

**STATE AGENCY ACTION REPORT**  
**CON APPLICATION FOR CERTIFICATE OF NEED**

**A. PROJECT IDENTIFICATION**

1. Applicant/CON Action Number:

**Shands Jacksonville Medical Center, Inc./CON #10125**

655 West 8<sup>th</sup> Street  
Jacksonville, Florida 32209

Authorized Representative: Mr. Steven Blumberg  
Vice President  
Planning and Business Development  
(904) 244-0411

2. Service District/Subdistrict

District 4/Subdistrict 4-1 (Nassau and Duval Counties)

**B. PUBLIC HEARING**

A public hearing was not held or requested regarding the proposed 100-bed acute care hospital in District 4, Subdistrict 4-1.

The Agency received 468 unduplicated letters of support for this project. Four hundred sixty five were from addresses located in District 4-1. Six were received directly and 462 were included in the application's Volumes 2 and 3. All (except six unsigned and six that did not have a date), were signed between August 8th and October 10th, 2011.

The applicant's support letters are briefly described below.

There were 41 letters of support from area physicians. A form letter signed by four physicians from Family Medical Centers indicated that the project would be a "tremendous benefit" to their patients. Per Family Medical Centers' website, the physicians group has 10 practice locations, with seven in Duval County (Jacksonville) and three in Clay County.

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The letters from community leaders category included seven support letters. United States House of Representatives Ander Crenshaw, Deputy Whip, (4<sup>th</sup> District, Florida) and Corrine Brown, (3<sup>rd</sup> District, Florida) provided letters which-stated that the project would offer “immeasurable” economic development opportunities, address the acute need for access to high-quality health care in north Jacksonville and in addition to construction jobs, “once complete, the hospital will employ around 350 people”. Mia Jones (Florida House of Representatives, District 14) stated that for years Jacksonville’s Northside has been left out of the economic plans of the city and that the project would help the city move toward all residents having access to conveniently located physicians and hospital services, including emergency care. Representative Jones indicated that the project would be a “great opportunity to create jobs during these trying economic times” and that Shands Jacksonville is an invaluable asset in the Jacksonville area. She also stated that Shands Jacksonville meets the healthcare needs of “everyday” Floridians who cannot afford healthcare and is “one of the leading trauma centers in the country”<sup>1</sup>.

Stephen Joost, City of Jacksonville Council President stated that he has watched the Northside of Jacksonville grow faster than other parts of Duval and Nassau Counties but there is a “great disparity” in access to quality healthcare there compared to other parts of the county. He also stated that the project would add jobs and attract supporting businesses to the area. Jacksonville City Council Member Ray Holt (District 11) indicated that in addition to a significant growth rate in north Jacksonville and western Nassau County, the current numbers of patients in area hospitals, tracked by zip code, support need for the project.

Nassau County Sheriff T.L. “Tommy” Seagraves, Jr., stated that the drive from “most” of the areas on the west side of Nassau County is 50 plus miles to the only local hospital facility in Fernandina Beach<sup>2</sup> or 40 plus miles to the applicant’s current location. Sheriff Seagraves also stated that the project would improve access to medical services for area residents and add about 350 new jobs to the area.

<sup>1</sup> Per the Florida Department of Health, Division of Emergency Medical Operations, Office of Trauma at [http://www.doh.state.fl.us/demo/Trauma/PDFs/Current\\_Trauma\\_Centersmapwith22verified7-1-09.pdf](http://www.doh.state.fl.us/demo/Trauma/PDFs/Current_Trauma_Centersmapwith22verified7-1-09.pdf), the applicant is a certified Level 1 trauma center. Further, the applicant is the sole Level 1 trauma center in the entirety of District 4.

<sup>2</sup> Baptist Medical Center-Nassau is the local hospital facility in Fernandina Beach, Nassau County, Florida.

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President of the Jacksonville Regional Chamber of Commerce, Walter Lee III, stated that the population of North Jacksonville “has grown 22 percent in the past decade, 50 percent faster than the other areas of Duval or Nassau Counties” and the project would provide greater access to more health care services for residents who, in many cases, “have to drive more than a dozen miles for care”.

William Rupp, MD, Chief Executive Officer, Mayo Clinic-Jacksonville stated that the applicant’s proposed location is in “the only significant geographic area in northeast Florida without an acute care facility”. Dr. Rupp further indicated that his facility has enjoyed a collaborative relationship with Shands Jacksonville and anticipates the relationship to continue. Kerry Maher, MD, Admissions Director, Brooks Rehabilitation Hospital (Jacksonville) stated that in addition to her role at Brooks Rehabilitation Hospital, she is a consulting physical medicine and rehabilitation physician with Shands Jacksonville. Dr. Maher also commented on the north Jacksonville area’s growth and lack of an acute care hospital to meet health care needs. She concluded that “considering the many specialties Shands has to offer and its excellent standards of care” the new hospital will “have a positive influence for many years to come”.

The letters from community providers and staff category totaled 22. Of these, 13 were physicians, three were advanced registered nurse practitioners and one was a physician’s assistant. The applicant draws attention to six of these in Volume 1, pages 25 and 26 of the application. Vic Micolucci, MD, Oceanway Medical Center, Inc. stated the project would provide an important resource to the area. E. William McGrath, MD, Fernandina Beach-North Jacksonville Division, North Florida Obstetrics & Gynecology Associates, P.A. stated he has lived and worked in the area for 18 years, has seen “tremendous growth” in that time and that the project would be “a real benefit to all residents in the area”. Dr. McGrath also stated access to emergency department care close to home is a significant health benefit for patients and residents. William Carriere, MD, President, Family Care Partners, stated he has lived and worked in Jacksonville for over 30 years and that north Duval County is the “only area in the metropolitan area without a hospital”. Family Care Partners physicians group has six practice locations in Duval County. One of the locations is Family Care Partners Northside, at 1215, Dunn Avenue, Jacksonville, Florida 32218. Zip code 32218 is one of the zip codes of the applicant’s primary service area (PSA) and is the proposed zip code of the new site.

D. Renne Pollard, MSM-HA, CPC, PAHM, Executive Director, Agape Community Health Network, stated the applicant has consistently provided high quality care for many years and that the project would offer convenient access to quality health care and stimulate the economy, providing “hundreds of new jobs and economic prosperity”. Agape Community Health Network is a federally qualified health center (FQHC) with membership in the Florida Association of Community Health Centers, Inc. and a joint partner with the Duval County Health Department. Agape Community Health Network is located at 1760 West Edgewood Avenue, Jacksonville, Florida 32208. Zip code 32208 is one of the zip codes in the applicant’s secondary service area (SSA). Agape Community Health Network has physicians on call 24 hours a day, seven days a week, for emergencies. These continuous on-call physician hours reflect efforts to provide services to possibly more challenged patients and residents, who may have more difficulties in obtaining primary care during more traditional office hours.

University of Florida faculty physicians submitted 22 support letters. The applicant cited comments from seven University of Florida Shands Jacksonville Medical Center staff physicians in Volume 1, pages 26-29 of the application. James Price, MD, Medical Director, UF Yulee Family Practice Center, Assistant Professor, UF, Department of Community Health & Family indicated his practice has provided primary care services to Yulee residents for over 15 years and the project “will positively benefit patients and families”. William Solomon, MD, Assistant Professor, UF Department of Community Health & Family, Medical Director, UF, Callahan Family Practice Center indicated his center has provided primary care services to the residents of Nassau and Duval Counties since 1984 and made similar comments as Dr. Price. Charles Haddad, MD, Medical Director, Dunn Avenue Family Practice Center, Assistant Professor, Community Health & Family Medicine, UF College of Medicine-Jacksonville indicated he has been providing primary care in North Jacksonville for over 20 years and the project would “improve access to healthcare services”. Christopher Williams, MD, Assistant Professor of Surgery, Director, Urologic Oncology, Research and Robotic Surgery, UF and Shands Jacksonville Medical Center stated the project would significantly supplement current efforts in providing quality care to residents of the catchment area. Dr. Williams also stated that the downtown Shands Jacksonville Medical Center site is becoming increasingly crowded and busy to the extent that service is more difficult and that care closer to home for North Jacksonville residents would be a benefit. John Kirkpatrick, MD, Professor and Chair, Department of Orthopedics and Rehabilitation, UF College of Medicine-Jacksonville stated that 30 to 40 percent of his patients have to travel “past the

airport area to get to our clinics” at Shands Jacksonville Medical Center or the Emerson facility (Shands outpatient). Dr. Kirkpatrick indicated northern Jacksonville area residents “clearly deserve (the) reasonable access to physicians and emergency services” that the new acute care hospital would allow.

There were 22 letters in the applicant’s community business people category located in Volume 1, pages 29-30 of the application. Richard Berry, Executive Director, The Eden Group, Inc. stated that “currently hospital care for north Jacksonville residents is much further than for anyone else in the city”. Steve Grossman, CEO/Executive Director, Jacksonville Aviation Authority stated that “the close proximity of a first-rate facility such as this to the Jacksonville International Airport, with its 3,500 employees, over six million annual travelers and the expanding north Jacksonville area, makes it a welcome addition to our community”. Ken Wilkey, Sr. Environmental & Safety Manager, Anheuser-Busch, Inc. stated the project would offer “a valued emergency medical resource to the employees of our brewery”. Tony Vecchio, Executive Director, Jacksonville Zoo and Gardens, stated his zoo is one of the top nine in the country with over 700,000 visitors each year. Mr. Vecchio stated “many of our 250 employees live in the area and would benefit” from the project.

There were 141 letters in the applicant’s service area residents/ employees and others category<sup>3</sup>. Common themes among these letters were – the area’s population growth, the benefit of a shorter distance for advanced medical care (especially when minutes can count), the writers were lifelong residents of the area (of 50 or 60 years or longer, with one claiming residence in the area since 1947), and that the project would promote jobs and improve the business climate in the area.

The additional letters of support category totaled 246 letters of a form letter variety. These letters stated the signers live and work in North Jacksonville, the project will benefit their medical needs particularly if they have need of complex emergency services, the area has “expanded so much during the past few years” and that the project will provide “new, well-paying jobs” that will enhance economic development. Ten of these were from employees of the Aloft Jacksonville Airport Hotel, 751 Skymark Drive, Jacksonville, Florida 32218.

<sup>3</sup> The CON reviewer confirmed that these letters were from 21 zip codes listed as Callahan, Fernandina Beach, Fleming Island, Hilliard, Jacksonville, and Yulee, Florida per the United States Postal Service website at <http://zip4.usps.com/zip4/>. These are communities in District 4, Subdistrict 4-1.

**C. PROJECT SUMMARY**

Shands Jacksonville Medical Center, Inc., an affiliate of the University of Florida (UF) College of Medicine, proposes to establish a new 100-bed acute care hospital located in northern Jacksonville on Duval Road east of Interstate-95 in zip code 32218, Duval County, District 4, Subdistrict 4-1. The proposed project name is Shands Jacksonville Medical Center-North (Shands North or SJMC-North). The applicant plans to delicense 100 acute care beds and create more private rooms at Shands Jacksonville upon initiation of service at SJMC-North. The applicant states that the project will be a satellite hospital. Shands Jacksonville states that Shands North's primary service area (PSA) zip codes are: 32097, 32218 and 32226, as well as two post office boxes located within these residential zip codes, 32041 and 32229. The secondary service area (SSA) is stated to be zip codes: 32208, 32219, 32011, and the portion of 32034 (Fernandina Beach) which is west of the Amelia River (U.S. Census Tract 503.03).

