

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

**A. PROJECT IDENTIFICATION**

1. Applicant/CON Action Number

**Ten Broeck Central Florida, Inc./CON #9801**

603 Main Street  
Windermere, Florida 34786

Authorized Representative: Sherry Hemphill  
(407) 876-2200

2. Service District/Subdistrict

District 3 (Marion County)

**B. PUBLIC HEARING**

No public hearing was requested or held regarding the proposed project to establish a five-bed substance abuse hospital in District 3 for adults. Fifteen letters of support were submitted as part of the application. The letters were written by Dyer T. Michell, President/CEO of Monroe Regional Medical Center; Ken Wicker, COO of Ocala Regional Medical Center and West Marion Community Hospital; Osborne S. James, Jr., Deputy Court Administrator, State of Florida Fifth Judicial Circuit; C. Patrick Hreachmack, Director of Contracting, ValueOptions; Pastor Daniel R. Jones, St. Mark's United Methodist Church; William L. Patten, Prevention Coordinator, Ocala/Marion County Community Council Against Substance Abuse; Fred Miley, M.D., P.A.; Russell Rasco, Executive Director of The Center; Judy T. Crane, LMHC, CAP, Executive Director/CEO of The Refuge; Babu Rankupalli, MD, Medical Director of Ten Broeck Ocala; Charlie Patterson, BA, MA, Director of Act II Counseling; Dennis K. Baxley, State Representative of District 24; David G. Ownby, Sr. MS, LMHC, CAP, Director of Clinical Services at Ten Broeck Ocala; Paul Andrews, COE of Ten Broeck Hospital Jacksonville; and Charles H. Caperton, President of Premier Care.

The letters were in support of the applicant's efforts to establish a five-bed substance abuse hospital. Many letters attested to the region's

limited resources presently available to substance abuse patients. The President/CEO of Munroe Regional Medical Center, Dyer T. Mitchell, estimated that over 10 percent of Munroe Regional's 80,000 annual emergency department patients have substance abuse as a major contributing factor underlying the problem for which they present. Mr. Mitchell wrote, "Munroe does not have the trained staff, facilities or other supporting resources necessary to adequately deal with this population and must rely on other area providers to meet these needs".

Ken Wicker, COO of Ocala Regional Medical Center and West Marion Community Hospital, wrote "We have approximately 132 patients each year who present to our emergency department with a primary diagnosis of substance abuse. We have an additional 386 patients per year who present with a secondary diagnosis of substance abuse. We address this acute issue but are not licensed to provide inpatient substance abuse services. These patients are costly to the hospital as they are treated in an environment staffed and equipped for medical/surgical patients, not detoxification. They occupy our emergency room resources, as well as our intensive care and medical/surgical resources." "...We often transfer patients out of the area for substance abuse services. This presents a hardship for our staff, trying to coordinate with the patient leaving the area and having the family participate in the treatment and recovery."

C. Patrick Hreachmark wrote, "*ValueOptions* has long struggled to contract with the very limited number of commercial facilities in north central Florida ...Currently, *ValueOptions*' members must be transported long distances to other facilities in major Florida cities to obtain the necessary substance abuse inpatient care they require. One major facility located in Gainesville has taken the stand that they will not contract with any managed care organization." "...On several recent occasions, *ValueOptions* has experienced difficulty locating an available inpatient bed for some of our members."

The Director of ACT II Counseling, Charlie T. Patterson, wrote, "...Our organization has referred countless clients to The Centers for detoxification, but these clients were turned away due to a shortage of beds. This has also been the case with referring clients to The Florida Recovery Center at Shands at Vista in Gainesville, FL. Shortage of detoxification beds in this area has necessitated referring clients to Sid Martin Bridge House in Gainesville, FL, Stewart-Marchman Center in Daytona Beach, FL and Florida Detoxification Center in Orlando, FL." "...The addition of detoxification beds at Ten Broeck Ocala would help alleviate the critical shortage of detoxification services".

**C. PROJECT SUMMARY**

Ten Broeck Central Florida, Inc. (“Ten Broeck”, “Ten Broeck Ocala”, or “Applicant”), affiliated with United Medical Corporation, a privately held corporation, proposes to establish a new five-bed adult substance abuse hospital at its existing residential and outpatient substance abuse facility. That facility, Ten Broeck Ocala, is located at 3130 Southwest 27<sup>th</sup> Avenue in Ocala, Florida (Marion County). According to the applicant, the existing building was originally planned, implemented, and licensed as a psychiatric hospital. It ceased operations approximately four years ago. Earlier this year the building was purchased by a Ten Broeck affiliate.

According to the *Certificate of Need Predicated on Conditions* page, the applicant is proposing a minimum of one percent of its patient days to charity care patients. The proposed project involves a total cost of \$493,546. Renovation costs are projected at \$250,000 and involve 4,199 GSF of renovation.

**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, Ryan Fitch, 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**

On July 23, 2004, AHCA published a fixed need pool (FNP) in Volume 30, Number 30 of the Florida Administrative Weekly (F.A.W.) for five additional adult inpatient substance abuse beds in District 3. The proposed project is being submitted in response to the fixed need pool.

