

STATE AGENCY ACTION REPORT
ON APPLICATION FOR CERTIFICATE OF NEED

A. PROJECT IDENTIFICATION

1. Applicant/CON Action Number

Avanti Wellness Treatment Center, LLC./CON #10126

3574 US 1 South, Suite 113
St. Augustine, Florida 32086

Authorized Representative: Randi Brazer, Director of Operations
(904) 797-3115

2. Service District/Subdistrict

District 4—Baker, Clay, Duval, Flagler, Nassau, St. Johns and Volusia
Counties

B. PUBLIC HEARING

A public hearing was not held or requested regarding the proposed 10-
bed adult psychiatric hospital in District 4, St. Johns County.

Letters of Support

Avanti Wellness Treatment Center, LLC (CON #10126) submitted 35
unduplicated letters of support for the project (CON application #10126,
Tab 3 – Letters of Support). Nineteen letters were dated between
January 11, 2011 and October 3, 2011. Six letters were not dated, two
letters were not signed, three letters were from areas out of District 4 and
one individual wrote two letters.

Sheriff David B. Shoar talks about the lack of inpatient services in St.
John’s County and that “WE (emphasis his) are failing the patients that
reside in our county with these fragmented services, and have no
alternatives currently in the county to provide the appropriate
stabilization for these patients.” Sheriff Shoar indicates that his

resources are being drained by the “unmet needs” of the population of St. Johns County. He later emphasizes that without additional psychiatric services, “The officers, jail and emergency management system continues to be unnecessarily drained as they are involved in handling situations due to the lack of resources.” Judge Steven Lehman of the Eleventh Judicial Circuit Court of Florida echoes this sentiment, “The dually-diagnosed adult patient residing in St. Johns County faces tremendous challenges when attempting to seek treatment for their mental health and substance abuse issues.” Judge Lehman indicates that these patients pose a risk to themselves and the community. He also states that “these patients will continue to unnecessarily drain the resources from our first responders as long as the necessary treatment options are unavailable.”

Several area county mental health professionals support the proposed project, including: Joseph Rosado, M.D., Dr. Tina Jackson, Ali Ambroso, Christine Paul, Sharell Holverson and John Warren. Christine Paul states that “anyone who has a severe mental illness and substance abuse diagnosis has to travel over 40 miles away to receive inpatient treatment.” Dr. Rosado questions whether the residents of St. Johns County deserve better than to “outsource to centers 45 miles away our treatment to meet the demands within our county.”

Dr. Darlene Silvernail of Silvernail Consultant Services, a National service consultant group states that, “Avanti Wellness Center is strongly committed to increase and enhance psychiatric services which would include the treatment of patients suffering from addiction and coexisting disorders in this area.” Danny D. Tanton of Flagler Community Pharmacy lauds Avanti stating, “We have been impressed with the level of professionalism that is always evident with the staff at Avanti Wellness Center. Extra measures have been taken to meet the total needs of this special patient class. Special controls have been instituted in order to maximize compliance and minimize recurrence of medication abuse.”

Al Arnold, Housing Manager of Genesis Transitional Housing, Inc. and Luis Vasquez of Positive Mental Attitude Housing Facility, representing two organizations serving St. Johns County provided letters indicating there is a need for the project . Mr. Vasquez indicates his organization “houses and oversees almost 30 residents (who) receive community support in the form of church support, AA/NA meetings as well as

ongoing commitments to outpatient treatment at Avanti Wellness Center and other outpatient services offered in the county.” Mr. Vasquez states he has often seen his residents taken to other counties for an overnight stay only to be returned without being fully stabilized. Mr. Arnold indicates his organization “currently houses over 70 residents who attempt (to) cope with their mental illness and substance abuse of a daily basis”. He cites the 45-mile travel distance to obtain inpatient services and also indicates that his residents often return from inpatient treatment prior to being stabilized.

Six Avanti employees mailed in letters of support including: Mohammad Farooque, M.D., Avanti Medical Director, Jean H. Allen, Licensed Mental Health Counselor (LMHC), Tracy Arnold, referral coordinator, Annette Catalano, LMHC, and two Licensed Clinical Social Workers—Janet Griswold and Curtis L. Lawrence. Dr. Farooque states that he knows firsthand that, “there are few providers who want to provide acute stabilization to this patient population, and the patients are suffering.” He goes on to say that, “the lack of continuity of care that currently exists in St. Johns County is being addressed by Avanti Wellness Center, and their request for additional inpatient psychiatric beds that will focus on treating the dual diagnosed patient holistically is the answer to what is missing in the patient’s care.” Ms. Allen notes that St. Johns County has been designated a Mental Health Professional Shortage Area by the United States Department of Health and Human Services. Avanti’s letters generally indicate need for the project based on:

- The lack of options for inpatient treatment in St. Johns County
- The need for a safe facility with 24-hour observation during relapses, and
- A need for patients to be near their comfort zone when in psychiatric crisis.

Letter of Opposition

The Agency received an opposition analysis on behalf of Wekiva Springs Center and River Point Behavioral Health prepared by National Healthcare Associates, Inc. (NHA).

NHA indicates that the occupancy rate for 2010 in District 4 for adult inpatient psychiatric patients was 71 percent and there was no published need for beds as of July 22, 2011. NHA notes that 30 beds have been added (at River Point Behavioral Health on October 7, 2010) in District 4, which it contends will lower the occupancy rate in the future.

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NHA maintains that “not normal or special circumstances” do not exist in this “well served Health Planning District”. NHA insists that Avanti Wellness Treatment Center has no experience operating inpatient hospitals.

NHA contends that if Avanti is approved, the adverse impact would be detrimental to the existing licensed facilities and would ultimately affect accessibility/availability of psychiatric services and adversely affect quality of care. NHA’s major points are:

- By the last quarter of calendar year 2010, District 4 was licensed for 331 adult psychiatric beds, and increase from 301 when River Point converted 30 child and adolescent psychiatric and substance abuse beds on October 7, 2010.
- The district’s occupancy rate of 71 was inflated. Prior to converting 30 child and adolescent psychiatric and substance abuse beds, River Point used them for overflow.
- With the re-designation of the 30 beds, the average occupancy rate in the fourth quarter of 2010 was 68 percent—a decrease of four percentage points.
- Flagler Hospital, the St. Johns County provider had an annual occupancy rate of 59 percent, 12 percentage points lower than the district’s average rate. This provider is just a four-minute drive from Avanti.
- Vacant beds in the district exceed 100, even in the fourth quarter 2010 when the daily census was nearly 225 persons. With 331 beds, there is an average of 106 vacant beds on any given day. This is more than sufficient to absorb any bed need by Avanti.
- Adult psychiatric use rates in St. Johns County mirror that of District 4, which are only slightly less than the state wide average. Every district is not homogeneous; factors contributing to use rate differences include but are not limited to the number of partial hospitalization programs and crisis stabilization units in a district (there are 14 in District 4), socio-economic factors, health status, etc.
- There is minimal out-migration of District 4 residents for psychiatric treatment. Ninety-seven percent of the time in 2010, St. Johns County residents were admitted to a District 4 facility.
- There is minimal in-migration to psychiatric hospitals within District 4. In 2010, approximately 95 percent of all cases at the District 4 hospitals with licensed psychiatric beds were residents of the district.
- There is not an access problem—the district is a net in-migration district which means more non-resident patients are treated in the district than the number of District 4 residents who seek treatment outside the district.

- In terms of the St. Johns County provider, only 83 percent of its patients were District 4 residents indicating in-migration of nearly 17 percent. Half of these are patients from Putnam County to the west of St. Johns County. With this great an in-migration percent, and only operating at 59 percent occupancy, there are clearly sufficient adult psychiatric beds in St. Johns County to serve the needs of St. Johns and District 4 residents, now and into the future.
- As a freestanding psychiatric hospital, Avanti will be precluded from participating in the Medicaid program and will be vying for the same patients as River Point and Wekiva Springs.
- During the most recent 12 months, Avanti Wellness Center adult psychiatric patient referral volume¹ was limited to an average daily census of just 1.0 (admitted to Wekiva Springs). In addition, Avanti Wellness Center patients have an ADC of 0.8 at nearby Flagler Hospital. Combined this census of 1.8 only supports two beds.
- If Avanti forecasts a reasonable occupancy in its proposed 16 beds², the first two average daily census would impact Wekiva Springs 55 percent (1.0) and Flagler Hospital 45 percent (0.8). The remaining census would adversely impact all of the District's providers and would be a duplication of readily available services in Volusia County.

NHA concludes by stating that both River Point and Wekiva Springs believe healthy competition is important to the community as it enhances quality of care and "economies of scale". However, District 4 has a well distributed amount of healthy competition and a good balance between supply and demand into the planning horizon and beyond.

C. PROJECT SUMMARY

Avanti Wellness Treatment Center, LLC (CON #10126) proposes to establish a 10-bed adult psychiatric hospital in District 4, St. Johns County. Avanti Wellness Treatment Center (Avanti) is a new development stage company and a related entity, Avanti Wellness Center, currently operates a Medicare authorized community mental health center. The existing operation is a critical need facility located in a mental health professional shortage area as designated by the Health Resources Services Administration.

¹ NHA indicates this is based on the limited patient volume it was able to quantify.

² The original letter of intent (H1108002) and shell application submitted by Avanti Wellness Center identifies the project as establishing a new adult psychiatric hospital of up to 16 beds in Saint Augustine, St. Johns County, Florida.

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The proposed project involves a total cost of \$2,057,348. The total project cost includes: building, equipment, project development, financing and start-up costs. The applicant indicates that the project consists of 8,700 GSF of renovation and total construction cost of \$1,446,930.

The applicant proposes the following conditions for CON application #10126.

- Avanti Wellness Treatment Center will be co-located with existing services in St. Augustine, Florida.
- Avanti will provide a minimum of 85.0 percent of its annual inpatient days to Medicare disability patients less than 65 years of age.
- Avanti will provide a minimum of 85.0 percent of its annual inpatient days to patients with a dual diagnosis.
- Avanti will provide support and meeting space for community groups providing mental health and substance abuse support services.
- Avanti will continue to offer partial hospitalization and intensive outpatient treatment programs as part of a continuum of care that will also include psychiatric inpatient services at Avanti.
- The hospital will be accredited by the Joint Commission by the end of the second full year of operation.
- Avanti will make transportation services available to its patients at no charge.
- Avanti will apply within the first year of inpatient operations to become designated as an approved area of critical need facility, and will maintain this for as long as St. Johns County is designated as an area of critical need.
- Avanti agrees not to seek expansion of its licensed hospital bed capacity beyond 10 beds until occupancy of the hospital has equaled or exceeded 75 percent for two consecutive calendar quarters.

