

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

**A. PROJECT IDENTIFICATION**

1. Applicant/CON Action Number

**Ten Broeck Jacksonville, LLC/CON #9751**

6300 Beach Boulevard  
Jacksonville, Florida 32216

Authorized Representative: Sherry Hemphill  
(407) 876-2200

2. Service District/Subdistrict

District 4 (Duval County)

**B. PUBLIC HEARING**

No public hearing was requested or held regarding the proposed project. Sixteen letters of support were submitted as part of the application however, 11 of those letters were over a year old and had been previously submitted when the applicant filed CON #9651 to establish a new freestanding 44-bed adult psychiatric satellite hospital. The five support letters pertaining to the applicant's current proposed project were written by Mike Ranne, President of NAMI Jacksonville; Rachel H. Gridley, M.S.W., Aspen Wyndham Lakes Independent & Assisted Living; Etta Ettlenger, LCSW, Ten Broeck Hospital Jacksonville; M. Saleh, M.D., B.C.F.M., Medical Director of Ten Broeck Hospital in Jacksonville; and George Salley, LMHC, Tender Loving Care. The letters were in support of the applicant's efforts to establish an adult psychiatric satellite hospital that would cater to the special needs of geriatric patients. Dr. Saleh wrote, "Although the district runs an average occupancy of 48 percent, Ten Broeck Hospital's adult psychiatric unit consistently runs above 80 percent. Because of the physical plant limitations, we are essentially over 100 percent occupancy most of the time. On a regular basis, we have to place 3-4 patients per room in order to accommodate demand. Unfortunately, we have to refuse admission for many of the more

medically complicated geriatric patients because we do not have the space to serve these patients appropriately.” However, no evidence was provided to quantify the number of patients that were being refused admission or that these patients were not able to receive services from other psychiatric providers in the area.

Also sent to the Agency were two letters of opposition to the project; one from the President and CEO of Baptist Health, Mr. A. Hugh Green, FACHE and the other letter was from James R. Burkhart, President and Administrator of Shands Jacksonville. Both of these letters expressed concern pertaining to the low utilization of adult psychiatric beds within the district, the effect additional beds would have on the financial viability of existing providers, and that this project would constitute an inefficient use of resources. Mr. Burkhart further suggested that “...Creating a second specialty psychiatric hospital only three miles from Ten Broeck’s current location is a wasteful use of resources and will only create unnecessary duplication of services, with no improvements to geographic, financial, or clinical access to services. The proposal is offering nothing new, but is an expensive proposal to merely duplicate what already exists in the district.”

**C. PROJECT SUMMARY**

Ten Broeck Jacksonville, LLC proposes to establish 20 adult inpatient psychiatric beds at its existing Wekiva Springs facility, located at 3947 Salisbury Road, Jacksonville, Florida. It is the intent of the applicant to transfer 20 adult psychiatric beds from Ten Broeck Hospital in Jacksonville to the Wekiva Springs facility, subsequently delicensing 20 adult psychiatric beds at Ten Broeck Hospital in Jacksonville. Thus, the proposed project will not affect the current adult psychiatric bed inventory in the district.

Ten Broeck Jacksonville, LLC. is affiliated with United Medical Corporation, a privately held corporation. Ten Broeck Jacksonville, Inc. currently owns and operates Ten Broeck Hospital, a licensed 99-bed specialty hospital providing adult inpatient psychiatry and substance abuse service, and child/adolescent inpatient psychiatry and substance abuse services. The applicant’s bed complement includes the following:

**CON Action Numbers: 9751**

**Ten Broeck Hospital & Proposed Wekiva Springs Facility  
Existing and Proposed Bed Complement**

| <b>Facility</b>                       | <b>Bed Category</b>    | <b># Beds Licensed &amp; Approved</b> | <b># Beds Proposed</b> | <b>Total</b> |
|---------------------------------------|------------------------|---------------------------------------|------------------------|--------------|
| Ten Broeck Hospital - Jacksonville    | Adult Psychiatrist     | 46                                    | -20                    | 26           |
| Ten Broeck Hospital - Jacksonville    | Child/Adol. Psych      | 30                                    | 0                      | 30           |
| Ten Broeck Hospital - Jacksonville    | Adult Sub.Abuse        | 18                                    | 0                      | 18           |
| Ten Broeck Hospital - Jacksonville    | Child/Adol. Sub. Abuse | 15                                    | 0                      | 15           |
| Ten Broeck Hosp. - Jacksonville Total |                        | 109                                   | -20                    | 89           |
| Proposed -Wekiva Springs facility     | Adult Psychiatric      | 0                                     | 20                     | 20           |
| Proposed Wekiva Springs Total         |                        |                                       | 20                     | 20           |

**Source: Florida Hospital Bed Need Projections by District January 2004 Batching Cycle and CON # 9751.**

Charter Medical Corporation (Charter) previously owned the facility where the proposed 20 adult inpatient psychiatric beds would be established and operated as an adult psychiatric hospital. Charter renovated and reopened the facility as an assisted living facility (ALF) until its closure. In order to expand its continuum of behavioral health programs, the applicant purchased the building in May 2000.

According to the *Certificate of Need Predicated on Conditions* page, the applicant is proposing a minimum of one percent of its total annual patient days to charity care patients. However, this commitment appears not to be made on the proposed 20-bed adult psychiatric hospital, but rather for residential patients or outpatients currently being seen at the Wekiva facility. Notes attached to Schedule C, the schedule providing conditions upon which the CON is predicated, reference information not provided with this schedule, so that the applicant's intentions are not entirely clear. The notes contain the following statement: "The Applicant's condition of one percent charity care does not apply just to the 20 beds, but to the licensed facility in its entirety as with Medicare patients charity care is typically minimal." However, if this project is approved, the entire licensed adult psychiatric facility will consist of 20 beds. Schedule 7A shows zero charity patient days in the 20 beds in year two.

The proposed project involves a total cost of \$635,974. Renovation costs are projected at \$441,000 and involve 9,764 GSF of renovation. It appears that Schedule 9 contain conflicting information. Schedule 1 shows a total project cost of \$635,974 whereas; Schedule 9 reflects a total project cost of \$641,057. Assuming that Schedule 1 is correct, the total project cost per bed that is shown in Schedule 9 is also incorrect and should be \$31,799 based on the total project cost of \$635,974.

**D. REVIEW PROCEDURE**

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

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

Rule 59C-1.010(2) (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, Jennifer Benghuzzi, analyzed the application in its entirety with consultation from the Financial Analyst, Douglas Pierce, who evaluated the financial data, and the Architect, Joel Hill, who evaluated the architectural and the schematic drawings as part of the application.

**E. CONFORMITY OF PROJECT WITH REVIEW CRITERIA**

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

**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? ss. 59C-1.008(2), Florida Statutes**

**CON Action Numbers: 9751**

On January 23, 2004, AHCA published a fixed need pool (FNP) in Volume 30, Number 4, Florida Administrative Weekly (F.A.W.) of zero (0) for additional adult inpatient psychiatric beds in District 4.