Shands Jacksonville Medical Center, Inc. operates a Class I, not-for-profit, statutory teaching hospital with 695 licensed beds. This bed count includes: 548 acute care beds; 16 Level II neonatal intensive care unit (NICU) beds; 32 Level III NICU beds; 43 adult psychiatric beds and 56 hospital-based skilled nursing unit (HBSNU) beds. The applicant also operates pediatric cardiac catheterization, pediatric open heart surgery, Level II adult cardiovascular services and a comprehensive stroke center<sup>4</sup>. Shands Jacksonville Medical Center is a certified Level I Trauma Center.

The applicant justifies project approval based on five broad categories of need, with additional subcategories and what the applicant calls additional important considerations, as follows:

- an acute care hospital is needed in northern Jacksonville and will improve access to acute care and emergency department (ED) services;
- Shands Jacksonville should receive approval to establish a northern Jacksonville satellite hospital;
- Shands North will increase access to ED services, reduce time to treatment and relieve crowding at Shands Jacksonville's ED;
- creation of SJMC-North will add sorely needed jobs in the community;

<sup>4</sup> Shands Jacksonville's pediatric cardiac catheterization and pediatric open heart surgery programs are shared programs with Baptist Medical Center.

- SJMC-North would serve as an additional evacuation center for residents of Amelia Island and other coastal areas, and
- additional important considerations, including enhancing the relationship between UF and Shands with the citizens of northeast Florida, promotion of excellence in patient care, continuation of community service and letters of support.

The applicant conditions to a specific site parcel or address as follows: initial development will be on these or additional contiguous parcels/ 106608-1000, 106245-1000, 106251-0000, 106253-0000 and 107618-1155.

*Section 408.037 (2) Florida Statutes requires applicants proposing new general hospitals to designate project location by zip code therefore, the applicant's proposed condition is not relevant.*

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

The evaluation process is structured by the certificate of need review criteria found in Sections 408.035 and 408.037, 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 (subdistrict), 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; however, two exceptions exist regarding receipt of information concerning general hospital applications. Pursuant to Section 408.039(3)(c), Florida Statutes, an existing hospital may submit a written statement of opposition within 21 days after the general hospital application is deemed complete and is available to the public. Pursuant to Section 408.039(3)(d), Florida Statutes, in those cases where a written statement of opposition has been timely filed regarding a certificate of need application for a general hospital, the applicant for the general hospital may submit a written response to the Agency within 10 days of the

written statement due date. 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.

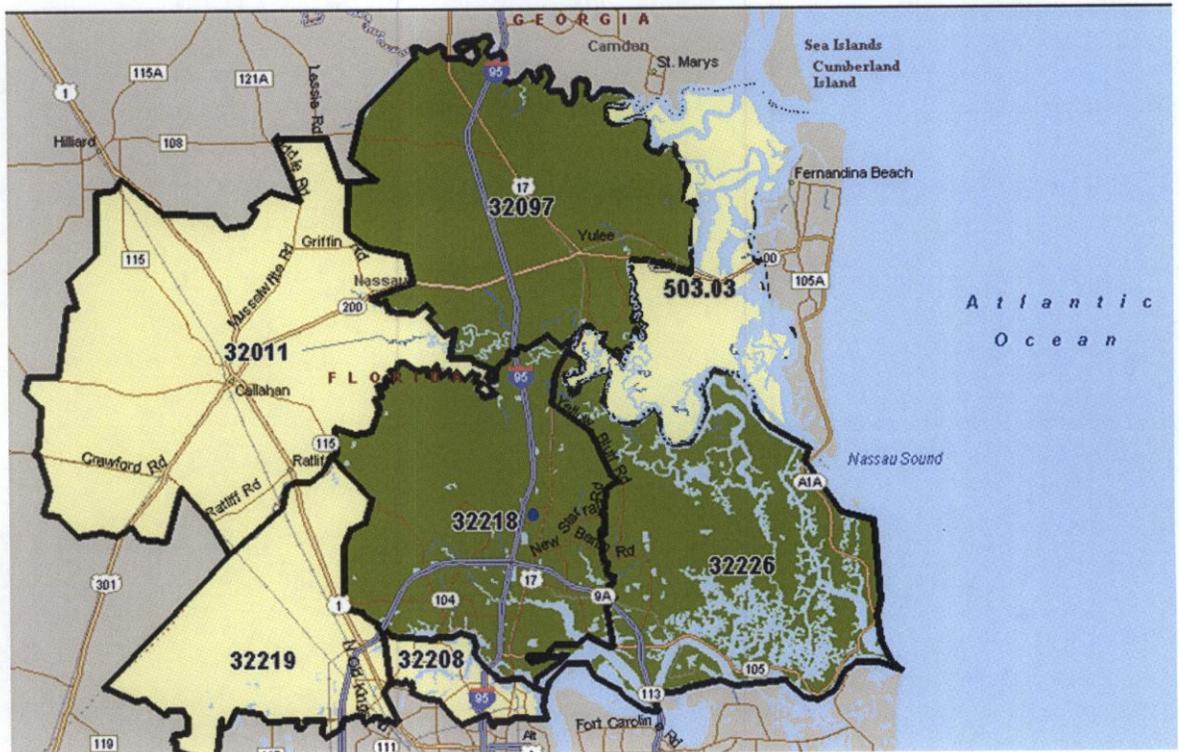
As part of the fact-finding, the consultant, Steve Love, analyzed the application in its entirety.

**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, and applicable rules of the State of Florida, Chapters 59C-1 and 59C-2, Florida Administrative Code.

Shands Jacksonville North is to be located on Duval Road east of I-95, in zip code 32218, with the total service area defined as six contiguous zip codes and the portion of zip code 32034 (Fernandina Beach) which is west of the Amelia River (U.S. Census Tract 503.03). The applicant indicates that the rest of zip code 32034 is Amelia Island, which the southernmost “Sea Island” along the Atlantic Coast. Shands states that Amelia Island has one primary route of entry and a much less travelled exit, which connects the island across the Nassau Sound and these characteristics reflect the natural geographic barrier and travel pattern of residents in zip code 32034 to Baptist Medical Center Nassau. Therefore, this portion of zip code 32034 is excluded from Shands North’s projected service area. Shands North’s service area, as presented in the applicant’s Exhibit 4 is shown below.

**Shands Jacksonville Medical Center – North (CON #10125)  
Service Area Map**



- SJMC-North proposed hospital site

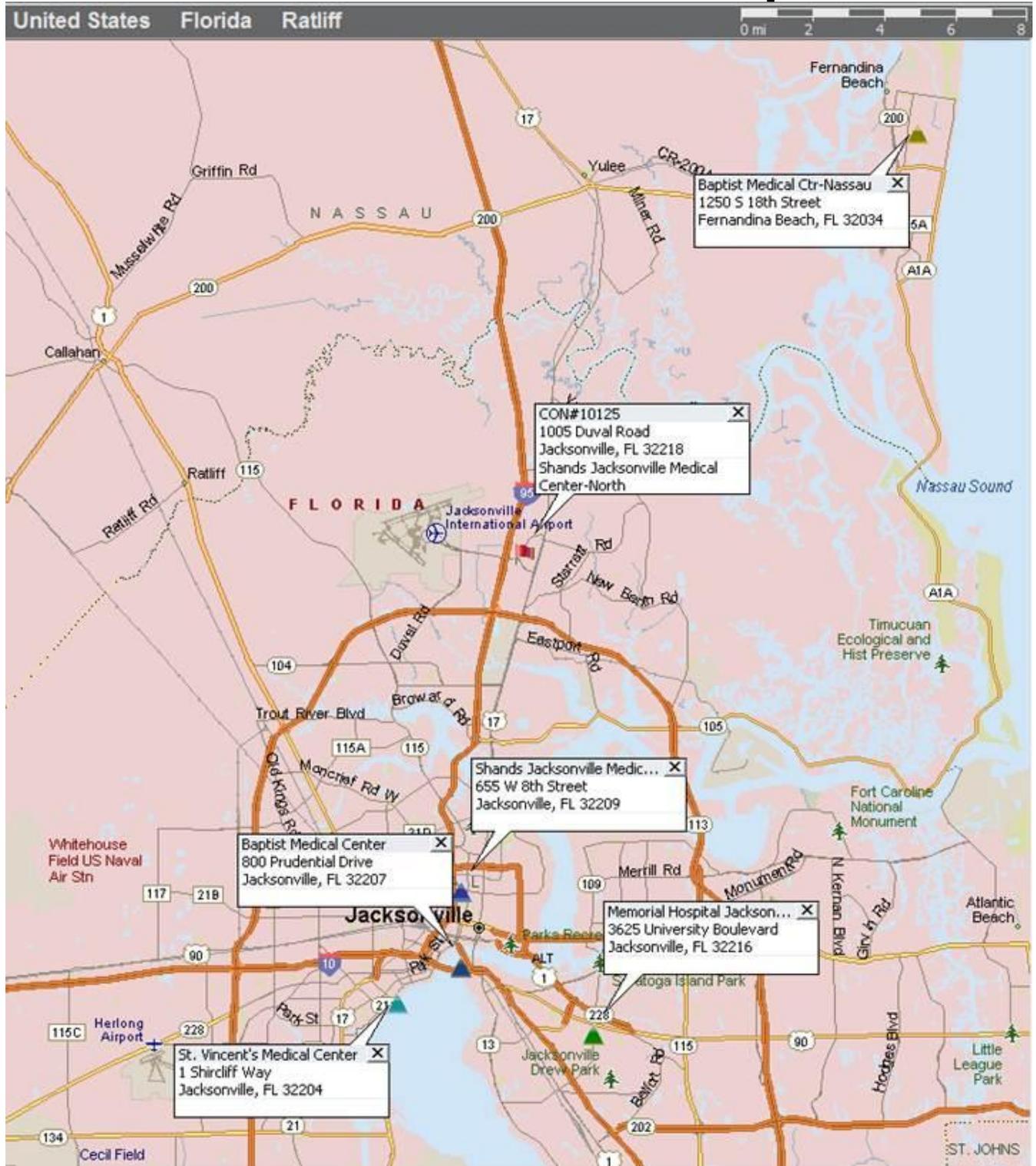
Legend: Primary Service Area   
 Secondary Service Area

Source: CON application #10125, Volume 1, page #33, Exhibit 4.

The CON reviewer found that during CY 2010, there were 14,321 service area resident discharges using the Medicare Severity – Diagnosis Related Groups (MS-DRGs) and six zip codes provided by the applicant<sup>5</sup>. The hospitals and their percentage of the service area’s volume were Shands Jacksonville Medical Center (30.79 percent); Baptist Medical Center [21.46 percent]; St. Vincent’s Medical Center (19.90 percent); Baptist Medical Center-Nassau (8.67 percent) and Memorial Hospital Jacksonville (9.29 percent). All other hospitals were 2.9 percent or less. The map below shows Shands Jacksonville North’s proposed location and the existing hospitals that serve the zip codes provided by the applicant.

<sup>5</sup> Source: Florida Center for Health Information and Policy Analysis CY 2010 hospital discharge data run performed on October 18, 2011. We are using 26.4 percent of the 2,333 discharges from zip code 32034 distributed equally among these hospitals. Baptist Medical Center—Nassau had 51.05 percent (1,191 of 2,333) of this zip code’s total discharges and the application of 26.4 percent for Nassau’s total results in a larger projected loss than the other facilities.

**Shands Jacksonville Medical Center North (CON #10125) &  
Closest District 4 Licensed Acute Care Hospitals**



Source: Microsoft MapPoint 2011 (CON application #10125 site map location is approximate).

The Proposed Project

The applicant states that general adult non-tertiary care services will be provided at the proposed site, including medical/surgical, obstetrics, orthopedics and other services (other services are not defined as well as a full service emergency department (ED)).