Section 408.043 (4), Florida Statutes prohibits accreditation by any private organization as a requirement for the issuance or maintenance of a certificate of need, so Joint Commission (Condition 6) will not be cited as condition to approval. Should the project be approved, the applicant's conditions would be reported in the annual condition compliance report as required by Rule 59C-1.013 (3) Florida Administrative Code.

D. REVIEW PROCEDURE

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

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

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

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

As part of the fact-finding, the consultant, Marisol Novak analyzed the application in its entirety with consultation from the financial analyst, Everett "Butch" Broussard, who evaluated the financial data and Said Baniahmad of the Office of Plans and Construction, who reviewed the application for conformance with the architectural criteria.

E. CONFORMITY OF PROJECT WITH REVIEW CRITERIA

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

1. Fixed Need Pool

- a. Does the project proposed respond to need as published by a fixed need pool? Or does the project proposed seek beds or services in excess of the fixed need pool? Rules 59C-1.008(2) Florida Administrative Code.**

In Volume 37, Number 29, dated July 22, 2011 of the Florida Administrative Weekly, a fixed need pool of zero beds was published for adult inpatient psychiatric beds in District 4 for the January 2017 planning horizon.

As of July 22, 2011, District 4 had 331 licensed adult inpatient psychiatric beds and no CON approved beds. District 4 had 331 licensed beds and an occupancy rate of 71.35 percent during the 12-month period ending December 31, 2010³. The applicant is applying outside the fixed need pool. Utilization for this period is shown in the table below.

District 4 Adult Psychiatric Bed Utilization for January 2010-December 2010						
Facility	Beds	1/2010-3/2010	4/2010-6/2010	7/2010-9/2010	10/2010-12/2010	CY 2010
Orange Park Medical Center	24	71.48%	81.32%	81.39%	67.44	75.41%
Baptist Medical Center	39	75.73%	77.40%	75.64%	74.89%	75.86%
Shands Jacksonville Medical Center	43	66.38%	70.02%	62.87%	67.52%	66.69%
River Point Behavioral Health	66	158.46%	156.53%	162.38%	88.07%	132.50%
Wekiva Springs	40	72.19%	64.23%	77.15%	80.98%	73.67%
Flagler Hospital	21	52.70%	59.65%	63.82%	60.92%	59.31%
Florida Hospital DeLand	6	82.22%	87.36%	90.04%	83.70%	85.84%
Florida Hospital Oceanside	13	0.00%	0.00%	-----	-----	0.00%
Halifax Health Medical Center	92	43.84%	42.84%	45.94%	47.72%	46.13%
Total*	331*	69.26%	72.90%	75.23%	68.34%	71.35%

Source: Florida Hospital Bed Need Projections & Service Utilization by District, July 22, 2011.

Note: *Florida Hospital Oceanside delicensed the 13-bed unit effective May 3, 2010. River Point Behavioral Health licensed 30 additional adult inpatient psychiatric beds on October 7, 2010. Total bed count is as of December 31, 2010.

The following is a map of District 4’s licensed and approved adult inpatient psychiatric facilities and the applicant’s proposed location.

³ Florida Hospital Oceanside delicensed 13 adult psychiatric beds on May 3, 2010. River Point Behavioral Health converted 30 child/adolescent substance abuse beds to adult psychiatric beds on October 7, 2010.

**Avanti Wellness Treatment Center, LLC (CON #10126)
& District 4 Adult Inpatient Psychiatric Providers**



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The following table illustrates the driving distance in miles between the existing facilities and the proposed St. Johns County hospital site, CON #10126.

Driving Distance in Miles—Existing Facilities and Proposed Site

	Avanti Wellness Treatment Center	Orange Park Medical Center	Baptist Medical Center	Shands Jacksonville Medical Center	River Point Behavioral Center	Wekiva Springs	Flagler Hospital	Florida Hospital DeLand	Halifax Health Medical Center
Avanti Wellness Treatment Center		47.39 miles	44.34 miles	50.16 miles	46.02 miles	42.70 miles	2.72 miles	44.35 miles	49.08 miles
Orange Park Medical Center	47.39 miles		16.92 miles	17.63 miles	18.87 miles	18.36 miles	41.41 miles	101.31 miles	90.69 miles
Baptist Medical Center	44.34 miles	16.92 miles		2.95 miles	5.30 miles	6.52 miles	39.58 miles	99.10 miles	89.49 miles
Shands Jacksonville Medical Center	50.16 miles	17.63 miles	2.95 miles		6.77 miles	9.92 miles	42.62 miles	102.57 miles	92.95 miles
River Point Behavioral Center	46.02 miles	18.87 miles	5.30 miles	6.77 miles		2.86 miles	36.89 miles	96.90 miles	87.29 miles
Wekiva Springs	42.70 miles	18.36 miles	6.52 miles	9.92 miles	2.86 miles		34.39 miles	94.19 miles	84.58 miles
Flagler Hospital	2.72 miles	41.41 miles	39.58 miles	42.62 miles	36.89 miles	34.39 miles		61.04 miles	52.91 miles
Florida Hospital DeLand	44.35 miles	101.31 miles	99.10 miles	102.57 miles	96.90 miles	94.19 miles	61.04 miles		20.60 miles
Halifax Health Medical Center	49.08 miles	90.69 miles	89.49 miles	92.95 miles	87.29 miles	84.58 miles	52.91 miles	20.60 miles	

Source: MapQuest.

The chart below contains the population estimates for the total adult population (age 18 and older) in District 4 by county for July 2010 and the January 2017 planning horizon.

Population Estimates for District 4 (Population Age 18 and Over) and Percent Change by County July 2010 to January 2017 (Planning Horizon)

County	Population Age 18 And Over July 2010	Population Age 18 And Over January 2017	Percent Change
Baker	19,227	21,380	11.20%
Clay	138,089	159,813	15.73%
Duval	679,731	738,983	8.72%
Flagler	79,234	102,074	28.83%
Nassau	57,253	65,786	14.90%
St. Johns	148,239	180,798	21.96%
Volusia	410,131	439,942	7.27%
District Total	1,531,904	1,708,776	11.55%
State Total	14,665,087	16,027,835	9.29%

Source: Population Estimates 2000-2020 published September 2010.

As shown above, District 4's population age 18 and over is expected to experience 2.26 percent higher growth rate than the state. St. Johns County's population age 18 and over is anticipated to grow at a 10.41 percent rate greater than the district overall and at a 12.67 percent rate greater than the state overall.

b. "Not Normal" Circumstances.

Avanti Wellness Treatment Center, LLC., states that it is proposing to develop a 10-bed adult psychiatric facility to be located in St. Johns County. The applicant states that the proposed facility will focus its services on dually diagnosed psychiatric/substance abuse patients and will be co-located with the partial hospitalization and outpatient psychiatric programs already offered by Avanti Wellness Center.

Avanti indicates that the population to be served is comprised of persons with long histories of mental illness and substance abuse under the age of 65 who qualify for Medicare as they are typically disabled due to their chronic mental condition. The applicant states that many of the population to be served reside in supported housing located within a mile or two of the Avanti site. Avanti maintains that the proposed inpatient facility will improve the quality and continuity of care afforded to these patients while also enhancing geographic access to the comprehensive inpatient programming they require.

The applicant cites nine special circumstances within the service area for the proposed facility warranting approval of CON application #10126:

- The population to be served is comprised of dually diagnosed, disabled persons residing in St. Johns County with limited or no transportation resources.
- Flagler Hospital is currently the only licensed provider of adult inpatient psychiatric services in St. Johns County. The scope of treatment provided to these dually diagnosed psychiatric patients by Flagler Hospital is severely limited, consisting primarily of crisis intervention/detoxification as evidenced by the extremely short average length of stay for these patients.
- The financial status of these patients precludes most of them from traveling outside St. Johns County for care.
- When travel to an inpatient facility outside the county can be achieved—a break in continuity of care occurs.
- Adult psychiatric beds located in Volusia County are not used by St. Johns County residents because of travel times and medical referral patterns.

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- Adult psychiatric beds which are accessed by St. Johns County residents have a combined utilization rate of 83.5 percent, far in excess of the Agency for Health Care Administration standard for approval of additional beds. Avanti excludes Volusia County facilities beds as the District 4 overall occupancy was 71.35 percent during CY 2010.
- Only two inpatient psychiatric programs in District 4 (River Point Behavioral Health and Wekiva Springs) offer the type of comprehensive inpatient care appropriate to the needs of the dually diagnosed, disabled patient population served by Avanti. Both are located in Duval County more than 40 miles from where these patients reside, in and around St. Augustine.
- The Duval County programs are operated under common ownership. These programs combined utilization, as reported to the CON Program Office, exceeded 100 percent during calendar year 2010.
- Agency for Health Care Administration discharge data indicates that adult psychiatric utilization at one of the two abovementioned programs (River Point Behavioral Health) was substantially greater than reported to the local health council further constraining bed availability.

Avanti maintains that the proposed facility is financially feasible, will improve both geographic and financial access to adult psychiatric services to the target population within the service area and will not adversely impact the viability of other facilities or programs authorized to provide adult psychiatric services.

The applicant notes that licensed adult psychiatric programs in District 4 range in size from six beds at Florida Hospital Deland to 92 beds at Halifax Medical Center. Avanti provides utilization data for the 12 months ending December 2010. See the table below.

Adult Psychiatric Bed Use in District 4 January 2010-December 2010				
Hospital	Beds	Patient Days	Bed Days	Occupancy
Baptist Medical Center	39	10,799	14,235	75.9%
Flagler Hospital	21	4,546	7,665	59.3%
Florida Hospital Deland	6	1,880	2,190	85.8%
Florida Hospital Oceanside	--	--	1,599	0.0%
Halifax Health Medical Center	92	15,491	33,580	46.1%
Orange Park Medical Center	24	6,606	8,760	75.4%
River Point Behavioral Health	66	20,829	15,720	132.5%
Shands Jacksonville Medical Center	43	10,467	15,695	66.7%
Wekiva Springs	40	10,756	14,600	73.7%
Total	331	81,374	114,044	71.4%

Source: CON application #10126, page 11.

Avanti cites several points regarding the above table, including:

- Of the nine adult psychiatric units, six are based in acute care hospitals and three are in freestanding specialty hospitals.
- Two of the three freestanding facilities (Wekiva Springs and River Point Behavioral Health) are commonly owned by Universal Health Systems and are located within three miles of one another.
- During 2010, Wekiva Springs and River Point had a combined reported occupancy of 104 percent.
- Florida Hospital Oceanside, the third freestanding facility, did not report any patient days of care in 2009 or 2010 and was formally delicensed in May of 2010.⁴
- Halifax Health operates the largest psychiatric unit in District 4 (92 beds) and had the lowest occupancy rate (46.1 percent).