As of January 23, 2004, District 4 has 274 licensed adult psychiatric beds and minus three approved adult psychiatric beds for a total of 271 licensed and approved beds. District 4's gross projected adult psychiatric bed need for the January 2009 Planning Horizon is 229 beds. In other words, there is a gross net need for (minus) -42 adult psychiatric beds for the January 2009 Planning Horizon. The adult psychiatric beds in the district experienced an occupancy rate of 51.68 percent during the period July 2002 through June 2003. Ten Broeck Hospital's adult psychiatric beds averaged 84.2 percent utilization during the same 12-month reporting period. However, as noted earlier, the applicant does not propose to increase in the number of adult psychiatric beds in the district.

The proposed project is not submitted in response to the fixed need pool, but rather on the basis of other special circumstances that the applicant contends exist. These circumstances are presented as follows:

**b. Special Circumstances:**

It is the intent of the applicant to transfer 20 adult psychiatric beds from Ten Broeck Hospital in Jacksonville to its Wekiva Springs satellite facility, which is located approximately three miles from Ten Broeck, and delicense 20 adult psychiatric beds at Ten Broeck. The applicant contends that this project is in response to the adult population's need, particularly the elderly, for behavioral health services; the needs of the community at large; and physical plant constraints that currently exist within Ten Broeck Hospital. It is the intent of the applicant to concentrate more on the geriatric psychiatric population. If approved, this project will allow Ten Broeck to develop adult psychiatric services at Wekiva Springs to treat geriatric patients.

The applicant currently operates a 99-bed specialty psychiatric hospital at Ten Broeck Jacksonville, which consists of 36 adult psychiatric beds, 30 adult substance abuse beds, 18 child/adolescent psychiatric beds, and 15 child/adolescent substance abuse beds. In addition, the applicant received CON exemption approval to add 10 adult psychiatric beds, giving the applicant 46 licensed and approved adult psychiatric

**CON Action Numbers: 9751**

beds and a facility-wide bed complement of 109 licensed and approved beds. Upon approval of this project, the licensed and approved bed complement at Ten Broeck Jacksonville facility will decrease to 26 adult psychiatric beds and 89 facility-wide beds.

The applicant states that Ten Broeck Hospital in Jacksonville is the only freestanding psychiatric hospital in Duval County and is the only psychiatric hospital in the area to provide a full continuum of psychiatric and substance abuse services to children, adolescents, and adults. It is the applicant's contention that physical space limitations existing at Ten Broeck Jacksonville has contributed to operational inefficiencies and has inhibited the expansion of current specialized programs, as well as the development of new programs. As an older facility, Ten Broeck Hospital has certain operating and functional physical plant limitations; these include three to four-bed rooms, causing artificial suppression of occupancy due to gender and patient diagnosis issues. Because of the physical plant limitations, the applicant indicates that some partial hospitalization and intensive outpatient programs have already been moved to its Wekiva Springs facility. In addition, the applicant states that through the Department of Children & Families, its Wekiva Springs facility has applied for and received approval to operate 22 adult substance abuse beds. According to the applicant, this residential program will begin operation on May 1, 2004 and will be fully occupied shortly thereafter. However, a representative from the Department of Children & Families (DC&F) was contacted and stated that the facility, located at 3947 Salisbury Road, Jacksonville, Florida, was granted probationary approval from March 2, 2004 through June 13, 2004, to operate 52 Level I residential substance abuse beds and is currently seeking probationary approval to add 14 residential detox beds to this site. The representative stated that DC&F has not received an application requesting 22 adult substance abuse beds for this site. The applicant included a copy of its application to the Department of Children & Families in Volume III, Section 28 of the application, which is not for 22 adult substance abuse beds, but rather 52 Level I residential beds and six Level II residential beds. Age is not indicated on the form but special patient populations are and they include: women, impaired professionals and impaired athletes.

In conjunction with the physical plant limitations at the Ten Broeck Jacksonville facility, the applicant claims that access is further inhibited by consistently high utilization of its adult psychiatric service. The following table illustrates Ten Broeck Jacksonville's inpatient adult psychiatric utilization from CY 2000 through CY 2003:

**Ten Broeck Hospital Jacksonville  
Historical Utilization  
CY 2000 through CY 2003**

| <b>Year</b> | <b># of Beds</b> | <b>Bed Days Available</b> | <b>Pt. Days</b> | <b>Census</b> | <b>% Occ.</b> |
|-------------|------------------|---------------------------|-----------------|---------------|---------------|
| CY 2000     | 36               | 13,176                    | 11,856          | 32            | 90.0%         |
| CY 2001     | 36               | 13,140                    | 14,782          | 40            | 112.5%        |
| CY 2002     | 36               | 13,140                    | 12,759          | 35            | 97.1%         |
| CY 2003     | 36               | 13,140                    | 11,198          | 31            | 85.2%         |

**Source: CON #9751, page 2-13. Data from AHCA publication, *Florida Hospital Bed Need Projections by District, January 2001-2003*; Health Planning Council of Northeast Florida.**

Based on utilization data in the table above, Ten Broeck Jacksonville’s inpatient adult psychiatric bed occupancy has experienced an average annual decline of 12.96 percent since its peak in 2001. Once again, it should be noted that the applicant received CON exemption approval in 2003 to add 10 adult psychiatric beds to this facility. The table below shows the utilization of District 4’s adult inpatient psychiatric providers for CY 2000 through CY 2003.

**Adult Psychiatric Beds Utilization  
In District Four  
CY 2000-CY 2003**

| <b>Name of Facility</b>                 | <b>CY 2000<br/>% Occ.</b> | <b>CY 2001<br/>% Occ.</b> | <b>CY 2002<br/>% Occ.</b> | <b>CY 2003<br/>% Occ.</b> |
|---|---------------------------|---------------------------|---------------------------|---------------------------|
| Baptist Medical Center (39 beds)        | 30.37%                    | 27.85%                    | 61.02%                    | 72.20%                    |
| Ten Broeck Hospital (36 beds)           | 89.98%                    | 112.50%                   | 97.10%                    | 85.22%                    |
| Flagler Hospital (21 beds)              | 24.36%                    | 34.01%                    | 55.45%                    | 59.49%                    |
| Halifax Medical Center (92 beds)        | 56.76%                    | 47.61%                    | 39.46%                    | 41.73%                    |
| Orange Park Medical Center (24 beds)    | 69.05%                    | 62.64%                    | 80.45%                    | 72.18%                    |
| St. Vincent's Medical Center (13 beds)  | 35.95%                    | 37.18%                    | 0.75%                     | 0.00%                     |
| Shands Jacksonville Med. Ctr. (56 beds) | 18.26%                    | 41.24%                    | 57.54%                    | 43.19%                    |
| Florida Hospital DeLand (6 beds)        | 72.91%                    | 75.43%                    | 81.64%                    | 98.40%                    |
| <b>Total Average Utilization</b>        | <b>37.98%</b>             | <b>45.57%</b>             | <b>53.09%</b>             | <b>57.35%</b>             |

**SOURCE: AHCA publication, *Florida Hospital Bed Need Projections by District*, for the periods shown; and Health Planning Council of Northeast Florida.**

As the table above illustrates, utilization in the district has increased over the last few years, while utilization at the applicant’s facility began steadily decreasing in 2001. Baptist Medical Center, Flagler Hospital, and Florida Hospital DeLand’s adult psychiatric units have experience a steady increase in utilization, while Halifax Medical Center, Shands Jacksonville and Orange Park Medical Center have experienced fluctuating utilization. Based on the data provided by the applicant, the district experienced its highest utilization in CY 2003, at 57.35 percent. Nevertheless, over the past five years, District 4’s adult inpatient psychiatric bed utilization has been below the state’s average as demonstrated in the table below:

**Adult Inpatient Psychiatric Bed Utilization  
By District  
July 1998-June 2003**

| Name of Facility        | July 1998-<br>June 1999<br>% Occ. | July 1999-<br>June 2000<br>% Occ. | July 2000-<br>June 2001<br>% Occ. | July 2001-<br>June 2002<br>% Occ. | July 2002-<br>June 2003<br>% Occ. |
|-------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| District 1              | 53.40%                            | 54.34%                            | 56.04%                            | 61.52%                            | 59.93%                            |
| District 2              | 60.06%                            | 54.21%                            | 57.78%                            | 53.60%                            | 52.88%                            |
| District 3              | 46.91%                            | 47.86%                            | 60.13%                            | 61.22%                            | 55.71%                            |
| <b>District 4</b>       | <b>37.39%</b>                     | <b>37.94%</b>                     | <b>40.54%</b>                     | <b>51.12%</b>                     | <b>51.68%</b>                     |
| District 5              | 43.37%                            | 46.84%                            | 48.70%                            | 51.40%                            | 51.54%                            |
| District 6              | 49.82%                            | 45.49%                            | 61.64%                            | 69.15%                            | 73.95%                            |
| District 7              | 38.46%                            | 32.46%                            | 44.17%                            | 57.09%                            | 71.84%                            |
| District 8              | 42.85%                            | 44.28%                            | 51.42%                            | 48.14%                            | 44.08%                            |
| District 9              | 72.47%                            | 63.45%                            | 61.07%                            | 64.22%                            | 69.23%                            |
| District 10             | 54.78%                            | 58.08%                            | 61.14%                            | 64.05%                            | 72.11%                            |
| District 11             | 68.75%                            | 66.56%                            | 71.84%                            | 70.68%                            | 65.07%                            |
| <b>State of Florida</b> | <b>53.04%</b>                     | <b>51.93%</b>                     | <b>57.83%</b>                     | <b>61.34%</b>                     | <b>62.72%</b>                     |

SOURCE: AHCA publication, *Florida Hospital Bed Need Projections by District*, for the periods shown.

To illustrate the potential for increased patient capacity, the applicant presented the following tables of projected population growth for the county and district:

**Total Population Growth  
Duval County and District 4  
July 2003-July 2009**

| County               | Total<br>Population July<br>2003 | Total Population July<br>2003 | Percent Change |
|----------------------|----------------------------------|-------------------------------|----------------|
| Duval County         | 817,991                          | 874,913                       | 7.0%           |
| District 4 All Other | 899,481                          | 1,005,444                     | 11.8%          |
| Total District       | 1,717,472                        | 1,880,357                     | 9.5%           |

Source: CON #9751, page 2-16. Data from AHCA's publication, *Population Projections, June 2003*.

As the above table illustrates, the population in District 4 is expected to increase by 9.5 percent during the next six years. Duval County will experience an increase of seven percent by July 2009. Since the primary focus of the Wekiva project will be on geriatric psychiatric services, the table below illustrates the projected population growth of the adult and elderly population in Duval County and the district.

**Adult and Elderly Population Growth  
District 4 and Duval County  
July 2003 to July 2009**

| County    | July 2003 |         |             | July 2009 |         |             | Percent Change |         |             |
|-----------|-----------|---------|-------------|-----------|---------|-------------|----------------|---------|-------------|
|           | Age 18-64 | Age 65+ | Total Adult | Age 18-64 | Age 65+ | Total Adult | Age 18-64      | Age 65+ | Total Adult |
| Duval     | 518,699   | 85,614  | 604,313     | 556,207   | 94,971  | 651,178     | 7.2%           | 10.9%   | 7.8%        |
| All Other | 538,012   | 167,258 | 705,270     | 606,342   | 195,208 | 801,550     | 12.7%          | 16.7%   | 13.7%       |
| Dist. 4   | 1,056,711 | 252,872 | 1,309,583   | 1,162,549 | 290,179 | 1,452,728   | 10.0%          | 14.8%   | 10.9%       |

Source: CON #9751, Page 2-16. AHCA Publication, *Population Estimates, June 2003*.

The applicant contends that while the total adult population in Duval County is expected to increase by 7.8 by July 2003, Duval County's age

**CON Action Numbers: 9751**

65 and older cohorts will experience an increase of nearly 11 percent for the same time-period. The applicant states that Duval County residents are the majority of Ten Broeck's total adult population, numbering in excess of 70 percent of patient admissions. The balance of District 4 provides an additional 16 percent of patients, for a combined total of 86 percent for the planning district. The remaining balance of patients are out of state, or from other Florida counties. Based on the patient origin analysis, Duval County would be considered Ten Broeck's primary service area. The applicant does not anticipate that this service area will change upon implementation of this project.

The applicant contends that the establishment of 20 inpatient adult psychiatric beds at its Wekiva Springs facility will allow it to provide specialty services that focus on the mental health needs of geriatric patients. The applicant did not specifically show the utilization of its current geriatric program within the adult psychiatric program provided by Ten Broeck to illustrate that 20 beds are needed for this special adult population or demonstrate that residents, especially geriatric residents, are being denied access to or require services not currently offered by other psychiatric inpatient providers in the area.

The applicant indicates this transfer of beds will address its operating and functional physical plant limitations created by the design of its existing facility, which includes three to four-bed wards, which, according to the applicant, causes artificial suppression of occupancy. Schematics submitted with the applicant propose to establish 20 private rooms at the Wekiva facility for inpatient adult psychiatric services. This should improve quality of the care provided in the district with the reduction of the three and four-bed wards at Ten Broeck Jacksonville in addition to alleviating the capacity constraints currently experienced at the facility. While the applicant indicates that the existing Ten Broeck facility will no longer have three to four-bed wards if CON approval is granted, it did not submit plans that show these changes.

**2. Local Health Plan Preferences**

**Is need for the project proposed supported by the applicable district plan? ss. 408.035(1); 408037(1), Florida Statutes.**

The Health Planning Council of Northeast Florida, Inc. adopted the following generic preferences in 2003 for both competing and non-competing applications:

- 1. Applicants who demonstrate that they will meet identified needs by providing services, which meet commonly accepted quality standards in a most economical manner in terms of capital and operating expenditures.**

The applicant is not responding to identified need for care in the district, but rather to internal needs. As discussed above, the applicant indicates that it will eliminate three and four-bed wards at the existing facility and provide private adult inpatient psychiatric rooms to geriatric patients. The applicant will relocate these 20 beds at its outpatient and residential facility, which is within three miles of the existing inpatient psychiatric and substance abuse hospital. Refer to the architectural review in E. 4. h. below.

- 2. Applicants who demonstrate that they can alleviate a current or potential geographic access problem.**

This application proposes to establish a 20-bed adult psychiatric inpatient hospital at its Wekiva Springs facility while simultaneously delicensing 20 adult psychiatric beds at Ten Broeck Hospital in Jacksonville, which is located approximately three miles in distance. The applicant did not demonstrate a current or potential geographic access problem or that residents, especially geriatric residents, were being denied access to services by other psychiatric inpatient providers in the area.

- 3. Applicants who demonstrate that the proposed service has access to an adequate supply of appropriate health manpower.**

Schedule 6A indicates that the applicant expects to hire 20.55 additional staff if this project is approved by year two. The applicant provided a description of its recruitment and staff retention resources.