**2. Agency Rule Criteria/Preferences**

- a. Chapter 59C-1.041, Florida Administrative Code, contain factors to be considered in the review of Certificate of Need Applications for hospital inpatient substance abuse services for adults.**

- 1. 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 application is consistent with the needs of the community. Although Florida no longer has a State Health Plan, and preference criteria for CON review is no longer required of Local Health Council Plans, local plans are available and reference issues of concern in North Central Florida related to the development of substance abuse services. One concern is the need to demonstrate appropriate use of existing services prior to approval of a new development. The adult substance abuse beds in the district experienced an occupancy rate of 78.41 percent. Refer to E. 4. a. below for need discussion.

Access to care for uninsured and unfounded patients is also an important issue since the rural nature of this district and the lack of large employers can lead to a large number of residents who lack insurance for these services. The applicant has agreed to provide one percent of its patient days to charity patients. Pro formas submitted with this application indicate that this one percent is contained within the “self-pay” payor source. Refer to E. 4. g. below for Medicaid/charity care discussion.

- 2. Rule 59C-1.041(4)(e) 2, Florida Administrative Code: Applications from general hospitals for new or expanded hospital inpatient adult substance abuse beds for adults shall normally be approved only if the applicant converts a number of acute beds, as defined in rule 59C-1.38, Florida Administrative Code, excluding specialty beds, which is equal to the number of hospital inpatient adult substance abuse beds proposed, unless the applicant can reasonably project an annual occupancy rate of 75 percent for the applicable planning horizon, based on historical utilization patterns, for all acute beds, excluding specialty beds. If the conversion of the number of acute care beds, which equals the number of proposed hospital inpatient substance abuse beds for adults would result in an annual acute care occupancy exceeding 75 percent for the applicable planning horizon, the applicant shall only be required to convert the number of beds necessary to achieve a projected annual 75 percent acute occupancy for the applicable planning horizon, excluding specialty beds.**

This criterion is not applicable to the application under review, as the project does not involve a general hospital or the conversion of acute care beds to specialty beds.

3. **Rule 59C-1.041(4)(e) 3, Florida Administrative Code: In order to ensure access to hospital inpatient substance abuse services for Medicaid-eligible and charity care adults, 40 percent of the gross bed need allocated to each district for hospital inpatient substance abuse services should be allocated to general hospitals.**

Currently, there are 30 adult substance abuse beds in District 3 dispersed among three facilities.

**Existing and Proposed Adult Substance Abuse Facilities  
District 3**

<b>hospital</b>	<b>Type</b>	<b>Beds</b>
Shands at Vista Pavilion	Hospital based	18
Springbrook Hospital	Freestanding	5
Lifestream Behavioral Center	Freestanding	7
Ten-Broeck Proposal CON 9801	Freestanding	5
<b>TOTAL</b>		<b>35</b>

**Source: Florida Hospital Bed and Service Utilization by District, Volume II July 2004 Batching Cycle and CON # 9801**

Eighteen of the beds are part of Shands Healthcare System; the other two facilities (12 beds) are freestanding. Should Ten Broeck implement the proposed five beds, there would be 17 adult substance abuse beds not affiliated or allocated to a general hospital. With 18 of the 35 beds being located at Shands, this represents a 51 percent (18/35) allocation to general hospitals. Accordingly, this criterion will be maintained with the approval of this CON application.

4. **Regardless of whether bed need is shown under the need formula, no additional hospital inpatient substance abuse beds for adults shall normally be approved in a district unless the average annual occupancy rate of the licensed hospital inpatient substance abuse 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.**

As of July 23, 2004, District 3 has 30 licensed adult substance abuse beds and zero CON approved adult substance abuse beds. The adult substance abuse beds in the district experienced an occupancy rate of 78.41 percent for the January 2003 through December 2003 reporting period. Therefore, the proposed project meets this criterion.

**b. The specific preferences for hospital inpatient substance abuse services are contained in Rule 59C-1.041(4)(h), Florida Administrative Code. These preferences also apply to non-competitive applicants per Rule 59C-1.041(4)(i), Florida Administrative Code. In weighing and balancing statutory and rule review criteria, preference shall be given to applicants who:**

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

Although the Medicaid program typically does not provide reimbursement for psychiatric services provided by specialty psychiatric facilities, the Agency for Health Care Administration (AHCA) sought and obtained approval from CMS for a federal waiver to allow the agency to purchase coverage for children in institutions for mental health conditions. Ten Broeck Ocala, in its residential child/adolescent program, participates in AHCA's Statewide Inpatient Psychiatric Program (SIPP). According to AHCA Medicaid staff, Ten Broeck in Ocala will be required under the terms of its SIPP contract to make 20 of its beds available to adolescents under this program.

The applicant commits to providing a minimum of one percent of its payor mix to charity care patients. This is lower than the district's average for psychiatric facilities, which was 8.7 percent according to Agency data.