Additionally, the applicant cites that River Point Behavioral Health reported 3,299 more adult psychiatric patient days in calendar 2010 via its discharge records than in its aggregate report to the CON Program Office—24,128 versus 20,829 patient days. Avanti acknowledges that some variation in the number of patient days reported through these two mechanisms is normal but that the difference reported by River Point is unusual and materially impacts the calculated need for adult psychiatric beds in District 4. The applicant maintains that had the aggregate number of patient days reported by River Point to the local health council been equal to the number reported via its individual patient records, there would have been a calculated net need for 14 additional beds in District 4. The reviewer confirms that according to the State Center for Health Information & Policy Analysis hospital discharge data, River Point Behavioral Health had 24,128 patient days for adult discharges in DRGs 880-887 for calendar year 2010.

Avanti states that because of travel distance and prevailing medical referral patterns, patients from St. Johns County rarely use the psychiatric unit at Halifax Health—the low-occupancy 92-bed unit in Volusia County, District 4. The applicant cites that in calendar year 2010, less than one-half of one percent (six patients out of 1,620) of adult psychiatric patients in the ICD 9 range for psychiatric services discharged from Halifax Health were residents of St. Johns County.⁵ Avanti maintains that St. Johns County residents primarily (95 percent) receive psychiatric care within the county or at one of the programs in neighboring Duval County. See the table below.

⁴ The *Florida Hospital Bed Need Projections & Services Utilization by District* publication for July 22, 2011 lists Florida Hospital—Oceanside as a Class I hospital not a Class III specialty freestanding hospital.

⁵ This was confirmed by the reviewer.

Adult Psychiatric Discharges for St. Johns County Residents By County of Hospitalization January 2010-December 2010		
County	Number	Percent
St. Johns	791	72.1%
Duval	248	22.6%
Clay	20	1.8%
Alachua	7	0.6%
Volusia	7	0.6%
Marion	6	0.5%
Orange	5	0.5%
Other	11	1.0%
Total	1,097	100.0%

Source: CON application #10126, page 13.

The applicant indicates that given the prevailing use patterns, occupancy rates of adult psychiatric units located in Volusia County are not relevant to a consideration of the needs of St. Johns County residents. Avanti presents utilization figures excluding the Volusia County based programs below. The applicant asserts that adult psychiatric beds available and accessible to the general population of St. Johns County residents are heavily utilized with an annual occupancy rate in excess of the Agency’s 75 percent standard. See the table below.

Utilization for District 4 Excluding Volusia County Based Programs	
Licensed Beds	233
Patient Days	64,003
Bed Days	76,675
2010 Occupancy	83.5%

Source: CON application #10126, page 13.

Avanti contends that disabled persons suffering from the combined effect of chronic mental illness and substance abuse require more comprehensive services than typically operated by acute care hospitals. Adult psychiatric units in acute care hospitals like Flagler Hospital, the applicant states, provide crisis intervention, diagnostic assessment, initiation of a medication regime and referral services. Avanti maintains that the services needed by dually diagnosed patients generally require a week or more of inpatient care, with disabled patients requiring even longer stays.

The applicant indicates that the average length of stay for all dually diagnosed (psychiatric and substance abuse patients) age 18 and older varied greatly from acute care hospital units to the freestanding programs in District 4. The reviewer was unable to confirm the figures in the table. See the table below.

Average Length of Stay in District 4 Psychiatric Programs for Dual Diagnosis Psych/Substance Abuse Discharges Calendar Year 2010			
Facility	Classification	All	Medicare Under Age 65
Flagler Hospital	Acute	2.7	3.3
Orange Park Medical Center	Acute	2.8	4.2
Baptist Medical Center	Acute	4.2	5.4
Florida Hospital Deland	Acute	4.3	5.5
Shands Jacksonville Medical Center	Acute	5.5	6.1
Halifax Health Medical Center	Acute	5.2	6.8
River Point Behavioral Health	Freestanding	9.0	12.2
Wekiva Springs	Freestanding	10.0	14.1

Source: CON application #10126, page 14.

Avanti notes that dually diagnosed Medicare patients age 18-64 experience longer lengths of stay. The applicant states that these patients will account for over 80 percent of the discharges and nearly 90 percent of patient days at the proposed hospital.

In addition, the applicant cites that Flagler Hospital at 3.3 days has the shortest average length of stay (ALOS). The reviewer confirms that according to the State Center for Health Information & Policy Analysis hospital discharge data, Flagler Hospital did have the shortest ALOS of District 4 adult psychiatric inpatient providers for discharges age 18-64 in DRGs 880-887 or 894-897 for calendar year 2010 with Medicare as the payer.

Avanti indicates that dually diagnosed Medicare patients under age 65 discharged from the two freestanding psychiatric facilities had stays averaging 12.2 to 14.1 days—approximately four times longer than stays for this patient group at Flagler Hospital. The applicant maintains that Flagler Hospital assumes an even more limited role than other acute care hospital-based psychiatric programs in the treatment of dually diagnosed patients, particularly disabled patients.

The applicant asserts that dually diagnosed disabled persons residing in St. Johns County have little choice where they receive inpatient psychiatric services—Flagler Hospital operates the only unit in the county. Avanti states that at the time of crisis for a patient in need of immediate inpatient care, treatment is obtained via “emergency” admission at a nearby facility. The bulk of the admissions of dually diagnosed patient discharges among St. Johns County residents were from Flagler Hospital with emergency admissions. The majority of “urgent” or “elective” admissions were to facilities affording a more comprehensive program of care such as Wekiva Springs or River Point Behavioral Health. See the table below.

Dually Diagnosed Discharges for St. Johns County Residents from District 4 Hospitals by Admission Priority January 2010-December 2010					
Hospital	Admission Priority				Percent Emergency
	Emergency	Urgent	Elective	Total	
Flagler Hospital	307	5	3	315	97%
Wekiva Springs		17	45	62	0%
Baptist Medical Center	7	3	16	26	27%
River Point Behavioral Health	6	21	1	28	21%
Baptist Medical Center South	2			2	100%
Halifax Health Medical Center	1	1		2	50%
Orange Park Medical Center		2		2	0%
Florida Hospital Deland	1				100%
Shands Jacksonville Medical Center	1				100%

Source: CON application #10126, page 15.

The applicant indicates that of the 315 dual diagnosis patients treated at Flagler in 2010, none were discharged to any other inpatient psychiatric facility. Avanti maintains that absent of the ability to provide a comprehensive program of care, it might be expected that Flagler Hospital would discharge a substantial number of dual diagnosis patients on an emergency basis to a facility with more definitive follow-on care. It should be noted that according to the State Center for Health Information & Policy Analysis hospital discharge data, Flagler Hospital discharged two residents of St. Johns County to psychiatric hospitals in calendar year 2010 that were between the ages of 18 and 64 in DRGs 880-887 with Medicare as the payer.

Avanti states that the Avanti Wellness Center is a federally authorized Community Mental Health Center (CMHC) that has operated a partial hospitalization program (PHP) in St. Augustine, Florida since 2007. Avanti Wellness Center is certified as an area of critical need facility by the Health Resources Services Administration of the Department of Health and Human Services.⁶

The applicant includes an excerpt from a report with a detailed description of partial hospitalization programs and its role in a comprehensive continuum of psychiatric care.⁷ The main points of the excerpt of this report, as compiled by the reviewer, are:

⁶ This designation is made based on an inadequate supply of mental health practitioners, including psychiatrists, counselors and other professions.

⁷ Impacts Associated with the Medicare Psychiatric PPS: A Study of Partial Hospitalization Programs was prepared for the Centers for Medicare & Medicaid Services Office of Research, Development and Information by Research Triangle Institute International and published in February 2009. The entire report was included by the applicant in Tab 4 of CON application #10126.

- PHP care is designed for use at two distinct points in time—to prevent a “step-up” to hospitalization and to support a patient’s transition from inpatient status back into the community (“step-down”).
- The critical difference between PHP services and inpatient services is that PHP patients are deemed safe enough to spend the night in their home environment rather than in the inpatient setting.
- In order to succeed in a PHP, patients must have the psychiatric and physical stamina to withstand and participate actively in several hours of therapy several days a week as well as the ability to tolerate a couple of hours of transportation to and from the PHP site.
- In a few cases where patients destabilize and are unable to continue safely in the PHP, the treatment team can facilitate their admission into inpatient care.
- The supportiveness of a PHP patient’s residential environment is a critical factor for treatment success and patients without those supports may require longer/more intensive treatment.

Avanti states that consistent with the prescribed role of PHP programs, the Avanti Wellness Center has helped fill the gap between inpatient care and the intensive outpatient therapy program at Avanti Wellness Center. The PHP program, Avanti maintains, has served in a “step-up” capacity, assisting individuals experiencing a deterioration of their mental health condition to manage these episodes—preventing the need for inpatient hospital admission.

The applicant states that PHP admissions at Avanti have steadily grown since opening in 2007, from 56 annual admissions in 2007 to 324 admissions in 2010. Avanti states that in calendar year 2010, over 95 percent of the 324 admissions were eligible for Medicare or both Medicare and Medicaid benefits. The applicant indicates that persons aged 45-54 make up the largest proportion of admissions to the PHP program despite the fact that Medicare is the primary payer for 95 percent of total admissions. This illustrates, Avanti maintains, that the PHP patient population is overwhelmingly comprised of dually diagnosed individuals whose chronic mental illness and addiction problems are so severe as to result in a formal determination of disability. See the table below.

Avanti Wellness Center PHP Admissions by Payer January 2010-December 2010		
Payer	Admissions	
	Number	Percent
Medicare	112	34.6%
Medicare/Medicaid	197	60.8%
Private	7	2.2%
Self	5	1.5%
Tricare	3	0.9%

Source: CON application #10126, page 18.

The applicant indicates that Avanti Wellness Center has found that many of the dually diagnosed patients it serves are not ready to step down to partial hospitalization. The applicant indicates that these patients are not physically or mentally ready to participate in intensive therapy, manage their medications without 24-hour supervision or to travel between the facility and home each day. Avanti provides a summary of the disposition of patients admitted to Avanti Wellness Center's PHP program during 2010. See the table below.

Avanti Wellness Center PHP Admissions by Disposition January 2010-December 2010			
Disposition	Admits	Days	ALOS
Graduated	102	7,471	73.2
Hospitalized	96	2,545	26.5
Discontinued Care	105	3,366	32.1
Other	21	929	44.2
Total	324	14,311	44.2

Source: CON application #1026, page 19.