**4. Applicants who demonstrate that new or expanded bed capacity and/or service will not have a significant negative impact on similar adjacent health care facilities (this preference does not apply to hospices).**

The applicant contends its proposed project will not have a significant negative impact on other adult inpatient psychiatric service providers in the area. However, a letter of opposition submitted by James R. Burkhart, President and Administrator of Shands-Jacksonville states to the contrary that "...Shands-Jacksonville is a designated statutory teaching hospital and a designated Medicaid disproportionate share provider". He maintains that Shands-Jacksonville serves as a safety net for patients. With respect to adult psychiatric services, Mr. Burkhart states that Shands-Jacksonville is a designated Baker Act receiving facility and serves patients regardless of their ability to pay.

A serious financial concern for Shands-Jacksonville is its ability to continue funding high levels of indigent and charity care. Within its adult psychiatric services, Shands-Jacksonville's payor mix for the most recent year was 37.9 percent Medicaid, 8 percent Medicaid HMO, and 2.6 percent charity care according to Mr. Burkhart. This compares to the current payor mix at Ten Broeck, which was 72 percent HMO/PPO and zero percent Medicaid. As a specialty psychiatric hospital, Ten Broeck is unable to participate in the Medicaid program. Mr. Burkhart indicates that one strategy for Shands-Jacksonville to achieve a more balanced payor mix, is to compete more effectively with specialty hospitals such as Ten Broeck for the limited number of managed care a commercial insurance patients. Mr. Burkhart indicates that this strategy will be enhanced as Ten Brock reaches higher occupancies; and patients, along with their physicians, look to other facilities as reasonable alternatives for care and treatment. By creating a second specialty hospital in the district, Mr. Burkhart believes that this strategy will be defeated.

**5. Applicants who commit to maximizing services to rural county residents (if applicable).**

The applicant states that in an effort to reach out to the community, Ten Broeck Hospital has implemented an emergency services program, Ten Broeck Immediate Mobile Evaluation (T.I.M.E). T.I.M.E is an immediate professional response to a psychiatric and/or addiction crisis anywhere in the district, 24 hours a day/seven days a week. According to the applicant, it will continue operating this program, maximizing its services to rural residents. However, as noted earlier, the applicant's primary service area is Duval County.

In addition to the generic preference statements, which apply to all Certificate of Need applications, the Council has adopted the following preference statements to inpatient psychiatric care and substance abuse. For both competing and non-competing applications, preference shall be given to:

**1. Applicants who propose to convert licensed unused beds.**

The project does not involve the conversion of licensed unused beds, but rather the delicensing of 20 acute care beds at Ten Broeck Hospital and the establishment of a 20-bed adult psychiatric unit at the Wekiva Springs facility.

**2. Applicants who document in their CON proposal that they have written agreements with a broad spectrum of area community mental health centers, nearby assisted living facilities, and/or other appropriate mental health resources, in order to help ensure continuity of care.**

The applicant states that it has established relationships with district-wide community alcohol, drug abuse, mental health providers, as well as health care providers, community leaders, and physicians. Even though the applicant provided a list of 34, District 4, Department of Children & Families, Alcohol, Drug Abuse, and Mental Health Providers, it is not clear how many of these organizations the applicant actually has written agreements with. The applicant did provide copies of written agreements between Ten Broeck Hospital and Youth Crisis Center, Inc. and between Ten Broeck Hospital and Northeast Florida Safety Council, Inc. No agreements with assisted living or skilled nursing facilities were included.

**3. Applicants who propose to serve an area of concentrated population (at least 50,000 residents within a 10-mile radius) that has no beds of similar type or where the overall occupancy rate for existing beds of similar type is at least 80 percent.**

Both Ten Broeck Hospital and the new proposed satellite hospital are located in an area of Duval County that is densely populated.

The existing facility is within 10 miles of two other providers of adult psychiatric inpatient services, both operating at below 80 percent occupancy in adult psychiatric beds.

- 4. Applicants who formally commit to provide Medicaid and/or of charity care and specify the annual amount of Medicaid and/or charity care to be provided in their CON application.**

As a freestanding psychiatric hospital, the proposed Wekiva Springs facility cannot receive Medicaid reimbursement. The applicant requests that the CON be conditioned for a minimum of one percent total annual patient days to charity care. Financial Schedule 7A does not indicate any charity care provision for the 20-beds. The applicant projects that Medicare will comprise 90 percent of total patient days and managed care will comprise 10 percent.

- 5. Applicants who indicate in their CON application a willingness to accept Baker Act and involuntary placement at a negotiated rate.**

The applicant states that its sister facility, Ten Broeck Hospital-Jacksonville is a designated Baker Act receiving facility and will remain the designated Baker Act receiving facility and evaluation entry point for the Wekiva Springs facility. Preference is not given.

- 6. Applicants who propose to convert psychiatric beds to substance abuse beds or vice versa and who can demonstrate that the existing beds are not being utilized and the proposed service has a greater than 80 percent average occupancy during the last 12 months.**

This application does not propose to convert psychiatric beds to substance abuse beds or vice versa. However, the applicant does commit to delicense 20 adult psychiatric beds at Ten Broeck Hospital-Jacksonville, subject to approval of the proposed project. Ten Broeck Hospital's adult psychiatric occupancy rate has exceeded 80 percent for the most recent years (2000-2003).

- 3. Agency Rule Preferences**

**Does the project respond to preferences stated in agency rules? Indicate how each applicable criteria for the type of service proposed is met. Ch. 59C-1.031-.044, Florida Administrative Code.**

- a. Priority Considerations for hospital inpatient general psychiatric services (59C-1.040(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**

As a freestanding psychiatric hospital, the proposed Wekiva Springs facility cannot receive Medicaid reimbursement. The applicant commits to providing one percent of total annual patient days to charity care patients in what it calls the entire facility. However, financial pro formas do not show this commitment. Rather, they show zero commitment to charity and Medicaid patients in the entire facility, which consists of 20 adult psychiatric beds. The applicant appears to have agreed to condition award of the CON upon providing one percent of its patient days to outpatients or patients in its existing residential facility. The applicant's commitment to outpatients does not qualify it to receive priority consideration in this inpatient facility review.

- 2. 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 will serve the most serious mentally ill patients including suicidal patients, patients with acute schizophrenia, and patients with severe depression.

- 3. Propose to serve Medicaid-eligible persons.**

No. See Item (a) above.

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

The applicant states that it provides a wide array of psychiatric and substance abuse services to all District 4 residents who meet admission criteria/clinical guidelines, regardless of their ability to pay. However, since its program will be focused on geriatric psychiatric services, it is expected that the majority of its patients will be elderly and have Medicare coverage.

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

The proposed facility will not be a designated public or private receiving facility.

The applicant does not meet any of these criteria and therefore is not given priority consideration under this Rule criterion.

