant indicates that during the 12 months ending June 30, 2018, NFRMC provided 20.9 percent of its overall patient days to Medicaid/Medicaid HMO and charity/self-pay patients. NFRMC projects that Medicaid/Medicaid HMO and charity (including self-pay) patients will account for 46.5 percent of the project's total discharges and notes that it proposes to condition CON approval to provide 30.0 percent of the 42-bed project's total annual patient days to these patients.

F. SUMMARY

North Florida Regional Medical Center, Inc. (CON application #10568), proposes to establish a new 42-bed Class III adult psychiatric hospital in Gainesville at 4086 SW 41st Boulevard, approximately 3.37 miles from its existing location in District 3, Alachua County, Florida.

The project involves a total project cost of \$49,613,874. NFRMC indicates that the project will consist of 63,634 GSF of new construction and a total construction cost of \$29,221,000.

The applicant includes one Schedule C Condition.

Need

The proposed facility will consist of NFRMC's 33 licensed adult psychiatric beds and nine beds from the fixed need pool published February 1, 2019. Therefore all 42 beds are contained within the published need and existing inventory.

The applicant states that need for the project is predicated on the following factors:

- 1) Physical plant constraints at NFRMC impinging on the ability to continuously deliver the service to all in need
- 2) Nine-bed FNP and no competing applicant to meet said need

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- 3) Documented difficulties encountered in placing patients into existing psychiatric beds at NFRMC or elsewhere due to capacity constraints associated with high occupancy levels
- 4) Geographic inaccessibility of certain adult psychiatric programs located in the southern areas of District 3
- 5) Need for additional, dedicated behavioral health programming for the geriatric population within District 3.

NFRMC lists the following number of improvements in the delivery of behavioral health services the proposed project will provide:

- 1) The new campus will be smaller, quieter, with parking more proximate to the entrance, less institutional building/grounds and easy access to outdoor spaces.
- 2) The existing unit at NFRMC is on the fourth floor and offers no convenient access to outdoor areas.
- 3) Current acceptance of patients from other hospitals currently takes place via the emergency department even though they are medically clear, which is not always the best therapeutic environment for psychiatric patients.
- 4) The new building will provide a quiet, pleasant intake area serving as a “front door” for admissions.
- 5) There will be a number of patient lounge and activity areas on each wing of the building as well as visitor waiting areas. The present location does not have adequate room for these amenities.

The Agency notes that a public hearing was held regarding CON application #10568. Opposition (UFHS and TVH) indicated that the proposed project will negatively impact existing providers—duplicating existing services while providing no new/unique services. Opposition maintains that the applicant’s proposed condition is significantly lower than NFRMC’s current provision to the Medicaid and indigent population (30 percent versus 37 percent) which will not enhance financial accessibility to adult psychiatric services. Opposition also questions the proposed project’s financial feasibility and notes the existing dearth in medical staffing resources that may be exacerbated by the proposed project.

Based on the applicant’s Medicaid and charity care forecast and narrative on page 33 of CON application #10568, which constitutes a statement of the applicant’s intent and pursuant to 408.040 (1), Florida Statutes, the Agency will impose a 32 percent minimum of annual adult inpatient psychiatric days to the combination of Medicaid and medically indigent patients which includes Medicaid, Medicaid HMO and self-pay/other (charity care) patients. In addition, based on statements of intent of page three, 33 and 43, the Agency will impose a condition that NFRMC’s proposed program will be a Baker Act receiving facility.

The Agency states that the applicant as demonstrated need for the project both quantitatively through the fixed need pool and existing beds as well as qualitatively through the four corners of CON application #10568. NFRMC demonstrated a need for the proposed adult psychiatric services in the new location in order to improve on existing behavioral health services while meeting additional published need.

The Agency finds that, on balance, the applicant demonstrated the applicable statutory and rule criteria to merit approval of the proposed project.

Quality of Care

NFRMC indicates it has a long history of providing quality health care. The applicant describes its quality of care and contends the new facility will enhance quality of care for patients in need of psychiatric services.

The applicant demonstrates the ability to provide quality care.

During the three-year period ending March 1, 2019, North Florida Regional Medical Center had two substantiated complaints—HCA operated facilities had 108 substantiated complaints.

Cost/Financial Analysis

Funding for this project will be provided by related company financing. Funding for the entire capital budget should be available as needed, as well as funding for year one and two losses.

This project appears to be reasonable based on the projections provided by the applicant.

This project is not likely to have a material impact on competition to promote quality and cost-effectiveness.

Medicaid/Indigent Care

As of May 16, 2019, NFRMC had a scheduled LIP payment of \$14,038 for state fiscal year 2018-2019, of which \$7,014 had been requested or paid. NFRMC was also listed among facilities with a DSH program, with a scheduled \$805,669 distribution—\$604,252 of which had been requested or paid.

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The applicant states that North Florida Regional Medical Center provided 20.9 percent of its overall patient days to Medicaid/Medicaid HMO and charity/self-pay patients during the 12 months ending June 30, 2018.

Charity care/self-pay patients are projected to account for 18.17 percent of year one and 16.76 of year two's total annual patient days ending June 30, 2022 and June 30, 2023, respectively. Medicaid/Medicaid HMO patients are projected to be 17.56 percent and 16.19 percent of the facility's total year one and two patient days.

NFRMC proposes to condition CON approval to provide a minimum of 30.0 percent of its annual adult inpatient psychiatric days to the combination of Medicaid and medically indigent patients which includes Medicaid, Medicaid HMO and self-pay/other (including charity care) patients.

Architectural Analysis

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.

G. RECOMMENDATION

Approve CON 10568 to establish a new 42-bed adult psychiatric hospital in District 3, Alachua County. The total project cost is \$49,613,874. The project involves 63,634 GSF of new construction and a construction cost of \$29,221,000.

CONDITION:

- NFRMC will provide a minimum of 30 percent of its annual adult inpatient days to the combination of Medicaid and medically indigent patients which includes Medicaid, Medicaid HMO and self-pay/other (including charity care) patients

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