Service Area

There are two acute care hospitals within District 4, Subdistrict 4-1 (see part E., 1., a. of this report).

Service Area Population

The applicant explains that the primary service area total population, the 18 years of age and over population and the female population age 15-44, from 2011-2016, are all expected to grow at a faster rate than the total service area population. Below is the primary, secondary and total service area population projections for 2011 and 2016. Shands indicates that zip code 32034 (Fernandina Beach) includes the portion of the zip code area west of the Amelia River and excludes Amelia Island. The applicant states this area described as U.S. Census Tract 503.03, has 26.4 percent of the zip code population based on 2000 Census Tract data. Shands indicates that the three tables below utilize 26.4 percent of the total projected zip code 32034 population.

<b>Shands Jacksonville North Service Area Total Population</b>					
	<b>Zip Code</b>	<b>2011 Population</b>	<b>2016 Population</b>	<b>Change</b>	<b>Percent Change</b>
<b>Primary Service Area</b>					
Jacksonville	32218	50,915	55,708	4,795	9.4%
Jacksonville	32226	12,810	14,260	1,450	11.3%
Yulee	32097	15,957	17,754	1,797	11.3%
<b>PSA Subtotal</b>		<b>79,682</b>	<b>87,722</b>	<b>8,040</b>	<b>10.1%</b>
<b>Secondary Service Area</b>					
Jacksonville	32208	33,351	33,514	163	0.5%
Jacksonville	32219	11,017	11,617	600	5.4%
Callahan	32011	12,482	13,245	763	6.1%
Fernandina Beach	32034	8,371	9,122	751	9.0%
<b>SSA Subtotal</b>		<b>65,221</b>	<b>67,498</b>	<b>2,270</b>	<b>3.5%</b>
<b>Total Service Area</b>		<b>144,903</b>	<b>155,220</b>	<b>10,317</b>	<b>7.1%</b>

Source: CON application #10125, Volume 1, page #35, Table 11. Nielsen Claritas population estimates, as of May 2011.

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<b>Shands Jacksonville North Service Area Adult (Age 18 &amp; over) Population CY 2011 - 2016</b>					
	<b>Zip Code</b>	<b>2011 Population</b>	<b>2016 Population</b>	<b>Change</b>	<b>Percent Change</b>
<b>Primary Service Area</b>					
Jacksonville	32218	37,977	41,411	3,434	9.0%
Jacksonville	32226	10,137	11,242	1,105	10.9%
Yulee	32097	12,098	13,573	1,475	12.2%
<b>PSA Subtotal</b>		<b>60,212</b>	<b>66,226</b>	<b>6,014</b>	<b>10.0%</b>
<b>Secondary Service Area</b>					
Jacksonville	32208	25,051	25,018	-33	-0.1%
Jacksonville	32219	8,468	8,871	403	4.8%
Callahan	32011	9,406	10,033	627	6.7%
Fernandina Beach	32034	6,762	7,391	629	9.3%
<b>SSA Subtotal</b>		<b>49,687</b>	<b>51,313</b>	<b>1,626</b>	<b>3.3%</b>
<b>Total Service Area</b>		<b>109,899</b>	<b>117,539</b>	<b>7,640</b>	<b>7.0%</b>

Source: CON application #10125, Volume 1, page #36, Table 12. Nielsen Claritas population estimates, as of May 2011.

<b>Shands Jacksonville North Service Area Female Population (Age 15-44) 2011 - 2016</b>					
	<b>Zip Code</b>	<b>2011 Population</b>	<b>2016 Population</b>	<b>Change</b>	<b>Percent Change</b>
<b>Primary Service Area</b>					
Jacksonville	32218	11,111	11,486	375	3.4%
Jacksonville	32226	2,492	2,613	121	4.9%
Yulee	32097	2,989	3,133	144	4.8%
<b>PSA Subtotal</b>		<b>16,592</b>	<b>17,232</b>	<b>640</b>	<b>3.9%</b>
<b>Secondary Service Area</b>					
Jacksonville	32208	7,022	6,830	-192	-2.7%
Jacksonville	32219	2,194	2,177	-17	-0.8%
Callahan	32011	2,396	2,467	71	3.0%
Fernandina Beach	32034	1,336	1,411	75	5.6%
<b>SSA Subtotal</b>		<b>12,948</b>	<b>12,885</b>	<b>-63</b>	<b>-0.5%</b>
<b>Total Service Area</b>		<b>29,540</b>	<b>30,117</b>	<b>577</b>	<b>2.0%</b>

Source: CON application #10125, Volume 1, page #37, Table 13. Nielsen Claritas population estimates, as of May 2011.

The applicant's three tables above indicate the PSA population growth (adult population ages 18 and over and the female population age 15-44) is greater than that of the secondary service area.

Business and Residential Development in the Service Area

Shands indicates that three major projects in the service area are the primary growth drivers to account for population increases. These are:

- Developments of Regional Impact (DRIs);
- Regional Activity Centers (RACs), and
- Planned Unit Developments (PUDs).

DRIs include: households; industrial parks with more than 1,500 parking spaces; shopping centers with more than 400,000 gross square feet or located on a site of more than 40 acres of land, office parks and airports or new airport runways. Some of the projects defined as RACs are: regional development centers; redevelopment areas; centers for tourism and areas that surround airports, colleges and government offices. PUDs are described as projects smaller than DRIs or RACs which may have specific zoning requirements or conditions controlled by local government. The applicant provides a map of these projects in Attachment F of the application.

Below is a chart to account for the applicant’s reported DRI, RAC and PUD total approved, total built and total remaining to show business and residential development in the service area, first in the PSA and next in the SSA.

**Major Approved Developments in the PSA**

	<b>Total Approved Residential Units</b>	<b>Total Approved Non-Residential Square Feet</b>	<b>Total Built Residential Units</b>	<b>Total Built Non-Residential Square Feet</b>	<b>Total Remaining Residential Units</b>	<b>Total Remaining Non-Residential Square Feet</b>
<b>DRIs</b>	4,100	6,771,020	552	5,163,506	3,548	1,607,514
<b>RACs</b>	6,070	10,198,750	50	0	6,020	10,198,750
<b>PUDs</b>	8,181	22,816,000	1,009	1,188	7,172	21,627,942
<b>Grand Totals</b>	<b>18,351</b>	<b>39,785,770</b>	<b>1,611</b>	<b>6,351,564</b>	<b>16,740</b>	<b>33,434,206</b>

Source: CON application #10125, Volume 1, page #40, Table 14. England-Thims & Miller, Inc.

**Major Approved Developments in the SSA**

	<b>Total Approved Residential Units</b>	<b>Total Approved Non-Residential Square Feet</b>	<b>Total Built Residential Units</b>	<b>Total Built Non-Residential Square Feet</b>	<b>Total Remaining Residential Units</b>	<b>Total Remaining Non-Residential Square Feet</b>
<b>DRIs</b>	5,900	32,100,100	0	6,866,438	5,900	25,233,562
<b>RACs</b>	700	4,559,000	0	0	700	4,559,000
<b>PUDs</b>	4,856	22,816,000	606	0	4,250	5,145,000
<b>Grand Totals</b>	<b>11,456</b>	<b>5,145,000</b>	<b>606</b>	<b>6,866,438</b>	<b>10,850</b>	<b>34,937,562</b>

Source: CON application #10125, Volume 1, page #41, Table 15. England-Thims & Miller, Inc.

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The applicant indicates that in addition to the above development projects, Shands North's PSA includes the East Nassau Community Planning Area (ENCPA). The ENCPA is a 22,675 square acre planning area that is located east of I-95, north of State Road 200 and west of Chester Road in the Yulee area. Long range development of this area is part of the 2030 land use plan and will require completion of the DRI process. Shands includes additional information on the ENCPA in CON application #10125's Attachment G.

Service Area Acute Care Utilization and Market Shares

Shands indicates that obstetrical services (DRGs 765-770 and 774-782) and non-tertiary services (identified by applicable MS-DRG) will be offered. The applicant also indicates that services such as open heart surgery; organ transplantation; psychiatric services and medical rehabilitation will not be provided at Shands North<sup>6</sup>.

Shands indicates that during CY 2010, service area (PSA & SSA) residents accounted for 14,631 adult (age 18 or over) non-tertiary and 2,089 obstetric discharges from acute care hospitals in Florida. Shands Jacksonville Medical Center had 4,605 of the adult non-tertiary discharges (31.5 percent market share) and 623 obstetric discharges (29.8 percent market share). Per the applicant, Shands Jacksonville, Baptist Health (23.3 percent of the PSA and 20.7 percent of the SSA) and St. Vincent's Medical Center (17.7 percent of the PSA and 24.0 percent of the SSA) delivered the majority of care to service area residents. Shands indicates that it utilizes 26.4 percent of the total CY 2010 zip code 32034 discharges in the tables below.

**Service Area Resident Non-Tertiary Discharges  
By Provider, Calendar Year 2010**

Facility	Non-Tertiary DRG Discharges			Percent of Discharges		
	PSA	SSA	Total	PSA	SSA	Total
Shands Jacksonville Medical Center	1,899	2,706	4,605	27.5%	35.0%	31.5%
Baptist Medical Center	1,609	1,599	3,208	23.3%	20.7%	21.8%
St. Vincent's Medical Center	1,219	1,858	3,077	17.7%	24.0%	21.0%
Memorial Hospital Jacksonville	777	608	1,385	11.3%	7.9%	9.5%
Baptist Medical Center-Nassau	626	460	1,086	9.1%	5.9%	7.4%
Other Hospitals	766	504	1,270	11.1%	6.5%	8.8%
<b>Total</b>	<b>6,896</b>	<b>7,735</b>	<b>14,631</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: CON application #10125, Volume 1, pages 44 & 45, Tables 17 & 18.

Note: The applicant indicates it used 26.4 percent of the zip code 32034 discharges in its SSA calculations.

<sup>6</sup> DRGs excluded are listed in CON application #10125, Vol. 1, Attachment B. The excluded tertiary DRGs are: 001-002; 005-010; 014-015, 020-036, 215-238, 246-251, 286-287, 456, 461-463, 471-473, 652, 734-735, 789-795, 820-830, 837-839, 845-849, 876, 880-887, 894-897, 927-929, 933-934, 945-946, 955 and 998-999.

Shands also provides the service area market shares for the Jacksonville area hospital health systems. Baptist Health includes Baptist Medical Center (BMC) and Baptist Medical Center—Nassau, as shown above and BMC—South and BMC—Beaches, the latter two with 96 and 83 non-tertiary discharges or 1.4 and 1.2 percent of the PSA non-tertiary discharges, respectively. Baptist Health overall has a 31.0 percent market share with 35.0 percent in the PSA and 27.5 in the SSA. St. Vincent’s Health System (St. Vincent’s Medical Center and St. Luke’s Hospital) had a 23.7 percent market share for the total service area with 21.4 percent in the PSA and 25.8 in the SSA. St. Luke’s Hospital had 3.7 percent (257 discharges) and 1.8 percent (137 discharges) of the PSA and SSA resident discharges during CY 2010.

Shands indicates that Hospital Corporation of America (HCA), which includes Memorial Hospital Jacksonville and Orange Park Medical Center, had an overall market share of 10.2 percent with an 11.8 percent share in the PSA and 8.9 percent in the SSA. HCA’s Orange Park Medical Center had 0.46 percent (or 32 of 6,896) of the PSA resident discharges and 1.79 percent (77 of 7,735) of the SSA’s resident non-tertiary discharges in CY 2010.