- b. Minimum Size of Specialty Hospitals (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 (59C-1.040(5), Florida Administrative Code).**

The applicant proposes to establish a 20-bed adult inpatient psychiatric satellite hospital without hospital inpatient substance abuse services regulated under CON. While these 20 beds alone do not meet the minimum requirement of 40 beds, the applicant states that it has applied for and received approval from the Department of Children & Families to operate 22 outpatient adult substance abuse beds, increasing the facility's total bed complement to 42 beds. As previously discussed in Section E.1., a representative from the Department of Children & Families was contacted and stated that the facility had been granted probationary approval from March 2, 2004 through June 13, 2004, to operate 52 Level I residential substance abuse beds and is currently seeking probationary approval to add 14 residential detox beds to this site. The representative stated that the department has not received an application requesting 22 adult substance abuse beds for this site. These DC&F residential beds are not regulated under Rule 59C-1.041 as inpatient adult substance abuse beds. The applicant is not seeking in this batching cycle to also move some of its licensed inpatient substance abuse beds to this location.

Although the applicant contends that it meets the above rule preference, it does not. Minimum unit sizes are based on the minimum number of *inpatient* beds. Because the applicant plans to co-locate this facility within an existing outpatient and residential substance abuse facility, some efficiencies are expected to be achieved. The applicant also

indicates that it will work closely with its sister facility three miles away. As previously discussed, the Agency received two letters of opposition to this project expressing concerns that this project would constitute an inefficient use of resources. Mr. Burkhart letter suggested that “...Creating a second specialty psychiatric hospital only three miles from Ten Broeck’s current location is a wasteful use of resources and will only create unnecessary duplication of services, with no improvements to geographic, financial, or clinical access to services. The proposal is offering nothing new, but is an expensive proposal to merely duplicate what already exists in the district.”

- 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 (59C-1.040(6), Florida Administrative Code).**

The travel time standard is met as it applies to District 4.

- 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 (59C-1.040(a), Florida Administrative Code).**

The applicant states its intention to comply with all licensure standards described in Chapter 59A-3 Florida Administrative Code.

- 2. Accreditation. Applicants proposing a new hospital inpatient general psychiatric service shall state how they will meet the accreditation standards of the Joint Commission on Accreditation of Healthcare Organizations applicable to psychiatric services provided in inpatient settings for adults or for children and adolescents (59C-1.040(7)c), Florida Administrative Code).**

The applicant is JCAHO accredited and indicates that its Wekiva Springs facility will also apply for this accreditation.

3. **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 (59C-1.040(7)(d), Florida Administrative Code).**

The applicant ensures that continuity of care is available when patients are discharged from the inpatient setting. There are 15 psychiatrists on active staff at Ten Broeck Hospital; eight consulting staff; eight courtesy staff; and 12 allied health staff members, which include specialties such as psychology, pharmacy, and advanced nurse practitioners.

The applicant offers a wide variety of outpatient services such as: partial hospitalization programs and intensive outpatient therapies. Additionally, a geriatric outpatient program has been developed to cater specifically to elderly patients.

4. **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 (59C-1.040(7)(e), Florida Administrative Code).**

The applicant states its intention to offer a screening program to assess the most appropriate treatment for each patient. The applicant provided copies of intake and patient screening policies and forms to be implemented at Wekiva Springs.

- e. **Services Description (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 Wekiva Springs will serve all adults age 18 and older. However, programming will focus on serving the behavioral health care needs of geriatric patients age 65 and over.

**2. Specialty programs to be provided.**

Wekiva Springs is the site for a number of Ten Broeck Jacksonville's outpatient programs, including partial hospitalization and intensive outpatient programs. The 20 adult psychiatric beds being transferred as a result of this CON application would be integrated into the Wekiva Springs programming. Inpatient programs to be developed and implemented at the Wekiva Springs site will primarily focus on the geriatric population, providing specialty services to address age-related mental health needs. In an attachment, the applicant provided a copy of Ten Broeck Hospital's "Mature Adult Track" program narrative.

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

Schedule 6 shows that the applicant projects adding 20.6 staff to its existing staff, which serves the outpatient population at the Wekiva facility, including 8.7 nursing staff, 7.1 psychology technicians, one cook, 1.8 social service staff, one housekeeper and one health information management staff. The application does not indicate who will be serving as medical director for the Wekiva facility. The applicant does indicate the some staff members will be transferred to the Wekiva facility from Ten Broeck Hospital.

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

The applicant identified excluded diagnoses as 299-infantile autism, 315-hyperkinetic syndrome of childhood, and organic and dementia diagnoses which indicate that such clinical interventions would not produce results. The applicant states that the following criteria apply:

1. Persons who are mentally retarded without corresponding affective disturbance or thought disorder, or OBS;
2. Persons who require custodial care rather than active psychiatric treatment;

3. Involuntary admission involving charges for capital offenses (i.e. murder), and felony cases; or
4. Patients whose organicity will, in the judgment of the psychiatrist, not progress with a course of inpatient psychiatric care.

**5. Therapeutic approaches to be used.**

The applicant provided a programmatic description of the adult psychiatric programs to be developed at Wekiva Springs including the therapeutic approaches to be used.

**6. Expected sources of patient referrals.**

The new satellite hospital is expected to draw on referrals currently experienced by the main hospital. The applicant provided a generic list of referral sources.

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

The applicant states that Ten Broeck Jacksonville adult inpatient admissions experienced an overall length of stay of 6.6 days in CY 2003. The applicant expects that the average length of stay in the geriatric program will be slightly higher at eight days, while the average length of stay for remaining adult psychiatric patients is expected to be the same as Ten Broeck Jacksonville (6.6 days). Thus, the average length of stay is expected to be 7.3 days. This exceeds District 4's adult psychiatric utilization average length of stay for the past five years, based on LHC data contained in Mr. Hugh Greene's (Baptist Medical Center) letter of opposition to this project.

**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.**

The applicant's Financial Schedule 7A shows that in the second year of operation, the applicant expects that Medicare will comprise 4,928 patient days (90 percent), while managed care (HMO/PPO) is expected to be 548 patient days (10 percent). As previously discussed, Wekiva Springs will not be eligible to receive Medicaid reimbursement.

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

As previously discussed, although the applicant has agreed to a charity care condition, it does not plan to admit any charity care patients to the proposed satellite hospital.

**f. Quarterly Reports (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.**

The applicant states its intention to comply with this provision.

**4. Statutory Review Criteria**

**a. Is need for the project evidenced by the availability, quality of care, efficiency, accessibility and extent of utilization of existing health care facilities and health services in the applicant's service area? ss. 408.035(2), 408.035(7), Florida Statutes.**

The applicant proposes the relocation of 20 of its 46 licensed and CON approved adult psychiatric beds three miles from its main campus to co-locate this inpatient service at its existing outpatient mental health facility at Wekiva. This transfer would create a small satellite hospital and reduce the number of licensed adult psychiatric beds at Ten Broeck Hospital to 26. The applicant stated that it seeks to move these beds because it is experiencing capacity restraints at Ten Broeck because of physical plant issues, which are in part related to three and four bed wards. There is existing capacity available in District 4 for adult inpatient psychiatric services. As previously discussed in Section E.1., Ten Broeck's adult inpatient psychiatric beds have experienced a steady drop in utilization since 2001, from a utilization rate of 112.50 percent in 2001 to a utilization rate of 97.1 percent in 2002 and 85.2 percent in 2003, while several other district providers have experienced a steady increase in utilization. The adult psychiatric beds in the district experienced an average occupancy rate of 51.68 percent during the same 12-month reporting period.