Avanti indicates that of PHP participants who are hospitalized, just over half (51 percent) require psychiatric services and the remainder need inpatient medical or rehabilitation services. Currently, the applicant contends, those patients who are hospitalized for psychiatric reasons experience a break in the continuity of care since the inpatient facility does not know the patient or their history, and patients may be less able to work with unfamiliar treatment providers. Additionally, when these patients are discharged from the hospital, they often experience another break in continuity of care when they are left to fend for themselves in arranging re-entry into a PHP program.

The applicant states that the above mentioned disruptions in continuity of care can be avoided through the provision of inpatient psychiatric services at a site co-located with Avanti Wellness Center's existing PHP and IOP programs as proposed in CON application #10126. Avanti asserts that the proposed inpatient unit would offer the comprehensive array of inpatient services required by these patients, assuring their

readiness to enter into community-based programs upon discharge from inpatient care.

Avanti states that it serves dually diagnosed patients most of whom live in proximity to the Avanti Wellness Center’s St. Augustine facility. The applicant presents travel times and distances from Avanti to each of District 4’s licensed psychiatric programs. See the table below.

Travel Distance and Time from Avanti Wellness Center to District 4 Inpatient Psychiatric Facilities		
Hospital	Distance (miles)	Time (minutes)
Flagler Hospital	2.7	4
River Point Behavioral Health	46.0	49
Wekiva Springs	42.7	45
Halifax Health Medical Center	49.1	51
Baptist Medical Center Downtown	46.8	50
Shands Jacksonville Medical Center	50.2	53
Orange Park Medical Center	47.4	52
Florida Hospital—Deland	66.0	68

Source: CON application #10126, page 20.

The applicant maintains that in general, the residents of St. Johns County do not seek psychiatric care at the two programs located in Volusia County. Furthermore, Avanti indicates that St. Johns County residents rarely use facilities in Duval County for emergency admissions.

Avanti acknowledges that the two freestanding psychiatric programs in Duval County receive the bulk of the non-emergency admissions from St. Johns County as these programs afford more comprehensive treatment programs for dually diagnosed patients. The applicant states that River Point Behavioral Health and Wekiva Springs do not focus on dually diagnosed patients nor specialize on the subset of Medicare sponsored disabled psychiatric/substance abuse patients served by Avanti Wellness Center.

The applicant indicates that St. Johns County residents under age 65 with a dual psychiatric/substance abuse diagnoses make up over 90 percent of the patients admitted to the Avanti Wellness Center PHP. During calendar year 2010, Avanti Wellness Center discharged 96 PHP patients to acute care hospitals, 49 of whom required inpatient psychiatric services. These 49 discharges represented half of all psychiatric discharges from District 4 hospitals among this patient group. The applicant’s chart indicates there were 99 St. Johns County residents although the narrative indicates 96 in this group. It should be noted that according to the State Center for Health Information & Policy Analysis hospital discharge data, there were 289 discharges of adult psychiatric and adult substance abuse discharges for St. Johns County

residents age 18 to 64 with Medicare/Medicare HMO as the primary payer in calendar year 2010. See the applicant's table below.

Adult Psychiatric Discharges for St. Johns County Residents Age 18 to 64 with Medicare Payer January 2010-December 2010		
Hospital	Number	Percent
Flagler Hospital	69	69.7%
Wekiva Springs	15	15.2%
Baptist Medical Center	3	3.0%
River Point Behavioral Health	10	10.1%
Halifax Health Medical Center	1	1.0%
Orange Park Medical Center	1	1.0%
Total	99	100%

Source: CON application #10126, page 21.

The applicant estimates that the proposed inpatient unit:

- Will capture 80 percent of the abovementioned under age 65 Medicare discharges
- These patients will make up 95 percent of the facility's total Medicare discharges, only five percent of patients will be 65 and older.
- The facility will receive five percent of non-Medicare discharges under age 65
- Twenty percent of all discharges will come from out-of-county residents

Avanti states that it applies an average length of stay of 15.1 days to Medicare patients and 7.6 days for non-Medicare patients based on the discharges of St. Johns residents from Wekiva Springs and River Point Behavioral Health in calendar year 2010. State Center for Health Information & Policy Analysis hospital discharge data indicates that St. Johns County residents age 18-64 whose stay at River Point Behavioral Health and Wekiva Springs was paid by Medicare had a 13.64 ALOS compared to a 7.24 ALOS for non-Medicare.

Avanti indicates that the projected start date for operation of the proposed facility is January 2014. The applicant also maintains that the patient population to be served by the proposed facility consists almost entirely of persons age 18 to 64. Avanti states that the forecast from the Office of Economic and Demographic Research shows a 9.5 percent increase in the 18-64 population from 2010 to 2014 and a 12.4 percent increase in the 18-64 population from 2010 to 2015. See the table below.

Population Estimates for St. Johns County July 2010, 2014 and 2015				
Year	0-17	18-64	65+	All Ages
2010	38,602	117,905	30,334	186,841
2014	41,983	129,151	37,864	208,998
2015	43,078	132,490	40,174	215,742

Source: CON application #10126, page 22.

Avanti projects an average daily census of 5.09 in year one (50.9 occupancy rate) and 5.23 (52.3 occupancy rate) in year two. The applicant maintains that small operating units like the proposed project experience wide percentage variation in daily occupancy due to spikes and dips in patient arrival patterns. Avanti indicates that the 10-bed capacity of the proposed facility allows sufficient bed spaces to accommodate the expected peak daily demand.

Utilization Forecast for Avanti Treatment and Wellness Center Year One and Year Two					
	St. Johns Resident Discharges CY 2010	Market Share	Base Year 2010	Year One 2014	Year Two 2015
In-Area Discharges					
Medicare					
Age 18-64	99	80%	79	87	89
Age 65+	(5% of in-area Medicare discharges)		4	5	5
In-Area Medicare Discharges Total			83	92	94
Other Payers					
	258	5%	13	14	15
Total In-Area Discharges			96	106	109
Out-of-Area Discharges					
Medicare			20	22	23
Other Payers			4	4	4
All Out-of-Area Discharges			24	26	27
Total Facility Discharges			120	135	136
Patient Days					
	Discharges		ALOS	Patient Days	
	2014	2015		Year One	Year Two
Medicare	114	117	15.1	1,721	1,766
Other Payers	18	19	7.6	136	144
Total	132	136		1,857	1,910
Average Daily Census				5.09	5.23
Occupancy				50.9%	52.3%

Source: CON application #10126, page 23.

Avanti presents the number of discharges in each of the three patient categories (psychiatric, substance abuse and dual diagnosis) served by the licensed inpatient psychiatric programs in District 4 for calendar year 2010. See the table below.

All Discharges for Licensed Inpatient Psychiatric Programs in District 4 Calendar Year 2010				
Hospital	Psych Only	Substance Abuse Only	Dual Diagnosis	Total
Baptist Medical Center	1,297	272	507	2,076
Flagler Hospital	672	88	411	1,171
Florida Hospital Deland	246	178	205	629
Halifax Health Medical Center	1,143	268	507	1,918
Orange Park Medical Center	1,176	68	345	1,589
River Point Behavioral Health	1,722	121	648	2,491
Shands Jacksonville Medical Center	1,359	235	392	1,986
Wekiva Springs	649	369	530	1,548
Total	8,264	1,599	3,545	13,408

Source: CON application #10126, page 24.

The applicant indicates that had the proposed facility been in operation during calendar year 2010, the estimated discharge total (including out-of-area residents) would have been 120 discharges—less than one percent of total psychiatric discharges (13,408) at existing District 4 facilities. The reviewer found that according to the State Center for Health Information & Policy Analysis hospital discharge data, there were 13,380 discharges in District 4 inpatient psychiatric programs for DRGs 880-887 and 894-897 for calendar year 2010. The reviewer was unable to confirm dual diagnosis discharges for calendar year 2010.

Avanti estimates that based on the percentage distribution of patients in its primary service group (Medicare sponsored dually diagnosed psychiatric/substance abuse St. Johns County residents under age 65) among the existing District 4 programs, the total impact of the proposed program would be no greater than 1.2 percent to any program other than Flagler Hospital which could potentially lose 84 discharges or 7.2 percent. See the table below.

Psychiatric and Substance Abuse Discharges District 4 Hospitals Calendar Year 2010					
Hospital	Total	Avanti Patient Population			
		Primary Service Group (Actual)*		All Patients (Estimated)	
		Number	Share	Number	Share
Baptist Medical Center	2,076	3	0.1%	4	0.2%
Flagler Hospital	1,171	69	5.9%	84	7.2%
Florida Hospital Deland	629	0	0.0%	0	0.0%
Halifax Health Medical Center	1,918	1	0.1%	1	0.1%
Orange Park Medical Center	1,589	1	0.1%	1	0.1%
River Point Behavioral Health	2,491	10	0.4%	12	0.5%
Shands Jacksonville Medical Center	1,986	0	0.0%	0	0.0%
Wekiva Springs	1,548	15	1.0%	18	1.2%
Total*	13,408	99	0.7%	120	0.9%

Source: CON application 10126, page 24.

Note: *Total includes all District 4 hospital psychiatric, substance abuse and dual psychiatric/substance abuse discharges.

The applicant states that according to the above data, the proposed facility has virtually no impact on discharges at any existing psychiatric program or facility except Flagler Hospital. This impact, Avanti maintains, would not be sufficient to jeopardize the operation of Flagler Hospital’s psychiatric program. Furthermore, the applicant indicates that the ALOS for dually diagnosed patients at Flagler Hospital is quite short—2.7 days compared to 4.0 for all other psychiatric and substance abuse patients at the facility. Therefore, Avanti contends that its primary service population accounted for just 4.9 percent of Flagler Hospital’s total psychiatric and substance abuse patient days as compared to 5.9 percent of discharges.

District 4 Hospitals Adult (age 18-64) Psychiatric and Substance Abuse Discharges Calendar Year 2010			
Hospital	Total	St. Johns’ Residents	
		Medicare Discharges	Percent of Total Discharges
Baptist Medical Center	2,074	12	0.6%
Flagler Hospital	1,169	174	14.9%
Florida Hospital Deland	629	0	0.0%
Halifax Health Medical Center	1,914	4	0.2%
Orange Park Medical Center	1,589	4	0.3%
River Point Behavioral Health	2,491	19	0.7%
Shands Jacksonville Medical Center	1,966	3	0.2%
Wekiva Springs	1,548	35	2.3%
Total	13,380	251	1.9%

Source: The State Center for Health Information & Policy Analysis hospital discharge data.

The table below shows St. Johns residents (aged 18-64) discharged in DRGs 880-887 and 894-897 during CY 2010.