Shands also provides the service area obstetric discharges by hospital for CY 2010. See the chart below.

**Service Area Resident Obstetric Discharges  
By Provider, Calendar Year 2010**

Facility	Obstetric DRG Discharges			Percent of Discharges		
	PSA	SSA	Total	PSA	SSA	Total
Shands Jacksonville Medical Center	315	308	623	25.6%	35.8%	29.8%
Baptist Medical Center	265	151	416	21.5%	17.6%	19.9%
St. Vincent’s Medical Center	184	126	310	15.0%	14.7%	14.9%
Baptist Medical Center-Nassau	143	100	243	11.6%	11.6%	11.7%
Memorial Hospital Jacksonville	129	90	219	10.5%	10.5%	10.5%
Other Hospitals	194	84	278	15.8%	9.8%	13.2%
<b>Total</b>	<b>1,230</b>	<b>859</b>	<b>2,089</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: CON application #10125, Volume 1, pages 44 & 45, Tables 17 & 18, respectively.

Shands indicates that Baptist Health is the second largest service provider for obstetric services, followed by St. Vincent’s and HCA. Baptist Health system had a total service area obstetric market share of 37.1 percent with 40.1 percent in the PSA and 32.7 percent in the SSA. As shown above, the majority of these were at Baptist Medical Center and BMC—Nassau. BMC—South had 56 obstetric (4.6 percent) and BMC—Beaches 30 obstetric (2.4 percent) PSA discharges during CY 2010.

St. Vincent’s Health System had a total service area obstetric market share of 20.4 percent with a 21.7 percent PSA and 18.5 percent SSA share. St. Luke’s Hospital had 6.7 percent (82 of 1,230) of the PSA residents’ total obstetric discharges and 3.8 percent (33 of 859) of the SSA residents’ total obstetric discharges.

HCA, which includes Memorial Hospital Jacksonville and Orange Park Medical Center, had a total obstetric market share of 12.3 percent with 12.3 percent in the PSA and 12.4 percent in the SSA. HCA’s Orange Park Medical Center had 1.8 percent (or 22 of 1,230) of the PSA residents and 1.9 percent (16 of 859) of the SSA obstetric discharges in CY 2010.

The CON reviewer attempted to duplicate the applicant’s findings (see the table below).

**Service Area Resident Non-tertiary Discharges  
By Provider, Calendar Year 2010**

Facility	Non-Tertiary DRG Discharges			Percent of Discharges		
	PSA	SSA	Total	PSA	SSA	Total
Shands Jacksonville Medical Center	1,883	2,527	4,410	27.37%	33.96%	30.79%
Baptist Medical Center	1,590	1,483	3,073	23.11%	19.93%	21.46%
St. Vincent’s Medical Center	1,182	1,668	2,850	17.17%	22.42%	19.90%
Memorial Hospital Jacksonville	748	583	1,331	10.87%	7.84%	9.29%
Baptist Medical Center-Nassau	610	632	1,242	8.87%	8.49%	8.67%
Other Hospitals	867	548	1,415	12.60%	7.37%	9.88%
<b>Total</b>	<b>6,880</b>	<b>7,441</b>	<b>14,321</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Florida Center for Health Information and Policy Analysis, October 18, 2011 run date.

The CON reviewer used 26.4 percent of the total CY 2010 zip code 32034 discharges in the tables above and applied this percentage evenly, subtracting 74.6 percent from each of the above hospitals zip code 32034 discharges. However, our data indicated that BMC—Nassau had 51.05 percent (1,191 of 2,333) of zip code 32034’s total discharges, and Baptist Medical Center 20.02 percent. The applicant indicated a smaller percentage of the SSA for BMC—Nassau (5.9 percent) than our method which indicated an 8.49 percent market share. Baptist Medical Center—Nassau had 3,445 total discharges in CY 2010 and zip code 32034 accounted for 34.57 percent of this facility’s total. As previously stated, our review of State Center for Health Information and Policy Analysis hospital discharge data is by zip code and we are not able to account for a census tract within a zip code.

Therefore, we are more confident with our review of the PSA zip codes (the zip codes (from largest to smallest volume) from which the applicant projects it will draw 75 percent of the proposed facility’s discharges). Our review shows the following PSA market share: Shands Jacksonville Medical Center (27.37 percent); Baptist Medical Center [23.11 percent]; St. Vincent’s Medical Center (17.17 percent); Baptist Medical Center-Nassau (8.87 percent) and Memorial Hospital Jacksonville (10.87

percent). St. Luke's Hospital (part of the St. Vincent's Health System) had 4.34 percent (299) of the PSA discharges. No other hospital had more than 2.5 percent. HCA's Orange Park Medical Center had 45 discharges or 0.65 percent, Baptist South 1.96 percent (135) and BMC-Beaches 1.43 percent (99). These numbers are presented as these facilities are part of the HCA and Baptist Health systems.

Shands market share projections are consistent with the CON reviewer's data run for non-tertiary and obstetric services.

#### Service Area Emergency Department Services

The applicant indicates that service area residents had 77,480 emergency department (ED) visits during CY 2010, and 20,750 or 26.8 percent were at Shands Jacksonville Medical Center. Service area resident CY 2010, ED market share data provided by Shands indicates that in addition to Shands Jacksonville's, 26.8 percent, Baptist Health (including Baptist Medical Center, Baptist MC-Nassau, Baptist MC-Beaches and Baptist MC-South) had 47.6 percent, HCA (including Memorial Hospital Jacksonville and Orange Park Medical Center) 9.0 percent, St. Vincent's/Ascension (St. Vincent's Medical Center and St. Luke's Hospital) 12.6 percent and all other hospitals 2.7 percent.

Shands indicates that 10,741 service area ED patients were transported by emergency medical services (EMS) and 5,377 (50.1 percent) of these were transported to Shands Jacksonville. EMS transport from the service area to Jacksonville requires "one of the seven ambulances stationed outside of Fernandina Beach to be unavailable to cover EMS calls for up to two hours in non-rush hour traffic". Shands concludes that Shands North's ED would enhance EMS response time by allowing "EMS units to return to service more quickly" and would also reduce service area resident travel time to access ED care. The applicant did not include a letter from local EMS providers.

The applicant states that Shands Jacksonville's 'non-trauma center ED volumes' were at or above capacity 17 percent of the time during the 12 months ended September 30, 2011. The applicant projects Shands North will have 25,000 ED visits by year three and estimates that 12,000 of these would otherwise be treated at Shands Jacksonville. Shands concludes that the project would provide "valuable relief equivalent to 13.6 percent of Shands Jacksonville's total CY 2010 ED volume and help in reducing crowding".

Shands Jacksonville Has a Significant Primary Care Presence in the Service Area

Per the applicant, Shands Jacksonville and UF faculty practice clinics combined provided 153,000 patient visits to service area residents during the 12 months ended June 30, 2011. This is a reported six percent increase over the 135,000 visits for the same period in 2009. Shands states that it has four clinics in the PSA and three in the SSA. The applicant included letters of support from UF Shands physicians practicing at these sites.

Projected Inpatient Utilization

The applicant estimates an increase of demand for adult non-tertiary and obstetric inpatient services at the new site. An increase in discharges is estimated at 2,495 (14.9 percent) from 2010 to 2017, the expected third year of operation. Factors contributing to the applicant's expected increase in demand are an aging service area population and an overall population increase. In the PSA, the applicant's estimated non-tertiary total adult use rate per 1,000 population is estimated to be 116.7 and for obstetrics, 74.7. In the SSA, the applicant's estimated non-tertiary total adult use rate per 1,000 population is estimated to be 156.6 and for obstetrics, 66.3. Projected discharges, by 2017, for non-tertiary adult patients are estimated to be 8,530 and for obstetrics, 853. These figures are represented in the applicant's estimates.

Projected Utilization for Shands Jacksonville Medical Center-North

The applicant states utilization was based on existing SJMC market share and market presence in the service area as well as the absence of an acute care hospital in the proposed service area.

- Non-Tertiary: The PSA adult non-tertiary market share is expected to reach 45.0 percent by 2017 and the SSA market share is expected to reach 15.0 percent by the same year.
- Obstetric: The PSA market share for these patients is expected to reach 45.0 percent by 2017 and the SSA market share is expected to reach 15.0 percent by the same year.

As indicated by the applicant, utilization is expected to increase at the same rate for both the PSA and the SSA.

Considering the applicant expects, at the proposed hospital, 5,833 discharges by 2017 (non-tertiary adults as well as obstetrics), with an average daily census (ADC) of 72.3 for non-tertiary adults and an ADC of 5.4 for obstetric patients and an average occupancy rate of 80 percent for non-tertiary beds and 70 percent for obstetric beds, the applicant estimates a need for 98 beds by 2017.

#### Impact of SJMC-N on Existing Hospitals

The applicant estimates the impact of project approval would be mitigated by two factors:

- Service area population growth and aging (described earlier), and
- Re-direction from SJMC to the new hospital.

With the applicant expecting re-direction of 4,139 adult non-tertiary and 247 obstetric patients to SJMC-N, the adverse impact from 2010 volumes on other providers is expected to be 982 adult non-tertiary and 465 obstetric cases. Impact on specific providers is stated to depend on market share and location. Below is a summary impact, as estimated by the applicant.

The applicant estimates that SJMC will experience the greatest impact, with a decline of 6.9 percent discharges from its 2010 discharge volume (a 1,889 discharge decline), with all remaining hospitals, in total, experiencing a 1,449 discharge decline (off of 2010 discharge totals). The applicant further estimates that Baptist Medical Center-Nassau is the only other provider projected to experience a decline of more than 1.6 percent, at 6.3 percent of its (Baptist Medical Center-Nassau's) 2010 discharge volume (a 190 discharge decline) resulting from the project. The applicant expects the 1.6 percent discharge decline for Baptist Medical Center (449 fewer discharges) and St. Vincent's Medical Center (370 fewer discharges) again, measuring off of 2010 discharge totals.

#### Projected SJMC-North Emergency Department Volume and Impact on SJMC

As stated previously, the applicant indicated service area residents accounted for 77,480 ED visits to Florida providers in CY 2010. SJMC further indicated it provided 20,750 ED visits to service area residents in the same period, or 26.8 percent of the total. Per the applicant, EMS reported 10,741 service area residents were transported to ED's in CY 2010 and 5,377 or 50.1 percent of these were served at Shands Jacksonville Medical Center's ED.

By applying its use rate per 1,000 residents described earlier, the applicant estimates approximately 25,000 ED visits by 2017, with approximately 12,000 of those ED visits being re-directed from the applicant's existing SJMC ED. This is estimated to offer relief to SJMC's ED at a level equivalent to 13.6 percent of 2010 SJMC's ED volume.

Some support letters commented about how crowding at, and travel time to access Shands Jacksonville Medical Center's ED was a reason to justify the project.

**1. Statutory Review Criteria**

**For a general hospital, the Agency shall consider only the criteria specified in ss. 408.035 (1)(a), (1)(b), except for quality of care, and (1)(e), (g), and (i), Florida Statutes. ss.408.035(2), Florida Statutes.**

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

The existence of unmet need is not determined solely on the absence of a health service, health care facility, or beds in the district, subdistrict, region or proposed service area. Current and likely future levels of utilization are better indicators of need than bed-to-population ratios or similar measures, and, as such, the following table illustrates bed utilization levels in District 4, Subdistrict 4-1 for calendar year 2010.