## CON Action Numbers: 9751

The applicant contends that creating a satellite facility would allow Ten Broeck Jacksonville to shift some services to the new location and create flexibility in room assignments and minimize gender and diagnosis compatibility obstacles. The proposed project would help alleviate the placement of patients at Ten Broeck in four-bed wards. From a quality of care standpoint, four-bed wards are not considered conducive to appropriate treatment and therapy. Studies and policies developed by researchers and independent groups as long ago as 1984 suggest discontinuation of larger ward-type rooms in favor of smaller private and semi-private rooms. Single rooms are considered preferable to shared rooms and that special reasons should apply if more than two people share a room.<sup>1</sup> Quality of life domain improves when “residents experience a sense of bodily privacy, have the ability to keep personal information confidential, and have sufficient opportunities to be alone, and to communicate and interact with others in private.” (Kane,R.L).<sup>2</sup> The single-patient room yields numerous benefits to patients: greater privacy, better sleep, more opportunity for family visits and interaction (a growing phenomenon at many hospitals), plus a proven reduction in nosocomial infection (Building Design & Construction). Therefore, this project, if approved, will improve the quality of care at Ten Broeck Hospital.

The applicant contends that the establishment of 20 inpatient adult psychiatric beds at its Wekiva Springs facility would allow it to provide specialty services that focus on the mental health need of geriatric patients. The applicant did not specifically show the utilization of its current geriatric program within the adult psychiatric program provided by Ten Broeck or demonstrate that residents, especially geriatric residents, are being denied access to or require specific services not currently offered by other psychiatric inpatient providers in the area. Without this demonstration, it is not clear that availability of beds will be improved in the district with the approval of this project.

As noted above, average district occupancy was at 51.68 percent for the 12-month period ending June 2003 and an area safety net provider, Shands Jacksonville Medical Center, stated in a letter of opposition discussed above that its program will be negatively impacted should this transfer of beds three miles away be approved. However, there does not appear to be any direct correlation between utilization at Shands and Ten Broeck. Although Ten Broeck’s utilization has been declining steadily since 2001, Shands has fluctuated rather than steadily risen.

---

<sup>1</sup> Centre for Policy on Ageing, “The Code of Practice for Residential Care”, 1984.

<sup>2</sup> Kane, R.L. and R.A. Kane, “*Assessment in Long-Term Care*”, 2002.

The same is not true of Baptist Medical Center, which has experienced a steady rise in utilization as Ten Broeck's occupancy has declined. Baptist Medical Center also submitted a letter opposing this project. As noted earlier, unfortunately, placement and utilization of this geriatric patient population was not discussed by the applicant.

There are several architectural concerns with the project (see Item 4h).

- 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 and Rule 59C-1.031-044, Florida Administrative Code.**

The applicant is JCAHO accredited and has been designated a private receiving facility by the Department of Children and Family Services. Copies of Ten Broeck Jacksonville's JCAHO accreditation and private receiving facility certificate of designation are included in the application.

According to AHCA data, the applicant had nine confirmed complaints over the past three years; three of these complaints were without deficiencies. Of the nine confirmed complaints, three were related to patient care, one concerned lack of supervision, two were Chapter 394/Baker Act issues, one physical plant issue, and one was a medication error. The lack of supervision complaint alleges that in June of 2002, the facility failed to provide adequate supervision in the adolescent unit. The physical plant complaint alleges that in June of 2002, the facility did not maintain a clean and sanitary environment.

- c. Is the applicant proposing special health care services for its service area that are not reasonably and economically accessible in adjacent service areas? ss. 408.035(4), Florida Statutes.**

The proposed project does not involve special equipment or services that are not reasonably or economically accessible in adjacent districts.

- d. Is the project to be located in a research or teaching hospital? Will the program affect the clinical needs of health professional training programs in the service area? ss. 408.035(5), Florida Statutes**

The proposed project will not be located in a research or teaching hospital nor will the primary purpose of the project involve research or physician education.

The applicant does however participate in internship programs involving the University of Florida and the University of North Florida.

- e. What resources, including health manpower, management personnel, and funds for capital and operating expenditures, are available for project accomplishment and operation? ss. 408.037(6), Florida Statutes.**

The applicant, Ten Broeck Jacksonville, LLC, is applying to establish a 20-bed adult psychiatric satellite hospital in District 4, Duval County, Florida. The financial impact of the project will include the project cost of \$635,974 and incremental operating costs in year two of \$2,089,359.

The audited financial statements of Ten Broeck Jacksonville, LLC, for the periods ending December 31, 2003 and 2002, were analyzed for evaluating the applicant's ability to provide the capital and operational funding necessary to implement the project.

**FINANCIAL INDICATORS AND RATIOS**

| <b>Table One</b>                           | <b>12/31/2003</b> | <b>12/31/2002</b> |
|--|-------------------|-------------------|
| Current Assets                             | \$ 2,151,927      | \$ 2,466,918      |
| Cash and Current Investment                | \$ 0              | \$ 605,043        |
| Assets Restricted for Capital Funding      | \$ 0              | \$ 0              |
| Total Assets                               | \$ 5,004,291      | \$ 5,513,422      |
| Current Liabilities                        | \$ 1,525,986      | \$ 1,313,445      |
| Total Liabilities                          | \$ 4,966,256      | \$ 5,882,200      |
| Total Equity                               | \$ 38,035         | \$ (396,778)      |
| Net Operating Revenues                     | \$ 11,559,424     | \$ 10,731,079     |
| Interest Expense                           | \$ 167,492        | \$ 212,080        |
| Net Profit – Operations                    | \$ 418,170        | \$ 739,461        |
| Net Income                                 | \$ 406,813        | \$ 725,531        |
| Cash Flow Provided by Operating Activities | \$ 592,015        | \$ 426,629        |
| Working Capital                            | \$ 625,941        | \$ 1,153,473      |
| Current Ratio (CA/CL)                      | 1.4               | 1.9               |
| Long-Term Debt to Equity (TL-CL/TE)        | 90.5              | -11.5             |
| Operating Cash Flow (CFO/CL)               | 0.4               | 0.3               |
| Equity to Total Assets (TE/TA)             | 0.8%              | -7.2%             |
| Operating Margin (NPO/NOR)                 | 3.6%              | 6.9%              |
| Total Margin (NI/NOR)                      | 3.5%              | 6.8%              |
| Return on Assets (NI/TA)                   | 8.1%              | 13.2%             |
| Operating Cash Flow to Assets (CFO/TA)     | 11.8%             | 7.7%              |

**Short-term position:**

The applicant's current ratio of 1.4 is below the median of Florida short-term psychiatric hospitals. The ratio of cash flow to current liabilities of 0.4 is above the median level of Florida short-term psychiatric hospitals. Overall, the applicant has a weak short-term position.

**Long-term position:**

The ratio of long-term debt to equity of 90.5 is somewhat misleading, as the only long term liabilities are in related party payables. The ratio of operating cash flows to assets of 11.8 percent is the one bright spot in an otherwise marginal financial performance. The hospital has been able to show a positive net income for three out of the last four years. This trend has produced a positive equity of \$38,035, which was a negative \$1.1 million at December 31, 2001. The ratio of net assets to total assets is 0.8 percent. While financial performance continued to improve in 2003, overall, the applicant has a weak long-term position.

**Capital requirements:**

Schedule 2 indicates the applicant has capital projects totaling \$2.7 million. This total includes \$1.5 million for previously denied project 9651, which is currently being litigated.

**Available capital:**

The applicant stated that funding for the project would come from the proceeds of a loan in the amount of \$635,974 and \$555,610 from cash flows. A letter of commitment from Wachovia Bank, N.A. with a \$1.7 million credit line was included.