St. Johns County Residents Adult Psychiatric & Substance Abuse Discharges Calendar Year 2010			
Payer Type	Number of Discharges	Patient Days	Average Length of Stay
Medicaid/Medicaid HMO	153	596	3.90
Medicare/Medicare HMO	289	1,790	6.19
Commercial Insurance	351	1,571	4.48
Charity/Self-Pay/Underinsured	346	1,025	2.96
All Other	67	311	4.64
Total	1,206	5,293	4.39

Source: State Center for Health Information & Policy Analysis hospital discharge data.

As shown above, Medicaid/Medicaid HMO was the primary payer for 153 (12.69 percent) of St. Johns discharges. Medicare/Medicare HMO 289 (23.96 percent), commercial insurance 351 (29.10 percent) and 346 (28.69 percent) had charity/self-pay/underinsured as the primary payer.

2. Agency Rule Criteria/Preferences

a. Chapter 59C-1.040, Florida Administrative Code, contain factors to be considered in the review of Certificate of Need Applications for hospital inpatient general psychiatric services for adults.

- 1. Rule 59C-1.040(4)(e) 1, Florida Administrative Code: Applicants shall provide evidence in their applications that their proposal is consistent with the needs of the community and other criteria contained in Local Health Council Plans, the district Alcohol, Drug Abuse and Mental Health Plan, and the State Health Plan.**

The applicant states that there is currently no State Health Plan and no Local Health Plan. Avanti indicates that the Florida Legislature has eliminated the requirement than CON applicants address local health council plans.

- 2. Rule 59C-1.040(4)(e) 3, Florida Administrative Code: In order to ensure access to hospital inpatient general psychiatric services for Medicaid-eligible and charity care adults, 40 percent of the gross bed need allocated to each district for hospital inpatient general psychiatric services for adults should be allocated to general hospitals.**

Avanti states that there are eight providers of adult inpatient psychiatric services in District 4 with a total of 331 licensed beds and no approved beds in the district at this time. Of these 331 beds, 106 beds are located at Wekiva Springs and River Point Behavioral Health—the two freestanding facilities in the district. Therefore, the applicant maintains that after approval of the proposed 10-bed project, 66 percent (225/341 beds) of the licensed adult psychiatric beds in the district will be in general hospitals. This proposal and the existing licensed bed inventory comply with this criterion.

3. **Rule 59C-1.040(4)(e) 4, Florida Administrative Code: Regardless of whether bed need is shown under the need formula, no additional hospital inpatient general psychiatric beds for adults shall normally be approved in a district unless the average annual occupancy rate of the licensed hospital inpatient general psychiatric beds for adults in the district equals or exceeds 75 percent for the 12-month period ending six months prior to the beginning date of the quarter of the publication of the fixed bed need pool.**

The applicant indicates that recent utilization of existing beds in the district has been previously addressed.

District 4's adult psychiatric beds experienced 71.35 percent occupancy during the calendar year 2010 reporting period.

- b. **Priority Considerations for hospital inpatient general psychiatric services (Rule 59C-1.040 (5) (i), Florida Administrative Code) (NOTE: All references to child/adolescent psychiatric services are deleted). In weighing and balancing statutory and rule review criteria, preference will be given to both competing and non-competing applicants who:**

1. **Provide Medicaid and charity care days as a percentage of their total patient days of total patient days provided by other hospitals in the district, as determined for the most recent calendar year prior to the year of the application for which data are available from the Health Care Board.**

Avanti does not address this criterion directly but does address it in other portions of the application. The applicant indicates that while Medicare is expected to be the primary payer for more than 92 percent of the facility's patient days during years one and two of operation—more than 50 percent of total patient days are expected to be delivered to "Medicaid-eligible" adults.

In regards to charity care, the applicant states that the majority of the patients expected to be admitted to the proposed facility have limited resources and would qualify as indigent or charity care patients, except for their coverage through the Medicare disability provisions. Avanti indicates that it will serve patients who are indigent or who have no form of insurance or reimbursement on a case-by-case basis. The applicant asserts that these patients will constitute a small proportion of total patient days if the project is to maintain financial feasibility and long-term financial stability.

According to the State Center for Health Information & Policy Analysis hospital discharge data for calendar year 2010, District 4 provided 17.32 percent to Medicaid/Medicaid HMO patients and 13.46 percent to charity/self-pay/underinsured for a total of 30.78 percent. The two freestanding facilities in District 4 provided 1.61 percent to Medicaid/Medicaid HMO patients and 1.29 percent to charity/self-pay/underinsured for a total of 2.90 percent.

By year two of operation, the applicant forecasts to provide 61 days to managed care, 53 days to self-pay/other and 30 days to other payers of its total 1,910 projected patient days. The applicant does not condition approval of CON #10126 to a Medicaid or charity care provision.

Propose to serve the most seriously mentally ill patients to the extent that these patients can benefit from a hospital-based organized inpatient treatment program.

The applicant states that it currently serves seriously mentally ill patients in its PHP and intensive outpatient programs and will do so at the proposed inpatient setting. Avanti asserts that no patient will be excluded from admission or treatment by diagnosis.

Avanti does indicate that there are circumstances under which prospective patients are not appropriate for admission--most typically these involve concomitant medical conditions, infectious diseases or patients who are unable to participate in active treatment due to physical limitations. The applicant maintains that each case will be evaluated individually by a registered nurse and the attending physician.

2. Propose to serve Medicaid-eligible persons.

Avanti expects to draw the majority of its inpatient admissions from a narrow subcomponent of the area population similar to those patients already being served by the Avanti Wellness Center PHP program. The applicant uses this PHP program as a proxy for expected payer mix in the proposed inpatient program since it serves as the principal "step-up" gateway to inpatient care.

The applicant states that if all dually eligible patients are under age 65, then in year two of operation Avanti expects to deliver 52.7 percent of its total patient days to Medicaid-eligible persons.

The applicant does not condition the approval of CON #10126 to a Medicaid provision.

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

Avanti intends to serve an underserved population at the proposed facility—those who are dually diagnosed with primary psychiatric conditions and secondary substance abuse conditions who are disabled due to the severity/chronic nature of their illness. The applicant maintains that these patients have few resources outside Medicare/Medicaid, and in those instances when patients do not qualify for coverage, their care will be charity care.

The applicant indicates that the proposed facility will be very small, with correspondingly small financial margins. Additionally, as a freestanding psychiatric hospital, Avanti will be unable to receive direct reimbursement from Medicaid. For these reasons, the applicant states that a condition to provision of care to Medicaid or charity care patients is not warranted.

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

Avanti does not anticipate becoming a public or private receiving facility.

- b. Minimum Size of Specialty Hospitals (Rule 59C-1.040(3)(e) Florida Administrative Code). A specialty hospital providing hospital inpatient general psychiatric services shall have a minimum total capacity of 40 beds. The minimum capacity of a specialty hospital providing hospital inpatient general psychiatric services may include beds used for hospital inpatient substance abuse services regulated under Rule 59C-1.041, Florida Administrative Code. The separately organized units for hospital inpatient general psychiatric services for adults in specialty hospitals shall have a minimum of 15 beds (Rule 59C-1.040(5), Florida Administrative Code).**

The applicant maintains that it is seeking a small facility to serve a small, unique and underserved population. Avanti contends that the unmet needs of this population produce an outsize disruptively negative impact on them, their friends, their families and the larger community.

The applicant asserts that approval of the proposed facility and the resulting enhancement on patient's continuity of care will be of tremendous benefit to the patients and to the community.

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

Avanti contends that access to care for the identified population to be served is presently wholly inadequate to appropriately address their inpatient psychiatric needs. This results in a wide variety of poor outcomes including forgoing needed treatment, separation from family/support when they do obtain treatment, disease exacerbation, frequent emergency/crisis care and other issues. Avanti states that the proposed project will greatly alleviate these circumstances and promote better outcomes for these individuals and the community.

- d. **Quality of Care.**

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

The applicant states that through its related operating entity, it is familiar with meeting standards and measures of operational proficiency associated with licensure, Joint Commission and Medicare conditions of participation. Avanti certifies that it will meet applicable Agency licensure standards.

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

The applicant indicates that currently the Avanti Wellness Center serves the proposed patient base in a partial hospitalization program, intensive outpatient program and various outpatient

therapy services. The proposed inpatient psychiatric facility will be co-located at the same address. Avanti states that the proposed facility will confer a tremendous coordination and continuity of care benefit to the patient community.

Avanti states that the current intensive outpatient program serves as a step-down level of care for clients transitioning from the highly structured format of the partial hospitalization program. Regardless of the specific program, all Avanti Wellness Center patients are provided with psychotherapeutic interventions to improve coping skills to better manage psychiatric symptoms, promote self-esteem, develop community outreach skills, develop and utilize relapse prevention plans and remain in compliance with medication management. The applicant indicates that the Avanti Wellness Center offers patients comprehensive treatment and they are assisted with all medical, educational and vocational needs.

Avanti insists that the weak link in the current continuum of care model in St. Johns County for the identified patient group is inpatient psychiatric hospital care. The applicant states that a process of rapid recycling for patients, with deterioration of their condition, leading back to crisis and readmission to the inpatient setting is currently occurring in St. Johns County for the proposed population to be served.

The applicant maintains that discharge planning is an integral component of the treatment planning process and begins upon admission. Avanti states that it will develop a discharge plan upon the initial treatment planning process by the interdisciplinary treatment team. The patient and the family, if indicated, participate in the decision-making process and are coordinated by a member of the interdisciplinary team.

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

Avanti indicates that all patients admitted to the proposed program will receive the following assessments:

- Nursing Assessment
- Medical History and Physical Examination
- Psychiatric Evaluation
- Bio Psychosocial Assessment
- Activity Therapy Assessments

The applicant states that other assessments may be ordered at the request of the attending psychiatrist, such as:

- Physical Therapy
- Vision
- Hearing
- Speech/Language
- Dental
- Vocational
- Psychological
- Neuropsychological
- Podiatry

Avanti includes a brief description of these assessments in CON application #10126 on pages 49-50.

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

1. Age groups to be served.

The applicant states that the proposed facility will serve adults age 18 and older. Avanti uses the current PHP at Avanti Wellness Center as an approximated proxy for the expected age composition for the proposed project. See the table below.

Avanti Wellness Center's PHP Admissions by Age January 2010 to December 2010		
Age Cohort	Admissions	
	Number	Percent
18-34	70	21.6%
35-44	71	21.9%
45-54	139	42.9%
55-64	34	10.5%
65-74	10	3.1%

Source: CON application #10126, page 51.

2. Specialty programs to be provided.

Avanti contends that the proposed program constitutes a specialty program within the service area to meet the specific needs of the identified dually diagnosed patient population. The applicant asserts that the proposed facility is unique in its resources within the community—aligned with Avanti Wellness Center’s community mental health clinic that provides the aftercare components to patients upon discharge.