<b>Acute Care Hospital Utilization District 4/Subdistrict 1 CY 2010</b>				
<b>Hospital</b>	<b>Beds</b>	<b>Bed Days</b>	<b>Patient Days</b>	<b>Utilization</b>
Shands Jacksonville Medical Center	548	200,020	129,922	64.99%
Baptist Medical Center - Nassau	54	19,910	11,579	58.75%
<b>Subdistrict 1 Total</b>	<b>602</b>	<b>219,730</b>	<b>141,571</b>	<b>64.43%</b>
<b>District 4 Total</b>	<b>4,897</b>	<b>1,785,819</b>	<b>1,059,310</b>	<b>59.32%</b>
<b>Statewide</b>	<b>49,423</b>	<b>18,070,235</b>	<b>10,314,605</b>	<b>57.08%</b>

Source: Florida Hospital Bed and Service Utilization by District, published July 22, 2011.

District 4, Subdistrict 4-1 had a total of 602 licensed acute care beds with an occupancy rate of 64.43 percent for the January 2010 through December 2010 reporting period. As shown above, the subdistrict occupancy rate (64.43 percent) was greater than that of District 4 (59.32 percent) and also greater than the statewide occupancy rate (57.08 percent). Subdistrict 4-1 does not have a CON approved acute care facility pending licensure or notifications by existing providers to add acute care beds.

Acute care utilization in Subdistrict 4-1 over the past three years is shown in the chart below.

**District 4/Subdistrict 4-1 Acute Care Hospital Utilization  
CY 2008-2010**

	<b>2008</b>	<b>2009</b>	<b>2010</b>
<b>Number of Acute Care Beds</b>	619	602	602
<b>Percentage Occupancy</b>	58.98%	60.21%	64.43%

Source: Florida Bed Need Projections & Services Utilization, published July 2009-July 2011.

Note: Bed counts are as of December 31 for the appropriate years.

As shown above, Subdistrict 4-1 had a 5.45 percent increase in acute care bed utilization from 58.98 percent (2008) to 64.43 percent (2010). Subdistrict 4-1 had 133,619 acute patient days in CY 2008 which increased to 141,571 or by 6.0 percent in CY 2010. Shands Jacksonville delicensed 17 acute care beds in order to add 16 hospital-based skilled nursing unit beds on January 14, 2009.

Below is a chart showing population estimates for July 2010 and January 2017.

**District 4 Total Population & Population Age 65 and Over  
Estimates and Percent Change by County from July 2010 to  
the January 2017**

<b>County</b>	<b>Total July 2010</b>	<b>Total January 2017</b>	<b>Percent Change</b>	<b>Age 65+ July 2010</b>	<b>Age 65+ January 2017</b>	<b>Age 65+ Percent Change</b>
Baker	25,936	28,539	10.04%	2,979	4,048	35.88%
Clay	185,700	212,646	14.51%	22,589	32,017	41.74%
Duval	899,820	968,793	7.67%	103,840	137,180	32.11%
Flagler	96,098	122,829	27.82%	27,131	38,682	42.57%
Nassau	73,241	82,932	13.23%	12,124	17,256	42.33%
St. Johns	186,841	225,694	20.79%	30,334	44,083	45.33%
Volusia	506,719	540,003	6.57%	110,013	131,491	19.52%
<b>District Total</b>	<b>1,974,355</b>	<b>2,181,436</b>	<b>10.49%</b>	<b>309,010</b>	<b>404,757</b>	<b>30.99%</b>
<b>State Total</b>	<b>18,788,794</b>	<b>20,371,125</b>	<b>8.42%</b>	<b>3,323,683</b>	<b>4,069,610</b>	<b>22.44%</b>

Source: Agency for Health Care Administration Population Projections, published September 2010.

As shown above, Duval County has the single largest total and second largest age 65 and over populations in District 4. Duval's total population is projected to increase from 899,820 to 968,793 or by 7.67 percent, and its age 65 and over population from 103,840 to 137,180 or by 32.11 percent, from July 2010 to January 2017. Nassau County has the district's second smallest total and age 65 and over populations. Nassau County's total population is projected to increase by 13.23 percent and its age 65 and over population by 42.33 percent from July 2010 to January 2017. The applicant proposes to locate its facility in Duval County, zip code 32218.

Regarding availability, the acute care hospital utilization table, calendar year 2010, has already shown that Subdistrict 4-1 had a higher occupancy rate than District 4 overall and the state overall.

Regarding accessibility, the applicant indicates the project will improve adult acute care, obstetrics and emergency department services for service area residents. The applicant comments that driving distance is an access issue. The applicant estimates that Shands Jacksonville North will be approximately 10.3 miles from Shands Jacksonville Medical Center and that the next closest facility will be Baptist Medical Center (at 12.8 miles from the proposed site).

The applicant compares this with the closest distance from existing to CON approved acute hospitals noting that West Jacksonville Medical Center (CON #10059) will be 11.4 miles from St. Vincent's Medical Center and St. Vincent's Medical Center-Clay County will be 7.6 miles from Orange Park Medical Center. Shands also notes two acute care hospitals in the area, Baptist Medical Center South which is 10.1 miles from St. Luke's, and Mayo Clinic which is 4.6 miles from Baptist Medical Center—Beaches received CONs to establish their facilities.

#### SJMC-North Will Increase Access for Service Area Residents

The applicant contends that considering acute care providers can add acute care beds at will, the utilization of existing providers is not an obstacle to approval for a provider who can demonstrate improved access as a result of its proposal.

#### SMJC-North Impact on Area Providers

The applicant estimates that by 2017, if approved, the project would have an impact of 984 adult non-tertiary discharges and 465 obstetric discharges (a total of 1,449 discharges). As previously stated, the facility most impacted would be the applicant's, SJMC.

**b. Will the proposed project foster competition to promote quality and cost-effectiveness? Please discuss the effect of the proposed project on any of the following:**

- **applicant facility;**
- **current patient care costs and charges (if an existing facility);**
- **reduction in charges to patients; and**
- **extent to which proposed services will enhance access to health care for the residents of the service district.**

**ss. 408.035(1)(e) and (g), Florida Statutes.**

The applicant indicates that Shands Jacksonville Medical Center will be most impacted by the project. The applicant has previously described

existing and projected adult non-tertiary, obstetric and emergency department visit impact. Shands repeatedly comments that the residents of northern Jacksonville (the applicant's total service area, excluding a portion of Nassau County) are "the only portion of the metropolitan Jacksonville area without an acute care hospital". The applicant also contends that improved access may include improved patient convenience for emergency department services (which the project is designed to provide).

#### Improved Financial Access

Shands Jacksonville states it provided more care to Medicaid and medically indigent patients than any provider or health care system in District 4 in 2010. The applicant referenced its Table 3 on page 9 of the application, which shows Shands Jacksonville provided 27.9 and 15.7 percent of its FY 2010, gross revenue to Medicaid and charity care, respectively. The chart confirmed that no other provider exceeded these percentages. Shands also provided a table which indicated that Medicaid and medically indigent patients represented one-third of service area residents at the UF faculty practice clinics and Shands Jacksonville clinics.

Florida Hospital Uniform Reporting System Actual report for 2009 indicates that during FYE June 30, 2009, Shands Jacksonville provided 34.0 percent of its patient days to Medicaid/Medicaid HMO and 13.2 percent to charity care patients. For FYE June 30, 2010, Shands Jacksonville provided 36.1 percent of its patient days to Medicaid/Medicaid HMO and 11.3 percent to charity care patients. The reviewer confirmed that Shands provided the highest percentage of Medicaid/Medicaid HMO patient days and charity care in District 4.

#### Improved Access to Emergency Department Services

Per the applicant, the project will shorten ED access travel time and relieve the existing burden at SJMC's ED facility, decreasing transport times and relieving crowding at SJMC. (Please see previous discussion under Projected SJMC-North Emergency Department Volume and Impact on SJMC, part E, of this report).

#### SJMC-North Would Serve as an Additional Evacuation Center for Residents of Amelia Island and Other Coastal Areas

Per the applicant, the proposed site is located in an area that is categorized as the lowest risk for evacuation (Level E). Again per the applicant, this makes its site location ideal for support in times of major emergencies such as storms and wildfires. The applicant indicates SJMC-North would be a valuable asset in the evacuation of acute care

inpatients from Baptist Medical Center-Nassau and for special needs residents, such as people dependent on electrical medical equipment. The applicant offers further description of the storm estimates in Attachment D.

- c. **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 states it provides more care to Medicaid and medically indigent patients than any other acute care hospital or hospital system in District 4. Agency hospital financial data shows Shands Jacksonville Medical Center, Inc., provided 47.1 and 47.4 percent of its total patient days to Medicaid, Medicaid HMO and charity care patients in 2009 and 2010, respectively. District 4 facilities averaged 19.4 percent and 18.6 percent Medicaid, Medicaid HMO and charity care patient days during 2009 and 2010, respectively.

Shands Jacksonville Medical Center is a low-income pool (LIP) participating hospital. For fiscal year 2011-2012, Shands' total low-income pool allocation is \$39,254,469, with a year-to-date total of \$8,424,061 as of November 22, 2011. Shands Jacksonville Medical Center received \$55,704,353 in LIP payments for FY 2010-2011.

The applicant does not propose to condition project approval to its provision of Medicaid, Medicaid HMO or charity care patient days.

- d. **Does the applicant include a detailed description of the proposed general hospital project and a statement of its purpose and the need it will meet? The proposed project's location, as well as its primary and secondary service areas, must be identified by zip code. Primary service area is defined as the zip codes from which the applicant projects that it will draw 75 percent of its discharges, with the remaining 25 percent of zip codes being secondary. Projected admissions by zip code are to be provided by each zip code from largest to smallest volumes. Existing hospitals in these zip codes should be clearly identified. ss. 408.037(2), Florida Statutes.**

The applicant includes a detailed description of the proposed general hospital project and includes a statement of its purpose and the need it will meet. SJMC-North will provide adult non-tertiary acute care, intensive care, surgery, imaging services and women's services. The applicant states that SJMC-North will offer northern Jacksonville residents closer-to-home access to a "full service emergency department

located adjacent to I-95". The DRGs the applicant intends to serve are shown in Attachment B of the application and were previously shown under Service Area Acute Care Utilization and Market Shares, in part E of this report.

The applicant expects 75 percent of total discharges will be residents of the following three zip codes: 32097, 32218 and 32226, as well as two post office box sites located within two of the above residential zip codes - 32041 and 32229. These zip code areas primarily represent Yulee and northern Jacksonville. The applicant expects 25 percent of total discharges from residents of the following four zip codes: 32011, 32034 (partial zip code encompassing Census Tract 503.03), 32208 and 32219. These zip code areas primarily represent Callahan and northern Jacksonville.

The applicant itemizes expected total admissions, from largest to smallest volumes, by each applicable PSA/SSA zip code. Shands projects Shands North will have 5,833 total service area discharges in 2017; 5,121 adult non-tertiary discharges and 712 OB discharges.

**F. Written Statement(s) of Opposition**

**Except for competing applicants, in order to be eligible to challenge the Agency decision on a general hospital application under review pursuant to paragraph (5)(c), existing hospitals must submit a detailed written statement of opposition to the Agency and to the applicant. The detailed written statement must be received by the Agency and the applicant within 21 days after the general hospital application is deemed complete and made available to the public. ss. 408.039(3)(c), Florida Statutes.**

**Memorial Healthcare Group, Inc.**

On November 2, 2011, the Agency received a 23-page detailed written statement of opposition to this project from James B. Wood, Chief Executive Officer (CEO), Memorial Hospital Jacksonville (Memorial). Memorial provides a one page executive summary, as part of the overall opposition. Memorial Healthcare contends that the applicant is inconsistent with six major criteria, related to Section 408.035, Florida Statutes. These are:

- The applicant's projections of bed need and utilization of the proposed project are based on unreasonable and unsupported assumptions.