**Conclusion:**

If cash flows continued at the 2002-2003 level, it would be possible to fund the \$555,610 indicated as coming from cash flows. With the continued support of the parent, funding for this project should be available as needed.

**f. What is the immediate and long-term financial feasibility of the proposal? ss.408.037(8), 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.

Comparative data were derived from hospitals in peer groups that reported data in 2002; the applicant will be compared to the hospitals in peer group 15. Per diem rates are projected to increase by an average of 3.7 percent per year. Inflation adjustments were based on the 2003 4<sup>th</sup> Quarter Health Care Cost Review, New CMS Hospital Market Basket Index.

In general, we normally evaluate revenues and expenses on the entire hospital. However, since the data contained in Schedules 7A and 8A are commingled with data from non-hospital sources, this project will be evaluated on the basis of the 20-bed satellite facility.

Projected net revenue per adjusted patient day (NRAPD) of \$420 in year one and \$475 in year two is between the control group median and lowest values of \$447 and \$73 in year one and is between the control group median and highest values of \$462 and \$712 in year two. The highest level is generally viewed as the practical upper limit on economies of operation. With net revenues falling between the median and highest level in year two, the facility is expected to consume health care resources in proportion to the services provided. Actual NRAPD reported by Ten Broeck Jacksonville for 2002 was \$397.

**CON Action Numbers: 9751**

Projected cost per adjusted patient day of \$317 in year one and \$327 in year two is between the group lowest and median values of \$250 and \$510 in year one and \$259 and \$527 in year two. Compared to the control group these costs are efficient. Actual cost per adjusted patient day reported at the existing hospital in 2002 was \$368.

The year two operating profit for the hospital of \$951,241 computes to an operating margin per adjusted patient day of \$149 which is well above the control group highest level of \$31. The computed operating margin ratio is 31.3 percent. Actual operating margin per adjusted patient day at the existing hospital reported for 2002 was \$28. The satellite will be reimbursed under the same Medicare cost based reimbursed system as the main hospital. With 90 percent of the satellite's patients being Medicare reimbursed, it is very unlikely that its projected profit levels will be achieved.

Average occupancy level is estimated during the second year at 87.7 percent, below the highest level reported in the group for 2002 of 97.10 percent and significantly above District 4's reported level for that year of 53.09 percent.

This project may be financial feasible even at the lower profit levels.

**CON Action Numbers: 9751**

| <b>TEN BROECK WEKIVA SPRINGS UNIT</b>      | <b>PER PATIENT DAY</b> |                    |                 |                 |
|--|------------------------|--------------------|-----------------|-----------------|
|  | <b>YEAR ONE</b>        | <b>YEAR TWO</b>    | <b>YEAR ONE</b> | <b>YEAR TWO</b> |
| <b>PROFORMA INCOME STATEMENT</b>           |                        |                    |                 |                 |
| <b>GROSS PATIENT SERVICE REVENUE</b>       |                        |                    |                 |                 |
| IN PATIENT REVENUE                         | \$7,446,000            | \$8,704,000        | \$1,360         | \$1,360         |
| OUT PATIENT REVENUE                        | \$0                    | \$0                | \$0             | \$0             |
| <b>TOTAL GROSS PATIENT SERVICE REVENUE</b> | <b>\$7,446,000</b>     | <b>\$8,704,000</b> | <b>\$1,360</b>  | <b>\$1,360</b>  |
| <b>DEDUCTIONS FROM REVENUE</b>             |                        |                    |                 |                 |
| CONTRACTUAL ALLOWANCES                     | \$4,873,298            | \$5,363,840        | \$890           | \$838           |
| CHARITY SERVICE                            | \$0                    | \$0                | \$0             | \$0             |
| BAD DEBT                                   | \$273,069              | \$299,560          | \$50            | \$47            |
| <b>TOTAL DEDUCTIONS FROM REVENUE</b>       | <b>\$5,146,367</b>     | <b>\$5,663,400</b> | <b>\$940</b>    | <b>\$885</b>    |
| <b>NET PATIENT SERVICE REVENUE</b>         | <b>\$2,299,633</b>     | <b>\$3,040,600</b> | <b>\$420</b>    | <b>\$475</b>    |
| OTHER OPERATING REVENUES                   | \$0                    | \$0                | \$0             | \$0             |
| <b>NET OPERATING REVENUE</b>               | <b>\$2,299,633</b>     | <b>\$3,040,600</b> | <b>\$420</b>    | <b>\$475</b>    |
| <b>OPERATING EXPENSE:</b>                  |                        |                    |                 |                 |
| SALARIES                                   | \$629,705              | \$825,642          | \$115           | \$129           |
| EMPLOYEE BENEFITS                          | \$107,050              | \$148,615          | \$20            | \$23            |
| PURCHASED SERVICES                         | \$215,700              | \$251,800          | \$39            | \$39            |
| SUPPLIES                                   | \$62,963               | \$77,280           | \$12            | \$12            |
| DRUGS                                      | \$164,250              | \$207,360          | \$30            | \$32            |
| FOOD                                       | \$54,750               | \$65,920           | \$10            | \$10            |
| TELEPHONE AND UTILITIES                    | \$0                    | \$0                | \$0             | \$0             |
| PROFESSIONAL FEES                          | \$0                    | \$0                | \$0             | \$0             |
| REPAIRS AND MAINTAINANCE                   | \$0                    | \$0                | \$0             | \$0             |
| AUDIT AND LEGAL                            | \$0                    | \$0                | \$0             | \$0             |
| ADVERTISING AND PROMOTION                  | \$0                    | \$0                | \$0             | \$0             |
| TRAVEL                                     | \$0                    | \$0                | \$0             | \$0             |
| TAXES (OTHER THAN INCOME TAXES)            | \$59,699               | \$71,210           | \$11            | \$11            |
| INSURANCE                                  | \$0                    | \$0                | \$0             | \$0             |
| RENT                                       | \$372,908              | \$372,908          | \$68            | \$58            |
| OTHER                                      | \$0                    | \$0                | \$0             | \$0             |
| <b>TOTAL OPERATING EXPENSE</b>             | <b>\$1,667,025</b>     | <b>\$2,020,735</b> | <b>\$304</b>    | <b>\$316</b>    |
| <b>EARNINGS BEFORE I T D A</b>             | <b>\$632,608</b>       | <b>\$1,019,865</b> | <b>\$116</b>    | <b>\$159</b>    |
| <b>FIXED EXPENSE</b>                       |                        |                    |                 |                 |
| DEPRECIATION AND AMORTIZATION              | \$33,645               | \$33,645           | \$6             | \$5             |
| INTEREST EXPENSE                           | \$34,979               | \$34,979           | \$6             | \$5             |
| <b>TOTAL FIXED EXPENSE</b>                 | <b>\$68,624</b>        | <b>\$68,624</b>    | <b>\$13</b>     | <b>\$11</b>     |
| <b>INCOME FROM OPERATIONS</b>              | <b>\$563,984</b>       | <b>\$951,241</b>   | <b>\$103</b>    | <b>\$149</b>    |
| <b>INCOME TAXES</b>                        |                        |                    |                 |                 |
| CURRENT                                    | \$223,338              | \$376,691          | \$41            | \$59            |
| DEFERRED                                   | \$0                    | \$0                | \$0             | \$0             |
| <b>TOTAL INCOME TAXES</b>                  | <b>\$223,338</b>       | <b>\$376,691</b>   | <b>\$41</b>     | <b>\$59</b>     |
| <b>NET INCOME (LOSS)</b>                   | <b>\$340,646</b>       | <b>\$574,550</b>   | <b>\$62</b>     | <b>\$90</b>     |
| <b>PATIENT DAYS</b>                        | <b>5,475</b>           | <b>6,400</b>       |                 |                 |

**g. Will the proposed project foster competition to promote quality and cost-effectiveness? ss. 408.035(9), Florida Statutes**

The applicant forecasts managed care at 10.0 percent for this unit, which is well below the overall hospital's level of managed care on 29.2 percent in 2002. With 90 percent of revenues for this unit estimated to come from the Medicare program, competition is not a factor in this project.