The applicant states that the proposed facility will be able to offer a comprehensive therapeutic milieu and offer the patients an experienced and highly diverse treatment team. Avanti indicates that all patients will receive treatment formulated in their individualized multi-disciplinary treatment plan, by a highly-skilled treatment team member.

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

The applicant proposes the following staff and FTE counts, for year one and year two.

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CON #10126 Forecasted Full Time Equivalents Calendar Years 2014 and 2015		
Position	Year One 2014	Year Two 2015
Administration		
Program Director	1.0	1.0
Clinical Coordinator	1.0	1.0
Receptionist	1.0	1.0
Controller/Bus Office Manager	1.0	1.0
Risk Mgt./Data Processing	0.5	0.5
Physicians		
Medical Director/Physicians	0.5	0.5
Nursing		
R.N.s	4.2	4.9
Unit Secretary	1.4	1.4
Techs	3.5	3.5
Outpatient (PHP and IOP)		
Program Director	1.0	1.0
Program Therapists	3.0	3.0
Unit Secretary	1.0	1.0
Techs	1.0	1.0
Intake		
Admissions Director/Case Coordinator	1.0	1.0
Housekeeping		
Housekeepers	2.1	2.1
Plant Maintenance		
Maintenance	0.5	0.5
Total FTEs	23.7	24.4

Source: CON application #10126, Schedule 6A, pages 1-2.

Avanti states that direct care staffing is based upon the proposed programs and care required to meet the clinical needs of the adult inpatient psychiatric population. The applicant explains that positions are staffed based upon anticipated patient mix, acuity and utilization projections. Avanti states that the medical director of the proposed program will be a Florida licensed medical doctor, board-certified in psychiatry, with a minimum of two years inpatient psychiatric experience.

The applicant indicates that in addition to the administrative positions shown on Schedule 6A, it expects that some management support and oversight will be provided by Avanti Wellness Center, both during the proposed program's development and operations.

4. Patient groups by primary diagnosis ICD-9 code that will be excluded from treatment.

The applicant states that ICD-9 codes 318.1 (Severe Mental Retardation) and 318.2 (Profound Mental Retardation) will be excluded from the proposed facility's admission criteria.

Avanti also identifies the following patients who will be excluded from the inpatient psychiatric facility for treatment:⁸

- Patients whose clinical conditions improve or stabilize
- Patients who no longer pose an impending threat to self or others
- Patients who are persistently unwilling or unable to participate in active treatment of their psychiatric condition
- Patients who require primarily social, custodial, recreational or respite care
- Patients whose clinical acuity requires less than 24 hours of supervised care per day
- Patients who have met the criteria for discharge from inpatient hospitalization
- Patients whose symptoms are the result of a medical condition that requires a medical/surgical setting for appropriate treatment
- Patients whose primary problem is a physical health problem without a concurrent major psychiatric episode. The treatable psychiatric symptom/problem must exceed any medical problems for the patient to be placed in an inpatient psychiatric unit
- Patients with alcohol or substance abuse problems who do not have a combined need for “active treatment” and psychiatric care than can only be provided in the inpatient hospital setting
- Patients for whom admission to a psychiatric hospital is being used as an alternative to incarceration
- Patients admitted by a court order or whose admission is based on protocol and do not meet admission criteria
- Patients who are developmentally disabled without an affective disturbance or thought disorder
- Involuntary admissions involving charges for capital offenses and felony cases
- Patients whose organic impairment will not improve with inpatient treatment under the physician’s medical opinion

5. Therapeutic approaches to be used.

Avanti states that the proposed facility will primarily use a cognitive behavioral therapeutic approach. The applicant states that it will also introduce the motivational interviewing approach when working with the dually-diagnosed patient. Motivational

⁸ The applicant cites the Medicare Local Coverage Determination for Psychiatric Inpatient Hospitalization for these guidelines.

interviewing is an evidence based treatment approach that provides effective changes and positive outcomes for substance abuse treatment and comprehensive services within the dual diagnosis patient population. Avanti indicates that there will be structured and non-structured group therapy meeting for the members of the inpatient setting and their families.

The applicant states that the proposed facility and related entities will not remain in a state of homeostasis, but will change and evolve. Avanti asserts that its treatment team will proactively respond to changes with resolve, in order to achieve and maintain the goals of the therapeutic environment.

6. Expected sources of patient referrals.

The applicant expects that the Avanti Wellness Center will be the primary referral source for the proposed facility. Avanti includes a list of other referral source, including but not limited to:

- Psychiatrists, psychologists and counselors
- Medical doctors (including specialists)
- Law enforcement
- Managed care programs
- Commercial insurances
- Assisted living facilities and nursing homes
- Supportive housing
- Community referrals
- Word of mouth
- Legal/judicial system
- Residential treatment centers
- Emergency rooms
- Family and friends
- Schools/universities
- Return patients
- Internet referrals

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

The applicant maintains that patient length of stay is not expected to vary greatly across age cohorts nor is it an important element in developing treatment plans or approaches. Therefore, Avanti states it did not conduct an analysis of expected length of stay by patient age.

Avanti expects an average length of stay to be 15.1 days for Medicare patients and 7.6 days for all other payer patients based on the discharges of St. Johns County residents from the two freestanding inpatient psychiatric facilities in District 4. The reviewer found in the State Center for Health Information & Policy Analysis hospital discharge data, River Point Behavioral Health and Wekiva Springs had a 13.64 for Medicare payers and a 7.24 ALOS for other payers age 18-64 from St. Johns County in DRGs 880-887 in calendar year 2010.

The applicant expects that the lengths of stay for non-Medicare patients will be shorter than that for Medicare based upon experience among this type patient in the district in the recent past.

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

Avanti anticipates that more than 82 percent of admissions and more than 92 percent of total patient days are expected to be delivered to patients with Medicare as the primary payer (including those Medicare-Medicaid dual eligible). All other payers will constitute a small portion of the applicant's payer mix including: 2.8 percent self-pay, 3.2 percent managed care and 1.6 percent other payers during the second year of operation.

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

The applicant states that the majority of the patients expected to be admitted to the proposed facility have limited resources and would qualify as indigent or charity care patients, except for their coverage through the Medicare disability provisions. Avanti indicates that it will serve patients who are indigent or who have no form of insurance or reimbursement on a case-by-case basis. The applicant asserts that these patients will constitute a small proportion of total patient days if the project is to maintain financial feasibility and long-term financial stability. The applicant makes no provision with regard to charity care to condition CON application #10126 if approved for the proposed project.

- f. **Quarterly Reports (Rule 59C-1.040(10), Florida Administrative Code). Facilities providing licensed hospital inpatient general psychiatric services shall report to the agency or its designee, within 45 days after the end of each calendar quarter, the number of hospital inpatient general psychiatric services admissions and patient days by age and primary diagnosis ICD 9 code.**

Avanti states that it agrees to provide all required quarterly reports to the State or its designee, as identified above.

3. Statutory Review Criteria

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

In Volume 37, Number 29, dated July 22, 2011 of the Florida Administrative Weekly, a fixed need pool of zero beds was published for adult inpatient psychiatric beds in District 4 for the January 2017 planning horizon.

As of July 22, 2011, District 4 had 331 licensed adult inpatient psychiatric beds and no CON approved beds. District 4 had 331 licensed beds and an occupancy rate of 71.35 percent during the 12-month period ending December 31, 2010. The applicant is applying outside the fixed need pool.

The applicant reiterates the nine special circumstances within the service area for the proposed facility warranting approval of CON application #10126:

- The population to be served is comprised of dually diagnosed, disabled persons residing in St. Johns County with limited or no transportation resources.
- Flagler Hospital is currently the only licensed provider of adult inpatient psychiatric services in St. Johns County. The scope of treatment provided to these dually diagnosed psychiatric patients by Flagler Hospital is severely limited, consisting primarily of crisis intervention/detoxification as evidenced by the extremely short average length of stay for these patients.
- The financial status of these patients precludes most of them from traveling outside St. Johns County for care.

- When travel to an inpatient facility outside the county can be achieved—a break in continuity of care occurs.
- Adult psychiatric beds located in Volusia County are not used by St. Johns County residents because of travel times and medical referral patterns.
- Adult psychiatric beds which are accessed by St. Johns County residents have a combined utilization rate of 83.5 percent, far in excess of the Agency for Health Care Administration standard for approval of additional beds.
- Only two inpatient psychiatric programs in District 4, River Point Behavioral Health and Wekiva Springs offer the type of comprehensive inpatient care appropriate to the needs of the dually diagnosed, disabled patient population served by Avanti. Both are located in Duval County more than 40 miles from where these patients reside, in and around St. Augustine.
- The Duval County programs are operated under common ownership. These programs combined utilization, exceeded 100 percent during calendar year 2010.
- Agency for Health Care Administration discharge data indicates that adult psychiatric utilization at River Point Behavioral Health was substantially greater than reported to the local health council further constraining bed availability.

Avanti states that because of travel distance and prevailing medical referral patterns, patients from St. Johns County rarely use the psychiatric unit at Halifax Health—the low-occupancy 92-bed unit in Volusia County, District 4. The applicant cites that in calendar year 2010, less than one-half of one percent (six patients out of 1,620) of adult psychiatric patients in the ICD 9 range for psychiatric services discharged from Halifax Health were residents of St. Johns County. Avanti maintains that St. Johns County residents primarily (95 percent) receive psychiatric care within the county or at one of the programs in neighboring Duval County.

The applicant contends that disabled persons suffering from the combined effect of chronic mental illness and substance abuse require more comprehensive services than typically operated by acute care hospitals. Adult psychiatric units in acute care hospitals like Flagler Hospital, the applicant states, provide crisis intervention, diagnostic assessment, initiation of a medication regime and referral services. Avanti maintains that the services needed by dually diagnosed patients generally require a week or more of inpatient care, with disabled patients requiring even longer stays.

Avanti asserts that the proposed 10-bed inpatient adult psychiatric unit in CON application #10126 will address current deficiencies, enhancing geographic accessibility to the comprehensive inpatient treatment programs needed by dually diagnosed patients and assuring continuity of care with better patient outcomes.

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

The applicant states that it is a new development stage entity and as such has no history of providing services. However, because of its affiliation with the Avanti Wellness Center, it has an array of resources, experience and management expertise to ensure the success in development, implementation and operation of the proposed project.

The applicant maintains that the Avanti Wellness Center is the only Medicare-authorized community mental health center providing the partial hospitalization level of care in St. Johns County as well as three neighboring counties in northeast Florida (Putnam, Flagler and Volusia). Avanti Wellness Center is located in zip code 32086, a health professional shortage area for both mental health and primary medical care services.