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- Residents of the proposed primary service area (PSA) are well served by existing hospitals that are reasonably accessible and have available capacity.
- The applicant is a safety net provider, but it failed to condition the application on providing any specific level of financial access. The application also fails to show that financial barriers to care are present in the PSA.
- Emergency services can be more economically provided through other alternatives such as the development of a freestanding emergency department in northern Duval in comparison to the cost of a new acute care facility.
- The applicant's existing facility experiences an annual operating loss and depends on state funding to make up the short fall. Undertaking a major capital expenditure for an unneeded hospital will likely exacerbate these operating losses and detract from the applicant's core mission.
- The proposed project has understated the adverse impact the project will have on Memorial and other area hospitals, and such an impact is unwarranted given the lack of need.

Based broadly on the six bulleted points shown above, Memorial Healthcare Group, Inc. states the applicant failed to demonstrate that the project is needed and requests the application be denied.

NOTE: Pursuant to Section 408.037 (1) and (2), Florida Statutes, concerning application content, an application for a certificate of need for a general hospital is not required to include a statement of the financial resources needed by and available to the applicant to accomplish the proposed project. Further, in the certificate of need review process, pursuant to Section 408.035 (2), Florida Statutes, for a general hospital, the Agency shall consider only the criteria specified in s. 408.035 (1)(a), (1)(b), except for quality of care in (1)(b), (1)(e), (g) and (i). None of these applicable portions of s. 408.035(1), Florida Statutes, designate, as a review criteria, the financial resources needed by and available to the applicant to accomplish the proposed project.

The reviewer notes that in Schedule D(H), of the application, Shands Jacksonville commits to furnishing, within 120 days of the Agency's Final Order, satisfactory proof of the financial ability to operate. This is pursuant to s. 408.037(2), Florida Statutes.

Memorial Healthcare Group, Inc. offers opposition based broadly on the following:

- There is not sufficient demand for the proposed project
- The applicant’s lack of a satellite hospital is not a basis to approve the project
- The applicant’s status as a safety net hospital does not justify approval of the project
- There is a less costly and more effective alternative for providing emergency services
- Job creation is not a basis for project approval
- Emergency evacuation is not a basis for project approval

Memorial contends that Shands presents a flawed service area definition because the applicant gave no basis for this service area definition other than this was an area in which no acute care hospital was located. Memorial believes the applicant failed to show the total service area as being a cohesive community where residents would have a natural affinity to travel to the proposed site for inpatient care. (The reviewer notes that the applicant commented in the application that driving distance is an access issue.)

Memorial provides 2010 non-tertiary and OB discharge counts and market share percentages by hospital, by residents in the applicant’s total service area. Below are two summary tables that account for the stated discharges and market shares, per the exhibits.

**2010 SJMC-North Service Area  
Non-Tertiary and OB  
Discharges**

<b>Hospitals</b>	<b>Non-Tertiary</b>			<b>Obstetric</b>		
	<b>PSA Total</b>	<b>SSA Total</b>	<b>Total</b>	<b>PSA Total</b>	<b>SSA Total</b>	<b>Total</b>
Shands Jacksonville Medical Center	1,943	2,880	<b>4,823</b>	315	321	<b>636</b>
Baptist Medical Center	1,967	2,315	<b>4,282</b>	265	175	<b>440</b>
St. Vincent’s Medical Center	1,250	2,055	<b>3,305</b>	184	141	<b>325</b>
Baptist Medical Center-Nassau	623	1,371	<b>1,994</b>	143	226	<b>369</b>
Memorial Hospital Jacksonville	789	657	<b>1,446</b>	129	109	<b>238</b>
Mayo Clinic	212	255	<b>467</b>	0	0	<b>0</b>
St. Luke’s Hospital	272	173	<b>445</b>	82	43	<b>125</b>
Baptist Medical Center South	96	57	<b>153</b>	56	21	<b>77</b>
Baptist Medical Center-Beaches	82	38	<b>120</b>	30	15	<b>45</b>
All Other Hospitals	176	267	<b>443</b>	26	22	<b>48</b>
<b>Totals</b>	<b>7,410</b>	<b>10,068</b>	<b>17,478</b>	<b>1,230</b>	<b>1,073</b>	<b>2,303</b>

Source: Memorial statement of opposition, pages 5 & 6, Exhibits 3 & 4.

**2010 SJMC-North Service Area  
Non-Tertiary and OB  
Market Shares**

Hospitals	Non-Tertiary			Obstetric		
	PSA Total	SSA Total	Total	PSA Total	SSA Total	Total
Shands Jacksonville Medical Center	26.2%	28.6%	<b>27.6%</b>	25.6%	29.9%	<b>27.6%</b>
Baptist Medical Center	26.5%	23.0%	<b>24.5%</b>	21.5%	16.3%	<b>19.1%</b>
St. Vincent's Medical Center	16.9%	20.4%	<b>18.9%</b>	15.0%	13.1%	<b>14.1%</b>
Baptist Medical Center-Nassau	8.4%	13.6%	<b>11.4%</b>	11.6%	21.1%	<b>16.0%</b>
Memorial Hospital Jacksonville	10.6%	6.5%	<b>8.3%</b>	10.5%	10.2%	<b>10.3%</b>
Mayo Clinic	2.9%	2.5%	<b>2.7%</b>	0.0%	0.0%	<b>0.0%</b>
St. Luke's Hospital	3.7%	1.7%	<b>2.5%</b>	6.7%	4.0%	<b>5.4%</b>
Baptist Medical Center South	1.3%	0.6%	<b>0.9%</b>	4.6%	2.0%	<b>3.3%</b>
Baptist Medical Center-Beaches	1.1%	0.4%	<b>0.7%</b>	2.4%	1.4%	<b>2.0%</b>
All Other Hospitals	2.4%	2.7%	<b>2.5%</b>	2.1%	2.1%	<b>2.1%</b>
<b>Totals</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Memorial statement of opposition, pages 5 & 6, Exhibits 3 & 4, respectively.

Memorial states the definition of non-tertiary discharges employed in the statement of opposition “differs slightly” from that used by the applicant, but the differences are “not material” (Memorial statement of opposition, page #3). Shands Jacksonville and Memorial offer non-tertiary discharge counts utilizing MS-DRGs by exclusion. Below is a table to account for the differences.

**Non-Tertiary MS-DRG Differences Between Shands Jacksonville  
and Memorial Healthcare Group, Inc.**

MS-DRGs Listed as Excluded by Shands Jacksonville But Not Excluded by Memorial 014-015, 286-287, 456, 461-463, 471-473, 734-735, 789-795, 820-830, 837-839 and 845-848	MS-DRGs Listed as Excluded by Memorial But Not Excluded by Shands Jacksonville 003, 037-039, 877-879, 888-893, 898-914, 923, 935, 956-959 and 964
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Source: CON application #10125, Volume 1, Attachment B and Memorial, statement of opposition, page 5.

Any MS-DRGs not specifically noted in the table above are included non-tertiary MS-DRGs by Shands Jacksonville and Memorial in their non-tertiary patient discharge totals.

There are similar though smaller volume differences between OB MS-DRGs between Shands Jacksonville and Memorial. In the case of OB discharges, the range of MS-DRGs was 765 to 782. Shands Jacksonville does not and Memorial does include MS-DRGs 771-773.

The following factors likely contribute to the disparity in non-tertiary and OB discharge totals, submitted by the parties:

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- The applicant and Memorial include some non-tertiary MS-DRG codes that the other does not;
- The applicant includes fewer OB MS-DRG codes than Memorial;
- The applicant provides age cohorts to non-tertiary MS-DRG counts but Memorial does not; and
- The applicant references OB MS-DRGs for 2010, and Memorial references a three year period (2008-2010).

Memorial indicates that Shands Jacksonville did not present any market share data at a zip code level. Further, Memorial indicates that all analyses were presented at the PSA and SSA level. Memorial concludes that as a result, projected market share cannot be discerned from the application. The reviewer confirms that the applicant did not present market share data at a zip code level. However, the reviewer notes the applicant provided service area acute care hospital discharge data, by zip code and the applicant provided use rates per 1,000 population by zip code.

The reviewer confirms that in 2010, the applicant had the highest volume discharges and greatest market share in zip code 32218. This is pointed out by Memorial. For the same period, Baptist Medical Center Downtown had higher volume discharges and greater market share in two of the applicant's other PSA zip codes – 32226 and 32097. Memorial believes that the project, if approved, would result in “a significant redistribution” of patients from Baptist Medical Center-Nassau and other hospitals in downtown Jacksonville to the applicant's proposed site.

### No Material Improvement in Geographic Access

Memorial indicates the applicant did not provide a travel study regarding this project. Memorial recognizes the applicant's driving distance table (CON application #10125, Table 32, page #63). However, per Memorial, residents do not travel from hospital to hospital and so the drive time analysis is “meaningless”. Again, per Memorial, the project will afford “only minimal improvements in travel time”. Concerning the applicant's PSA zip code 32097, Memorial believes residents of that zip code would have no better access to the applicant's proposed site than existing access to Baptist Medical Center-Nassau. Memorial also believes that residents of zip code 32226 (another of the applicant's PSA zip codes) would not likely vary from existing travel patterns to other hospitals in the area. Memorial accepts that residents of zip code 32218 (the applicant's planned PSA project site location) would have “some improvement in geographic access”. However, Memorial continues that residents of 32218 have “the best access to existing hospitals of the three primary service area residential zip codes”. Memorial disputes that the residents of the applicant's SSA zip codes would realize any appreciable geographic access improvement, if the project were approved.

Memorial states its own travel time analysis indicates that residents of the applicant's PSA "would see minimal improvement if this project were approved" and residents of the applicant's SSA would experience "no increase in access".

The reviewer notes that Memorial's travel time analysis source and the applicant's driving distance table source were the same – [www.GoogleMaps.com](http://www.GoogleMaps.com). Therefore, the applicant's driving distance table and Memorial's travel time analysis should be equally meaningful, from the perspective that both drew their data from the same source.

Memorial previously stated the project would result in "a significant redistribution" of patients from Baptist Medical Center-Nassau and other hospitals in downtown Jacksonville to the applicant's proposed site. However, Memorial also concludes it is "unreasonable to assume that there would be significant shift in market share of these patients from existing providers to SJMC-North". These conclusions cannot be correct simultaneously.

#### Population Growth Not a Basis for an Approval

Per Memorial, the applicant does not address how the current recession has affected the potential for residential development in the future and that the applicant's hospital discharge projections are based on "optimistic assumptions that likely overstate the future demand for hospital services". Memorial comments that the Jacksonville Planning and Development Department addressed the trend in new building permits in a 2009 report, in which a decline in unit permits was discussed. The reviewer briefly reviewed this report at the following website: <http://www.coj.net/Departments/Planning-and-Development/Docs/2009-annual-statistical-package.aspx>. Table 2.2 Residential Permits by Planning District, indicates that the planning districts identified as "North" and Northwest" had the lowest total annual residential building permitting since at least 2000. The website offered no residential building permitting activity reports after 2009.

Memorial contends that the service area's 7.0 percent total population growth (by 7,640 persons from CY 2011 to CY 2016) is relatively small and the total population will only be 117,539. Memorial notes that the female population, ages 15-44, is projected to increase by 2.0 percent (from 29,540 in CY 2011 to 30,117 in CY 2016). Per Memorial, these increases will have "a small impact on the need for acute care hospital beds". Memorial indicates that the female population growth estimate is a "*de minimus*" level of growth. Per Memorial, the service area population has not reached the size or density to warrant the proposed 100-bed project.