**h. Are the proposed costs and methods of construction reasonable? Do they comply with statutory and rule requirements? ss. 408.035(10), Florida Statutes; Ch. 59A-3 or 59A-4, Florida Administrative Code.**

The applicant seeks to establish a satellite psychiatric hospital of Ten Broeck in a nearby building. A similar application was reviewed for 44 beds in May of 2003. The remote building was once licensed as a specialty psychiatric hospital, but seems to currently be an assisted living facility. The application is quite confusing about the current use of the building.

The facility is called Wekiva Springs and is on a 9.47-acre site in Jacksonville, close to the Ten Broeck facility. The applicant said that if this CON request is granted, the existing Ten Broeck situation would change. This facility has "three and four bedded rooms" and the implication is that this will no longer be the case with the relocation of 20 beds to Wekiva Springs. The application does not actually state what renovations will take place at Ten Broeck, particularly with the three and four bed patient rooms. Any space vacated at that facility must be reassigned to another function or must be treated as storage with its required fire ratings. Any changes must be submitted to the AHCA Office of Plans and Construction for review. All of the new patient rooms at the Wekiva Springs facility will be private, four with showers, and 16 without. There is a shower room off one of the corridors. There are two patient wings in the project with common shared areas at the junction.

The applicant seems to have provided all the ancillary spaces that were missing on the previous plans. There is no indication on the plans or readily apparent in the narrative to indicate the amount of demolition that will take place nor what new walls and other components will be added/renovated to convert the building into a psychiatric hospital. In the application, there were references to additional substance abuse beds and the Florida Department of Children and Families as well as other outpatient and residential licensure issues that do not really affect this

review. All of this makes the application quite confusing. No evaluation of the estimated costs and the schedule can be made from the information submitted. In addition, there is conflicting information in Schedules 1 and 9 regarding the total project cost.

In the 2003 review, the application stated that there will be a “few modifications to the existing physical plant.” The renovations planned in 2003 do not match the ones on this plan. The new narrative states that the planned facility meets current requirements for construction classification, separation of hazardous areas, travel distances and that it is fully sprinklered. A list of applicable codes on the drawings is incomplete and somewhat inaccurate.

In the previous application, the owner seemed to be aware of the requirements for disaster preparedness, but there was no information as to the flood plain elevation or the hurricane surge inundation information in either application. This will have to be submitted to AHCA when the plans are reviewed, if the application is granted, and could possibly be a significant site issue. The building will be required to meet the standards for new construction even though it is an existing structure.

If it is projected that the patients in Wekiva Springs would be protected in case of a disaster, the applicant needs to address the smoke compartmentation and the code provisions that will be met if this is the case. From the large-scale plans of two patient rooms, it appears that the rooms meet the size requirements.

It is required that schematic drawings be submitted as part of the CON application. Although the drawings for this proposal may be more advanced than required, they have been reviewed as schematics 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.

- i. 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(11), Florida Statutes.**

As a specialty hospital, the applicant is not eligible for Medicaid reimbursement. The applicant states that it provided 1.6 percent of its patient days and 2.5 percent of its discharges to charity care in 2003. As

discussed above, although the applicant has agreed to a charity condition it has shown that it will not serve charity patients or the medically indigent in this proposed 20-bed satellite facility. The agreement to provide one percent of the patient days in the Wekiva facility appears to be in the outpatient portion of the facility, which is not under CON review, rather than the inpatient portion.

**F. SUMMARY**

Ten Broeck Jacksonville, LLC proposes to establish a 20-bed adult psychiatric satellite hospital at its Wekiva Springs facility, approximate three miles distant from the existing facility, through the transfer and subsequent delicensure of 20 adult psychiatric inpatient bed at Ten Broeck Hospital of Jacksonville. The proposed project will not affect the current adult psychiatric bed inventory in the district.

The proposed project involves a total cost of \$635,974. Renovation costs are projected at \$441,000 and involve 9,764 GSF of renovation.

**Need**

This project is not submitted in response to published need. The applicant is seeking to move 20 of its inpatient adult psychiatric beds to locate them in its existing outpatient mental health facility at Wekiva. The applicant contends that the move is needed because of space constraints at Ten Broeck Hospital; focus on the specialized treatment of the geriatric population, and the utilization of adult psychiatric beds at Ten Broeck Hospital. The applicant's adult psychiatric beds experienced a utilization of 84.2 percent for the July 2002 through June 2003 reporting period, while District 4 reported an occupancy rate of 51.68 percent. The applicant did not sufficiently demonstrate that there is a need for a specialized program for geriatric patients or that access is being denied to geriatric patients or other adult psychiatric patients in the area. However, the applicant appears to be losing a portion of its market because of high occupancy and large wards. New beds are not being requested and the project is expected to improve quality of care in the district.

**Quality of Care**

The applicant is JCAHO accredited and has been designated a private receiving facility by the Department of Children and Family Services.

**Cost/Financial Analysis**

The applicant has an overall weak short-term and long-term position. The applicant stated that funding for the project would come from the proceeds of a loan in the amount of \$635,974 and \$555,610 from cash flows. A letter of commitment from Wachovia Bank, N.A. with a \$1.7 million credit line was included. With the continued support of the parent, funding for this project should be available as needed. This project may be financial feasible even at the lower profit levels. Ninety percent of revenues for this project are expected to come from the Medicare program. With this level of Medicare participation, competition is not a factor in this project.

**Medicaid/Indigent Care**

The applicant is a specialty hospital and not eligible for Medicaid participation. It is not proposing to provide any charity care in the 20 adult psychiatric beds.

**Architectural Analysis**

There is no indication as to the amount of demolition that will take place nor what new walls and other components will be added/renovated to convert the building into a psychiatric hospital. Lists of applicable codes on the drawings were incomplete and somewhat inaccurate. No information was provided regarding the flood plain elevation or the hurricane surge inundation. The building will be required to meet the standards for new construction even though it is an existing structure. No evaluation of the estimated costs and the schedule can be made from the information submitted.

**G. RECOMMENDATION**

Approve CON #9751 to relocate 20 adult inpatient psychiatric beds, creating a 20-bed adult inpatient psychiatric hospital at 3947 Salisbury Road, Jacksonville through the delicensure of 20 adult inpatient psychiatric beds at Ten Broeck Hospital in Jacksonville. The proposed project involves a total cost of \$635,974. Renovation costs are projected at \$441,000 and involve 9,764 GSF of renovation.

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

\_\_\_\_\_  
Karen Rivera  
**Health Services and Facilities Consultant Supervisor  
Certificate of Need**

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