Avanti lists several milestones in growth and development of the Avanti Wellness Center, including:

- In July 2007, Avanti Wellness Center began providing partial hospitalization services.
- March 2010, Avanti Wellness Center earns a Joint Commission Behavioral Health Accreditation.
- June 2010, Avanti Wellness Center receives an unprecedented score of 99.4 percent for overall compliance and a score of 100 percent for critical item compliance for a Medicaid provider certification on-site review.
- February 2011, Avanti Wellness Center receives an area of critical need facility designation by the Florida Department of Health.

The applicant includes a list of 15 networks that Avanti Wellness Center is an authorized in-network provider for in CON application #10126, page 62.

Avanti indicates that the quality of care delivered at its affiliated community mental health center is measured, evaluated and documented in a variety of ways. These include: licensure and certification surveys, Joint Commission survey, patient satisfaction surveys and through various provisions of its performance improvement programs. The applicant states that Avanti Wellness Center is accredited by The Joint Commission and upon licensure of the proposed facility the applicant will seek to obtain accreditation from The Joint Commission.

The applicant developed a draft performance improvement plan to be used to establish and maintain a comprehensive organizational guide that will monitor and systematically organize the delivery of quality care at the proposed facility. This plan is included in Appendix 8 of CON application #10126. The Statement of Mission for this performance improvement plan reads, "The purpose of Avanti Wellness Center is to provide the highest quality primary care to serve the mental health care of this community. Furthermore, Avanti Wellness Center will be proactive in helping to educate its patients, staff and community in quality preventive mental health."

Avanti concludes that it has an outstanding array of resources, experience and expertise in the delivery of high quality care available to the proposed project. The applicant maintains that it will be able to bring those resources to bear in the development, implementation and operation of the proposed project so as to ensure high quality care for the identified patient population of St. Johns County.

- c. What resources, including health manpower, management personnel, and funds for capital and operating expenditures, are available for project accomplishment and operation?
ss. 408.035(1)(d), Florida Statutes.**

The financial impact of the project will include the project cost of \$2,057,348 and year two operating costs of \$2,408,093.

Analysis:

We reviewed the audited financial statements of the applicant to assess the financial position as of the balance sheet date and the financial strength of its operations for the period presented.

The applicant is a development stage corporation established in 2010 to obtain a CON to provide in-patient mental health services in St. Augustine, Florida. According to the audit, the applicant has no assets and \$78,460 in intercompany payables and with no operations.

The applicant is related to Avanti Wellness Center, FLLLP (affiliate) by common ownership and provided compiled financial statements of Avanti Wellness Center, FLLLP, for the periods ending December 31, 2008, 2009 and 2010, in support of its funding requirement. Because these statements are not audited, staff cannot rely on them as supporting documentation of proof of funding or comment on the ability to obtain debt financing.

Capital Requirements:

Schedule 2 indicates total capital projects of \$2,067,348, which includes the CON subject to this review and \$10,000 in “routine capital”.

Available Capital:

The applicant indicates on Schedule 3, funding for this project will be provided by a combination of funds from a related party, Avanti Wellness Center, FLLLP (\$105,256), and debt from a commercial lender (SunTrust Bank for \$1,952,092). In support, the applicant provided a letter of financial commitment and compiled financial statements of Avanti Wellness Center, FLLLP, for the periods ending December 31, 2008, 2009 and 2010, in support of its funding requirement. As discussed above, because these statements are not audited, staff cannot rely on them as supporting documentation of proof of funding.

In support of the non-related company financing, the applicant provided a letter from SunTrust Bank indicating “interest” in providing funding for the project and did not state a loan amount. A letter of interest is not a firm commitment to lend. In the absence of a firm commitment to lend, we would evaluate the applicant’s financial position to assess the likelihood that the loan would be executed. However, because the applicant is a development stage company, with no assets no operations, and \$78,400 in debt, it is unlikely it could secure a loan without support from a parent or affiliate. As discussed above, we cannot comment on the affiliate’s financial position or likelihood of obtaining debt financing because the financial statements presented for the affiliate are unaudited.

Staffing:

The applicant proposes the following staff and FTE counts, for year one and year two.

CON #10126 Forecasted Full Time Equivalents Calendar Years 2014 and 2015		
Position	Year One 2014	Year Two 2015
Administration		
Program Director	1.0	1.0
Clinical Coordinator	1.0	1.0
Receptionist	1.0	1.0
Controllor/Bus Office Manager	1.0	1.0
Risk Mgt./Data Processing	0.5	0.5
Physicians		
Medical Director/Physicians	0.5	0.5
Nursing		
R.N.s	4.2	4.9
Unit Secretary	1.4	1.4
Techs	3.5	3.5
Outpatient (PHP and IOP)		
Program Director	1.0	1.0
Program Therapists	3.0	3.0
Unit Secretary	1.0	1.0
Techs	1.0	1.0
Intake		
Admissions Director/Case Coordinator	1.0	1.0
Housekeeping		
Housekeepers	2.1	2.1
Plant Maintenance		
Maintenance	0.5	0.5
Total FTEs	23.7	24.4

Source: CON application #10126, Schedule 6A, pages 1-2.

Avanti states that the direct care staffing is based upon the proposed programs and care required to meet the clinical needs of the adult inpatient psychiatric population. The applicant explains that these positions are staffed based upon anticipated patient mix, acuity and utilization projections. Avanti states that the medical director of the proposed program will be a Florida licensed medical doctor, board-certified in psychiatry, with a minimum of two year inpatient psychiatric experience.

The applicant indicates that in addition to the administrative positions shown on Schedule 6A, it expects that some management support and oversight will be provided by Avanti Wellness Center, both during the proposed program's development and operations.

Conclusion:

Funding for this project is dependent in part on obtaining debt financing. Without a firm commitment to lend and independent documentation supporting the ability to fund the equity portion of this project, funding for this project is in question.

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

A comparison of the applicant's estimates to the control group values provides for an objective evaluation of financial feasibility, (the likelihood that the services can be provided under the parameters and conditions contained in Schedules 7 and 8), and efficiency, (the degree of economies achievable through the skill and management of the applicant). In general, projections that approximate the median are the most desirable, and balance the opposing forces of feasibility and efficiency. In other words, as estimates approach the highest in the group, it is more likely that the project is feasible, because fewer economies must be realized to achieve the desired outcome.

Conversely, as estimates approach the lowest in the group, it is less likely that the project is feasible, because a much higher level of economies must be realized to achieve the desired outcome. These relationships hold true for a constant intensity of service through the relevant range of outcomes. As these relationships go beyond the relevant range of outcomes, revenues and expenses may, either, go beyond what the market will tolerate, or may decrease to levels where activities are no longer sustainable.

The applicant will be compared to hospitals in the Short-Term Psychiatric Hospital Group (Group 15). A case mix of 0.7763 was calculated for the psychiatric discharges (non-surgical MDC 19, age 18 and over) in St. Johns County in 2009. Per diem rates are projected to increase by an average of 3.0 percent per year. Inflation adjustments were based on the new CMS Market Basket, 2nd Quarter, 2011.

Gross revenues, net revenues, and costs were obtained from Schedules 7 and 8 in the financial portion of the application and compared to the control group as a calculated amount per adjusted patient day.

Projected net revenue per adjusted patient day (NRAPD) of \$896 in year one and \$914 in year two is above the control group highest values of \$733 and \$754 in years one and year two respectively. With net revenues falling above the highest level, revenue appears to be overstated in both projected year one and two. (See Table 1).

Anticipated costs per adjusted patient day (CAPD) of \$801 in year one and \$815 in year two is between the control group median and highest values of \$670 and \$1,207 in year one and \$689 and \$1,242 in year two. With projected cost between the median and highest value in the control group in year one, costs appear reasonable (See Table 1). The applicant is projecting only a slightly increased CAPD between year one and year two from \$801 to \$815, or 1.7 percent. It should be noted that this application is for a new facility. The first year of operation has a below average occupancy rate. The low occupancy rate decreases economies of scale and as the occupancy rate increases, CAPD would be expected to decrease. However, because occupancy is projected to increase only slightly (from 50.9 percent in year one to 52.3 percent in year two), CAPD would be expected to change little. It should be noted that the applicant indicated year two would be at 73.2 percent on Schedule 7B; however our calculation using the information on Schedule 7B results in occupancy of 52.3 percent.

The year two projected operating income for the project of \$293,023 computes to an operating margin per adjusted patient day of \$99, or 10.8 percent, which is above the control group highest value of \$87. As discussed above, revenues are likely overstated so actual profitability is likely to be less than projected. Only seven of the 19 hospitals in the peer group had a positive operating margin. Only one hospital in the group had Medicare utilization similar to that proposed by the applicant and that facility operated at a profit. Therefore, profitability appears achievable for this payer mix.

Conclusion:

Assuming the applicant will be able to obtain funding for the project, the 10-bed adult psychiatric hospital appears to be financially feasible.

CON Action Number: 10126

TABLE 1

**Avanti Wellness Treatment Center
CON #10126
2009 DATA Peer Group 15**

	Dec-15	YEAR 2	VALUES ADJUSTED		
	YEAR 2	ACTIVITY	FOR INFLATION		
	<u>ACTIVITY</u>	<u>PER DAY</u>	<u>Highest</u>	<u>Median</u>	<u>Lowest</u>
ROUTINE SERVICES	2,593,647	878	1,752	1,228	594
INPATIENT AMBULATORY	0	0	0	0	0
INPATIENT SURGERY	0	0	0	0	0
INPATIENT ANCILLARY SERVICES	0	0	239	0	0
OUTPATIENT SERVICES	1,418,907	480	287	0	0
TOTAL PATIENT SERVICES REV.	4,012,554	1,358	1,810	1,372	794
OTHER OPERATING REVENUE	0	0	70	1	0
TOTAL REVENUE	4,012,554	1,358	1,812	1,373	797
DEDUCTIONS FROM REVENUE	1,311,439	444	0	0	0
NET REVENUES	2,701,115	914	754	621	141
EXPENSES					
ROUTINE	934,139	316	679	246	122
ANCILLARY	83,934	28	201	26	0
AMBULATORY	177,036	60	0	0	0
TOTAL PATIENT CARE COST	1,195,109	404	0	0	0
ADMIN. AND OVERHEAD	857,684	290	0	0	0
PROPERTY	355,299	120	0	0	0
TOTAL OVERHEAD EXPENSE	1,212,983	410	924	392	150
OTHER OPERATING EXPENSE	0	0	0	0	0
TOTAL EXPENSES	2,408,092	815	1,242	689	396
OPERATING INCOME	293,023	99	87	-36	-562
		10.8%			
PATIENT DAYS	1,910				
ADJUSTED PATIENT DAYS	2,955				
TOTAL BED DAYS AVAILABLE	3,650				
ADJ. FACTOR	0.6464				
TOTAL NUMBER OF BEDS	10				
PERCENT OCCUPANCY	52.33%				
			VALUES NOT ADJUSTED		
			FOR INFLATION		
			<u>Highest</u>	<u>Median</u>	<u>Lowest</u>
			94.7%	68.1%	18.8%
PAYER TYPE	<u>PATIENT DAYS</u>	<u>% TOTAL</u>			
SELF PAY	53	2.8%			
MEDICAID (BA)	0	0.0%	0.0%	0.0%	0.0%
MEDICAID HMO	0	0.0%			
MEDICARE (AW)	1,766	92.5%	95.6%	42.7%	15.8%
MEDICARE HMO	0	0.0%			
INSURANCE	0	0.0%			
HMO/PPO (BF)	61	3.2%	71.5%	30.8%	1.9%
OTHER	30	1.6%			
TOTAL	1,910	100%			

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

While this project would introduce a new inpatient provider in the district, the small bed count will not likely have a material impact on existing providers. In addition, the applicant is focusing on a limited set of patients which further reduces the likelihood of any broad based material competition with other providers.