Unrealistic and Unsupported Utilization Projections

Memorial states that “the reasonableness of utilization projections ultimately depends on the unreasonableness of the (applicant’s) market share assumptions” and contends that Shands’ projections are not reasonable because:

- The applicant projects to have a 45 percent market share in Shands North’s PSA and 15 percent in the SSA, but Shands presently does not have this market share (45 percent in PSA, 15 percent in SSA) in any of these zip codes. Memorial doubts that the project would increase Shands’ market share in the total service area. Per Memorial, the applicant’s projections do not consider factors on an individual zip code basis such as proximity and road access to the proposed site and Shands North’s proximity to other providers.
- Memorial concludes that with the applicant not attaining a 45 percent market share for non-tertiary patients in 2010, there is no reason to believe the proposed site will attain a 45 percent market share in the service area by 2017 (year three of operations).
- Memorial concludes that the proposed site attaining a 15 percent market share in the secondary service area (SSA) over the same period would be even less reasonable, because some of these areas are closer to existing providers that offer a wider range of services.

Memorial believes the market share projections are not credible or achievable and are unrealistically high for future utilization. Therefore, Memorial concludes the applicant has no basis to support a request for 100 new beds.

Underestimate of SJMC-North’s Adverse Impact

Memorial believes that if the proposed site achieved its projected utilization, the impact on existing providers would be greater than projected by the applicant. Memorial points out the applicant did not present an adverse impact analysis on a zip code level. Memorial states “by aggregating impact, SJMC-North masks the true impact on existing facilities”.

Memorial provides a table showing its estimate by hospital of the impact on Jacksonville hospitals in 2017 should the project be approved. Memorial estimates that based on 2010 discharges, Baptist Medical Center-Nassau could expect a decline of 508 discharges (16.8 percent of total discharges in CY 2010) and that Memorial could expect a decline of 610 discharges (3.0 percent of its 20,476 total discharges in CY 2010).

HCA's Orange Park Medical Center is projected to lose 45 discharges or 0.3 percent of its CY 2010 (16,520) total. Thus, the total impact on HCA is approximately 1.77 percent (655/36,996) based on Memorial's projections. Memorial provides other estimated impact for other surrounding general acute care hospitals.

SJMC's lack of a satellite hospital is not a basis to approve the project.

Memorial states the determination of need for a hospital facility is community based, not institution specific. Per Memorial, community need considerations "must outweigh the strategic objectives of a particular provider". Memorial has previously stated that demographics and access do not warrant project approval. Memorial provides relatively in-depth discussion and description of the applicant's financial resources. Ultimately, Memorial states that "as a matter of public policy, State tax dollars should not be placed at risk for an unneeded hospital for a private organization".

The reviewer notes that in the application's Schedule D(H), item I, SJMC commits to furnishing, within 120 days of the Agency's Final Order, satisfactory proof of the financial ability to operate. This is pursuant to s. 408.037(2), Florida Statutes.

The applicant's status as a safety net hospital does not justify approval of the project

Memorial agrees there is "no dispute" that the applicant is a safety net hospital, serving an "important role in the health care system in District 4". In Memorial's opinion, the project will do nothing to further the applicant's mission. Memorial believes a less costly and more effective alternative available to the applicant would be a freestanding emergency department at the proposed site.

There is a less costly and more effective alternative for providing emergency services.

Memorial declares many of the reasons stated by the applicant to warrant project approval could be achieved by opening a freestanding emergency department at the proposed site. Per Memorial, this would be less costly and avoid "unnecessary adverse impact on inpatient utilization" at existing hospitals.

Job creation is not a basis for project approval.

Memorial states any construction job creation pursuant to the project would bring a "short-term boost" but that this argument could be made for any health care project. Further, Memorial states the project does

not satisfy “the statutory review criteria”. Memorial states that if approved, the project would likely draw health care professionals from existing nearby providers, worsening efforts in maintaining quality clinical staff at existing hospitals. As a final point, Memorial believes the project would add administrative costs and duplication, which would work against reducing health expenditures.

Emergency evacuation is not a basis for project approval.

Memorial states this argument “appeared to have been included as an afterthought”. Memorial points out no third-party verification of need for additional evacuation options.

Memorial next presents a discussion of the applicant’s responses to statutory criteria.

*Section 408.035(1)(b), Florida Statutes – The availability, accessibility, and extent of utilization of existing health care facilities and services in the service district of the applicant.*

Per Memorial, there is adequate availability and accessibility of hospital beds based on the extent of utilization in existing providers and the District 4, Subdistrict 4-1 hospitals are operating at less than 70 percent occupancy.

*Section 408.035(1)(e), Florida Statutes – The extent to which the proposed services will enhance access to health care for residents of the service district.*

Memorial states patients would not realize a material geographic, capacity, financial or programmatic enhancement by project approval. Memorial indicates that the project would provide general acute care services, but no specialized services that are not already available at other providers. Memorial contends that the application presents no analysis of the economic status of service area residents or any financial barriers that may impede access.

*Section 408.035(1)(g), Florida Statutes – The extent to which the proposal will foster competition that promotes quality and cost-effectiveness.*

Memorial states that the proposed project is most proximate to the applicant, so the project would not provide additional choice. Memorial believes the new site would likely be underutilized and therefore not be cost-effective.

*Section 408.035(1)(i), Florida Statutes – The applicant’s past and proposed provision of health care services to Medicaid patients and the medically indigent.*

Memorial comments that the application is devoid of any analysis of the financial characteristics of the proposed service area population and that the applicant offers no conditions relating to improving financial access if the project is approved.

Memorial concludes that the applicant has failed to document need for the project and has failed to satisfy other statutory criteria relevant to approval. Based on this, Memorial contends that the project should be denied.

**G. Applicant Response to Written Statement(s) of Opposition**

**In those cases where a written statement of opposition has been timely filed regarding a certificate of need application for a general hospital, the applicant for the general hospital may submit a written response to the Agency. Such response must be received by the Agency within 10 days of the written statement due date. ss. 408.039(3)(d), Florida Statutes.**

**Shands Jacksonville Medical Center, Inc.’s response to Memorial’s written statement of opposition was received November 10, 2011.**

Steven Blumberg, Vice President, Planning and Business Development, Shands Jacksonville indicates that SJMC questions whether Memorial has made “an adequate showing of adverse impact” concerning the proposed project. Mr. Blumberg “respectfully suggests that none of the arguments put forth by Memorial persuasively demonstrate that the application should be denied”.

SJMC, Inc. notes that Memorial argues that an “unrelated hospital, Baptist Medical Center-Nassau (or BMC-Nassau)”, will be adversely impacted by project approval, although the owner and operator of BMC-Nassau, Baptist Health, has “chosen not to oppose” the project. Shands states that HCA’s “failure to cite any adverse impact” that would result on any HCA hospital from project approval, “raises questions whether any HCA hospital can demonstrate the legal standing needed to formally oppose” the application. Shands also states that “in many instances”, Memorial’s statement of opposition, “contradicted its own statements” made in the defense of CON application #10059. Shands indicates one such contradiction is the sharing of administration and business services, since all HCA Jacksonville hospitals are part of the HCA’s South Atlantic Division and are under shared governance and strategic/business planning leadership.

SJMC's response addresses the following: service area definition, providers of care for service area residents, improvement in geographic access, financial access, population growth, utilization projections, SJMC's lack of a satellite hospital, SJMC-North and SJMC's role as a safety net hospital, less costly alternatives for providing emergency department (ED) services, job creation, emergency preparedness, "other issues" and conclusion. In brief, the Agency summarizes these points below.

#### Service Area Definition

The applicant meets the criteria set forth in Section 408.037(2), Florida Statutes, in that the applicant defines the zip codes projected to provide 75 percent of SJMC-North's admission (the primary service area or PSA) and the zip codes which will provide the remaining 25 percent of admission (the secondary service area or SSA).

The response reiterates Exhibit 4, found in part E of this report. The response indicates the support letters confirm interest in the project. Most support letters originate within the applicant's defined total service area or at a minimum within District 4, Subdistrict 4-1.

#### Providers of Care for Service Area Residents

According to the response, Memorial uses "misleading, unsupported assumptions" to contest that the applicant is seeking to capture patients served by other hospitals. The response indicates a sizable presence in the total service area in calendar year 2010 (CY 2010).

Shands offers two other points of clarification. SJMC, Inc. offers Attachment A (Differences in Data Analysis Between Memorial's Statement of Opposition and SJMC's CON Action Number 10125). Regarding these differences, the applicant:

- attached age cohorts to adult non-tertiary and obstetric discharge totals whereas Memorial did not;
- indicated non-tertiary discharges and market share are attached to acute care hospitals only whereas Memorial did not;
- specified in zip code 32034, discharges only from Census Tract 503.03 in zip code 32034 and not the entirety of zip code 32034 whereas Memorial did not; and
- non-tertiary MS-DRG discharge counts that differ between the applicant and Memorial.

Shands indicates that it re-created the discharge and market share figures produced by Memorial, “nearly exactly” and found that Memorial:

- included patients of all ages, not just those age 18 and older;
- included discharges from other types of hospitals in addition to those from acute care hospitals (e.g. behavioral health hospitals, freestanding comprehensive rehabilitation hospitals and long-term acute care hospitals);
- included all of zip code 32034, not just the portion west of Amelia River and
- excluded MS-DRGs 1-3, 5-10, 20-39, 215-238, 246-251, 652, 849, 876-914, 923, 927-929, 933-935, 945-946, 955-959, 964 and 998-999, in addition to all neonatal and new born discharges (MS-DRG 789-795) as well as obstetric discharges (MS-DRGs 765-782).<sup>7</sup>

Shands questions why, in Memorial’s selection of MS-DRGs and discharge counts, Memorial fails to exclude non-newborn pediatric patients and non-acute care hospital discharges, which, when combined with the different list of MS-DRGs and the remainder of zip code 32034, results in what Shands considers a “material difference”.

Shands indicates that Memorial “intentionally departed from the methodology employed” by the applicant. According to the response and the reviewer concurs that Memorial used a different methodology (than the applicant). The reviewer counted methodology to include factors such as age cohorts and inconsistent MS-DRGs between the applicant and Memorial. Shands contends that Memorial used a different methodology to “mislead the Agency”.

Per the response, there is no requirement to present market share data at a zip code level. The reviewer finds no statutory or Florida Administrative Code (FAC) requirement to present market share data at a zip code level and Memorial did not offer a statutory or FAC requirement mandating such data be presented. Shands reiterates that utilization and market share were calculated at the PSA and SSA levels and that such data was discernible at the zip code level, if so desired.

Shands contends that Memorial’s opposition provides misleading data regarding the applicant’s current market share in the proposed service area.

<sup>7</sup> The Agency has previously noted extensively the common and differing MS-DRGs provided by the applicant and Memorial (see part F).

Improvement in Geographic Access

Shands indicates that the distance of the proposed project from competing facilities is comparable to the distance of other approved facilities in the Jacksonville area to their competitors. The response indicates the estimated distance between the proposed site and SJMC, Inc. is 10.3 miles and 12.8 miles from Baptist Medical Center (Downtown). Shands again provides the closest distance from existing to CON approved acute hospitals and two acute care hospitals (Mayo Clinic and Baptist Medical Center—Beaches, that received CONs to establish their facilities:

- 11.4 mile distance between West Jacksonville Medical Center and St. Vincent’s Medical Center;
- 10.1 mile distance between Baptist Medical Center-South and St. Luke’s Hospital;
- 7.6 miles mile distance between St. Vincent’s Medical Center-Clay County and Orange Park Medical Center; and
- 4.6 mile distance between the Mayo Clinic and Baptist Medical Center-Beaches.

Financial Access

Shands states the applicant did not project a payer mix and did not offer to condition on a specific payer mix due to the “uncertainties surrounding health care reform and the Medicaid payment system”. Shands notes that HCA indicated in CON #10059, that an applicant is under no requirement to show improved financial access for a new hospital. Shands’ response includes three tables to describe projected 2017 service area discharge payer mix estimates. Below is a summary of the applicant’s CY 2017 estimates, (non-tertiary and OB), for the total service area population both Shands Jacksonville and SJMC-North, starting in 2017.

<b>Projected 2017 Total Service Area Total Non-tertiary &amp; Obstetric Discharge Payer Mix by Provider</b>				
<b>Payer</b>	<b>Shands Jacksonville</b>	<b>Shands North</b>	<b>All Other</b>	<b>Total</b>
<b>Medicare</b>	44.7%	44.8%	49.1%	47.1%
<b>Medicaid</b>	29.4%	18.0%	10.8%	16.2%
<b>Commercial</b>	9.0%	22.6%	29.0%	23.6%
<b>Self-pay &amp; Non-payment</b>	12.8%	10.2%	8.0%	9.5%
<b>All Other</b>	4.1%	4.4%	3.1%	3.6%
<b>Total</b>	100.0%	100.0%	100.0%	100.0%

Source: Shands Jacksonville response statement of November 10, 2011.

The applicant indicates that during 2017 the PSA breakout would have Shands Jacksonville with Medicaid at 35.9 percent and Shands North 18.2 percent. The SSA—Shands Jacksonville with Medicaid at 28.0 percent and Shands North 17.3 percent.

Shands Jacksonville states that to maintain its long-term viability as the safety net hospital in District 4, it needs an acute care presence beyond downtown Jacksonville “similar to other area providers”.

### Population Growth

Shands states that Memorial incorrectly asserts that the project relies on population growth as the basis for project approval. The applicant states PSA residents had a CY 2010 adult non-tertiary ADC of 96.6 and obstetric ADC of 9.4, for a total ADC of 106.0, which is more than enough to support a 100-bed hospital, in the PSA alone. Shands states Memorial incorrectly asserts that the project’s population projections were overstated due to slower growth because of the economic downturn. The applicant reiterates that its population estimates were relied upon through Nielsen-Claritas and that the downturn was taken into consideration by Nielsen-Claritas when May 2011 results were released (by Nielsen-Claritas) and consequently used by the applicant in its growth projections.

### Utilization Projections

The applicant disputes Memorial’s assertion that Shands’ proposed market shares are unrealistic, unreasonable and that the proposed project’s 45 percent market share for the PSA is unsupported. Shands agrees that proximity of the facility to residents is one of the strongest factors in determining market share for non-tertiary and obstetric patients. The applicant reiterates that there is no facility within the total service area and no provider has a 50 percent market share.

Shands states that HCA does not always believe projections of a 45 percent or greater market share is unsupportable and cites CON #10059 as an example. The applicant provides a copy of HCA’s table (CON #10059’s attachment 12) which shows HCA projected the new facility to have major increases over HCA’s existing hospitals’ market shares. HCA projected over 54 percent market share capture in four zip codes where Memorial and Orange Park combined were projected to have less than 16 percent market share. The applicant also states the CY 2010 data shows

Baptist Health has four zip codes where BMC-South has over 45 percent of the market while other Baptist facilities combined have less than 15 percent of market share. Shands indicates that its market share is based on the average for the PSA and SSA and not as Memorial chose to infer, that PSA or SSA market shares represented a constant or uniform market share in each zip code throughout the service area.

Regarding adverse impact, Shands' response indicates that Memorial supports its conclusion that the applicant and BMC-Nassau are projected to experience an adverse impact of greater than 5.0 percent. Shands notes that Baptist chose not to oppose the project. Shands states that HCA's estimate of the adverse impact on Memorial and Orange Park Medical Center was "*de minimus*". The applicant states that "raises questions regarding whether any HCA hospital can demonstrate the legal standing needed to formally oppose the application".

#### SJMC's Lack of a Satellite Hospital

The applicant notes that Memorial contends that the applicant's lack of a satellite hospital is not relevant to approval of the project and that funding could be an issue. Shands indicates that Memorial misrepresented financial issues in its discussion of Shands' "Other Operating Revenue" and "direct State funding". The applicant states that it will not seek additional state funding for construction costs and working capital needed to implement the project.

#### SJMC-North and SJMC's Role as a Safety Net Hospital

Memorial contends that the project will do nothing to further the applicant's mission as a safety-net hospital. Shands indicates that the history of safety net hospitals shows that facilities which remain static in a downtown location are vulnerable to experiencing a decline in market shares and profitability as their competitors encircle them with facilities in the suburbs and capture more profitable markets.

The response discusses the case in which South Broward Hospital District has been proactive in establishing a presence in growing, more economically diverse areas. The applicant provides excerpts from September 17, 2007 and September 27, 2011 articles in The Miami Herald (Attachment C-Newspaper Articles), in which this topic is addressed. Shands states that the project is needed to address the needs of residents of northern Jacksonville, complement the outpatient services already provided by UF & Shands and provide a broader base of patients to sustain the safety net mission of the applicant.

Less Costly Alternatives for Providing Emergency Department (ED) Services

Shands next addresses Memorial's contention that there are less costly alternatives for ED services than the construction of a new hospital. Shands indicates that there is sufficient existing demand for the project and that HCA did not offer a freestanding ED as an alternative in other hospital projects that it (HCA) proposed in the area (in Clay County and West Jacksonville). Shands indicates that it plans to develop the northern Jacksonville site as an outpatient campus until the new hospital can be constructed. The applicant indicates that depending on the time required to receive approval and construct the hospital, it may develop a freestanding ER prior to initiation of inpatient services.

Job Creation

Shands states Memorial correctly argued that creation of jobs is not sufficient in and of itself for project approval. However, existing demand warrants the project. Shands also states that "creation of new jobs is a top priority of the State of Florida" and the project would support that priority.

Emergency Preparedness

Shands next addresses Memorial's contention that there is no documentation that residents of the coastal communities experienced difficulties in evacuation in previous natural disasters in Nassau County or that there are inadequate accommodations for evacuees currently.

The applicant states that emergency preparedness "concerns preparing *for storms or disasters which have not yet occurred*". Shands restates that the project site is located in an area that is categorized as the last of five classifications to be evacuated and concludes that the hospital will be an invaluable resource for evacuation of special needs residents and patients from other facilities, including BMC—Nassau.

Other Issues

In response to Memorial's contention that the project fails to document that access will be materially enhanced in any of these areas, the applicant states each of these issues was addressed by HCA in its defense of the West Jacksonville application (CON #10059). The response indicates it is unclear why Memorial believes that "these arguments applied to West Jacksonville but not to SJMC-North".

Conclusion

Shands concludes the application complies with each relevant statutory criterion and notwithstanding Memorial's "flawed and contradictory arguments to the contrary", the project should be approved.

**H. SUMMARY**

**Shands Jacksonville Medical Center, Inc. (CON #10125)** d/b/ a Shands Jacksonville Medical Center, an affiliate of the University of Florida (UF) College of Medicine, proposes to establish a new 100-bed acute care hospital in northern Jacksonville, Florida, Duval County, District 4, Subdistrict 4-1. The proposed project name is Shands Jacksonville Medical Center-North. The proposed hospital will be located in zip code 32218, on Duval Road, east of I-95. The applicant states that the project will be a satellite hospital. Shands Jacksonville states that Shands North's primary service area zip codes are: 32097, 32218 and 32226, as well as two post office boxes located within these residential zip codes, 32041 and 32229. The secondary service area is stated to be zip codes: 32208, 32219, 32011, and the portion of 32034 (Fernandina Beach) which is west of the Amelia River (U.S. Census Tract 503.03). SJMC-North will provide adult non-tertiary acute care, intensive care, surgery, imaging services, women's services and a full-service emergency department.

The applicant conditions to a specific site parcel or address as follows: initial development will be on these or additional contiguous parcels/ 106608-1000, 106245-1000, 106251-0000, 106253-0000 and 107618-1155.

**Need:**

As of a publication date of July 22, 2011, District 4, Subdistrict 4-1 had a total of 602 licensed acute care beds with an occupancy rate of 64.43 percent for the January 2010 through December 2010 reporting period. As shown, the subdistrict occupancy rate is greater than that of District 4 in total (59.32 percent) and also greater than the statewide occupancy rate (57.08 percent). Per the Agency's *Hospital Beds and Services List* (published on July 22, 2011), there are no CONs approved to establish a new acute care hospital and no notifications of additional acute care beds within District 4, Subdistrict 4-1.

Need is justified primarily on five broad categories. The five major justifications are:

- an acute care hospital is needed in northern Jacksonville and will improve access to acute care and emergency department (ED) services;
- Shands Jacksonville should receive approval to establish a northern Jacksonville satellite hospital;
- SJMC-N will increase access to ED services, reduce time to treatment and relieve crowding at SJMC's ED;
- creation of SJMC-N will add sorely needed jobs in the community;
- SJMC-N would serve as an additional evacuation center for residents of Amelia Island and other coastal areas, and
- additional important considerations, including enhancing the relationship between UF and Shands with the citizens of northeast Florida, promotion of excellence in patient care, continuation of community service and letters of support.

### **Competition**

The applicant notes that the residents of northern Jacksonville (essentially the applicant's total service area) are "the only portion of the metropolitan Jacksonville area without an acute care hospital". The applicant contends that improved access may include improved patient convenience for emergency department services.

The applicant estimates that Shands Jacksonville Medical Center will experience the greatest impact, with a decline of 6.9 percent by 2017, from its 2010 discharge volume. Baptist Medical Center-Nassau is the only other provider projected to experience a decline of more than 1.6 percent, at 6.3 percent of its 2010 discharge volume (190 discharges).

Shands considers the proposed site to be an additional evaluation center for residents of Amelia Island, other coastal areas and a valuable asset in the evacuation of acute care inpatients from Baptist Medical Center-Nassau.

**Medicaid/charity care:**

The applicant proposes no Medicaid/Medicaid HMO or charity care condition.

Per 2009 and 2010 Florida Hospital Uniform Reporting System financial data, the applicant provided 47.1 percent of its total patient days to Medicaid, Medicaid HMO and charity care in 2009 and 47.4 percent of its total patient days to Medicaid, Medicaid HMO and charity care in 2010. These are the highest percentages of Medicaid/Medicaid HMO and charity care patient days in the district and subdistrict for 2009 and 2010. District 4 facilities averaged 19.4 percent Medicaid, Medicaid HMO and charity care patient days during 2009 and 18.6 percent in 2010. Also, the applicant has the most licensed acute care beds and total beds of any single provider facility in District 4 (548 acute care beds and 695 total beds).

Shands Jacksonville is a low-income pool (LIP) participating hospital. Shands' fiscal year 2011-2012 total LIP allocation is \$39,254,469. As of November 22, 2011, Shands has received \$8,424,061. During FY 2010-2011, Shands received \$55,704,353 in LIP payments.

**I. RECOMMENDATION:**

Approve CON #10125 to establish a new 100-bed acute care hospital in northern Jacksonville on Duval Road east of Interstate-95 in zip code 32218, Duval County, District 4, Subdistrict 4-1.

**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: \_\_\_\_\_

\_\_\_\_\_  
James B. McLemore  
**Health Services and Facilities Consultant Supervisor  
Certificate of Need**

\_\_\_\_\_  
Jeffrey N. Gregg  
**Chief, Bureau of Health Facility Regulation**