Given the limited size and focus of this project, this project will not likely have a material impact to foster the type competition generally expected to promote quality and cost-effectiveness.

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

The facility will be single-story and approximately 8,700 square feet. The plans and project narrative indicate the building will be fully sprinklered and of FBC Type III-A, and NFPA Type III (211) construction; it is noted that the roof construction is proposed to be modified to comply with one-hour rated required assembly. Both construction types are sufficient for the occupancy type and building size. The applicant also acknowledges that disaster preparedness issue will be a criterion in building design and construction.

The room complement will be made up of a mixture of two private rooms and four semi-private rooms. Toilet/shower rooms are provided within each patient room. At least 10 percent of the patient bedrooms and attached toilet/shower rooms have been designed meet accessibility standards as required by the Florida Building Code.

The facility is divided into two smoke compartments. The public spaces and administrative offices are located near the entrance to the facility. This arrangement limits unnecessary traffic through the psychiatric units. Public toilet facilities for both male and female visitors have been included and are conveniently located near the public waiting space.

All the required support spaces and social spaces have been provided and are in compliance with current codes; dining is located in a separate space and exceeds the minimum size requirement.

The applicant states that the construction will conform to all current applicable building codes, including the National Fire Protection Association codes and the requirements of the Florida Building Code.

Overall, the proposed project, as submitted is designed to be functional and efficient. The cost and schedule for the construction of the project appears to be appropriate.

The plans submitted with this application were schematic in detail with the expectation that they will necessarily be revised and refined during the design development (preliminary) and contract document stages.

The architectural review of the application shall not be construed as an in-depth effort to determine complete compliance with all applicable codes and standards. The final responsibility for facility compliance ultimately rests with the owner.

- g. Does the applicant have a history of providing health services to Medicaid patients and the medically indigent? Does the applicant propose to provide health services to Medicaid patients and the medically indigent? ss. 408.035(1)(i), Florida Statutes.**

The applicant states that its affiliated operating entity Avanti Wellness Center has a history of serving Medicaid-eligible individuals and expects to do so in the proposed facility.

Avanti expects to draw the majority of its inpatient admissions from a narrow subcomponent of the area population similar to those patients already being served by the Avanti Wellness Center PHP program. The applicant uses this PHP program as a proxy for expected payer mix in the proposed inpatient program since it serves as the principal “step-up” gateway to inpatient care. Avanti states that if all dually eligible patients are under age 65, it expects to deliver 52.7 percent of its total year two patient days to Medicaid-eligible persons.

Avanti states intent to serve an underserved population—those who are dually diagnosed with primary psychiatric conditions and secondary substance abuse conditions who are also disabled due to the severity and chronic nature of their illness. The applicant maintains that these patients have few resources outside those provided through Medicare and/or Medicaid and in cases when they do not qualify for coverage, their care will be charity care.

The applicant indicates that the proposed facility will be very small, with correspondingly small financial margins. Additionally, as a freestanding psychiatric hospital, Avanti will be unable to receive direct reimbursement from Medicaid. For these reasons, the applicant states that a condition to provision of care to Medicaid or charity care patients is not warranted.

F. SUMMARY

Avanti Wellness Treatment Center, LLC (CON #10126) proposes to establish a 10-bed adult psychiatric hospital in District 4, St. Johns County. Avanti Wellness Treatment Center is a new development stage company and a related entity, Avanti Wellness Center, currently operates a Medicare authorized community mental health center.

The applicant proposes the following conditions for CON application #10126.

- Avanti Wellness Treatment Center will be co-located with existing services in St. Augustine, Florida.
- Avanti will provide a minimum of 85.0 percent of its annual inpatient days to Medicare disability patients less than 65 years of age.
- Avanti will provide a minimum of 85.0 percent of its annual inpatient days to patients with a dual diagnosis.
- Avanti will provide support and meeting space for community groups providing mental health and substance abuse support services.
- Avanti will continue to offer a partial hospitalization program and an intensive outpatient treatment program as parts of a continuum of care that will also include psychiatric inpatient services at Avanti.
- The hospital will be accredited by the Joint Commission by the end of the second full year of operation.
- Avanti will make transportation services available to its patients at no charge.
- Avanti will apply within the first year of inpatient operations to become designated as an approved area of critical need facility, and will maintain this for as long as St. Johns County is designated as an area of critical need.
- Avanti agrees not to seek expansion of its licensed hospital bed capacity beyond 10 beds until occupancy of the hospital has equaled or exceeded 75 percent for two consecutive calendar quarters.

The proposed project involves a total cost of \$2,057,348. The total project cost includes: building, equipment, project development, financing and start-up costs. The applicant indicates that the project consists of 8,700 GSF of renovation and a total construction cost of \$1,446,930.

Need

In Volume 37, Number 29, dated July 22, 2011 of the Florida Administrative Weekly, a fixed need pool of zero beds was published for adult inpatient psychiatric beds in District 4 for the January 2017 planning horizon.

As of July 22, 2011, District 4 had 331 licensed adult inpatient psychiatric beds and no CON approved beds. District 4 had 331 licensed beds and an occupancy rate of 71.35 percent during the 12-month period ending December 31, 2010. The applicant is applying outside the fixed need pool.

Avanti states the project will serve an underserved population—those who are dually diagnosed with primary psychiatric conditions and secondary substance abuse conditions who are also disabled due to the severity and chronic nature of their illness.

The applicant states that the proposed facility will be co-located with the partial hospitalization and outpatient psychiatric programs already offered by Avanti Wellness Center. Avanti maintains that the proposed inpatient facility will improve the quality and continuity of care afforded to these patients while also enhancing geographic access to the comprehensive inpatient programming they require.

Avanti contends that disabled persons suffering from the combined effect of chronic mental illness and substance abuse require more comprehensive services than typically operated by acute care hospitals.

Avanti projects an ALOS of 15.1 days for Medicare patients and 7.6 days for non-Medicare patients based on the discharges of St. Johns residents from Wekiva Springs and River Point Behavioral in calendar year 2010.

Avanti projects an average daily census of 5.09 in year one (50.9 occupancy rate) and 5.23 (52.3 occupancy rate) in year two. The applicant maintains that small operating units like the proposed project experience wide percentage variation in daily occupancy due to spikes and dips in patient arrival patterns. Avanti indicates that the 10-bed capacity of the proposed facility allows sufficient bed spaces to accommodate the expected peak daily demand.

Quality of Care

The applicant states that it is a new development stage entity and as such has no history of providing services. However, because of its affiliation with the Avanti Wellness Center, the applicant indicates that it has an array of resources, experience and management expertise to ensure the success in development, implementation and operation of the proposed project.

Avanti cites the operating history, experience and qualifications of the Avanti Wellness Center to illustrate the resources upon which it will draw for the proposed project.

Cost/Financial Analysis

The statements provided were not audited and the Agency cannot rely on them as supporting documentation of proof of funding or comment on the ability to obtain debt financing.

Funding for this project is dependent in part on obtaining debt financing. Without a firm commitment to lend and independent documentation supporting the ability to fund the equity portion of this project, funding for this project is in question.

Assuming the applicant will be able to obtain funding for the project, the 10-bed adult psychiatric hospital appears to be financially feasible.

Given the limited size and focus of this project, this project will not likely have a material impact to foster the type competition generally expected to promote quality and cost-effectiveness.

Medicaid/Indigent Care

The applicant states that its affiliated operating entity Avanti Wellness Center has a history of serving Medicaid-eligible individuals and expects to do so in the proposed facility.

Avanti states that a Medicaid or charity care condition is not warranted because the proposed facility will be very small, with correspondingly small financial margins and as a freestanding psychiatric hospital, will be unable to receive direct reimbursement from Medicaid.

Architectural Analysis

The facility will be single-story and involve renovation of approximately 8,700 GSF. At least 10 percent of the patient bedrooms and attached toilet/shower rooms have been designed meet accessibility standards as required by the Florida Building Code.

All the required support spaces and social spaces have been provided and are in compliance with current codes; dining is located in a separate space and exceeds the minimum size requirement.

The applicant states the construction will conform to all current applicable building codes, including the National Fire Protection Association codes and the requirements of the Florida Building Code.

Overall, the proposed project, as submitted is designed to be functional and efficient. The cost and schedule for the construction of the project appears to be appropriate.

G. RECOMMENDATION

Approve CON #10126 to establish a 10-bed adult psychiatric hospital in District 4, St. Johns County. The total project cost is \$2,057,348. The project involves 8,700 GSF of renovation and a total construction cost of \$1,446,930.

CONDITIONS:

1. Avanti Wellness Treatment Center will be co-located with existing services in St. Augustine, Florida.
2. Avanti will provide a minimum of 85.0 percent of its annual inpatient days to Medicare disability patients less than 65 years of age.
3. Avanti will provide a minimum of 85.0 percent of its annual inpatient days to patients with a dual diagnosis.
4. Avanti will provide support and meeting space for community groups providing mental health and substance abuse support services.
5. Avanti will continue to offer partial hospitalization and intensive outpatient treatment programs as part of a continuum of care that will also include psychiatric inpatient services at Avanti.
6. Avanti will make transportation services available to its patients at no charge.
7. Avanti will apply within the first year of inpatient operations to become designated as an approved area of critical need facility, and will maintain this for as long as St. Johns County is designated as an area of critical need.
8. Avanti agrees not to seek expansion of its licensed hospital bed capacity beyond 10 beds until occupancy of the hospital has equaled or exceeded 75 percent for two consecutive calendar quarters.

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