- (2) Propose to serve Medicaid-eligible persons.**

See response to (1) above.

- (3) Propose to serve substance-abusing pregnant and postpartum women regardless of their ability to pay.**

The applicant states that it will address the needs of these women and implement specific substance abuse services to target this population group.

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

The applicant states that it will provide these services to all District 3 residents who meet admission criteria and clinical guidelines regardless of factors relating to the ability to pay, race, sex, creed, or ethnic background.

**c. Unit Size (Rule 59C-1.041 (5), Florida Administrative Code): A separately organized unit for hospital inpatient substance abuse services for adults shall have a minimum of 10 beds.**

The applicant proposes to establish a five-bed adult substance abuse hospital. The applicant contends that this project is unique and the five beds cannot be considered in “isolation”. These five beds will operate within an existing facility that functions as a residential and outpatient treatment facility. In aggregate, Ten Broeck will have 76 beds (39 child/adolescent residential, 32 adult residential, and five proposed adult inpatient substance abuse beds). From a patient flow and adult substance abuse programming perspective, the applicant maintains that the five medical inpatient detox beds will have synergy with and clinical programming in conjunction with the residential beds. It is noted that residential beds are not regulated under Rule 59C-1.041 as inpatient substance abuse beds. The applicant’s proposal does not meet the above rule preference since minimum unit sizes are based on the minimum number of *inpatient* beds. It is the applicant’s contention that beds for acute detoxification need not be in significant numbers to meet the needs of the community. Rather, industry dictates that ongoing therapeutic treatment can be provided in less costly, non-acute settings. According to the applicant, providers have responded by operating small programs to enable acute detoxification with subsequent discharge to more appropriate long-term settings. The applicant indicates that this is consistent with its proposal to establish a five-bed acute detox program with an estimated average length of stay of six days. The patients would then step-down into longer-term, lower cost, residential venues and then ultimately return to the community where they would continue to receive outpatient treatment and group therapy from the facility. Because the applicant plans to locate this facility within an existing outpatient and residential substance abuse facility, some efficiencies are expected to be achieved.

Refer to E. 4. b. below for a discussion on the quality of care provided by the applicant. Additionally, there are several architectural concerns with the project including one which suggests possible quality of care issues regarding co-mingling of adult substance abuse inpatients and other residential patients, including children and another also suggesting quality of care issues with the facility not meeting current building code (see Item 4h).

- d. Access Standard (Ch. 59C-1.041 (6), Florida Administrative Code): Hospital inpatient substance abuse 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.**

As previously noted, there are three adult substance abuse providers in District 3. According to Mapquest (<http://www.mapquest.com/>) Shands at Vista Pavilion is 47 minutes travel time from Ten Broeck Ocala, Lifestream Behavioral is 46 minutes, and Springbrook Hospital in Hernando County is one hour and 17 minutes. With 20 percent of the district population residing in Marion County, the 90 percent access standard is not met according to the applicant. However, this would not be true for residents in the outlying areas of Marion County who may still find other services in contiguous counties to be closer. Although the applicant reasonably demonstrated that time and travel constraints exist for some Marion County residents, it did not provide a population density map to show that fewer than 90 percent of district residents were unable to access care within 45 minutes.

- e. Quality of Care (Ch. 59C-1.041 (7), Florida Administrative Code):**

- (1) Compliance with Agency Standards. Hospital inpatient substance abuse services for adults shall comply with the agency standards for program licensure described in Chapter 59A-3, Florida Administrative Code. 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.**

The applicant indicates that it will meet applicable agency licensure standards upon CON approval and implementation of the proposed program. Furthermore, in response to the Governor's Mental Health Quality Initiative, the applicant proposes to condition the approval of this application to operating a restraint and seclusion free environment.

- (2) **Continuity. Providers of hospital inpatient substance abuse services shall also provide outpatient services or referral services, either directly or through written agreements with community outpatient substance abuse programs, such as local psychiatrists, other physicians trained in the treatment of psychiatric or substance abuse disorders, local psychologists, community mental health programs, or other local substance abuse outpatient programs.**

The applicant will ensure that continuity of care is available when patients are discharged from the inpatient setting. Before licensure of the five-inpatient beds, the applicant contends that it will implement a 32-bed adult residential program and outpatient services. These programs will be discharge options and part of the discharge planning criteria available for the adult inpatients.

- (3) **Screening Program. All facilities providing hospital inpatient substance abuse services shall have a screening program to assess the most appropriate treatment for the patient. Patients with a dual diagnosis of substance abuse and 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 substance abuse and psychiatric disorders.**

The applicant indicates that it will have screening programs to assess the most appropriate treatment for each patient, including patients with a dual diagnosis of a psychiatric disorder and substance abuse. An interdisciplinary treatment team will provide assessment, treatment, planning, implementation, and reassessment of a patient's outcome and response to the program. Patients will be screened and admitted to the designated program by members of the medical staff who will have admitting privileges to the adult substance program. Admission criteria will be obtained through the assessment and referral services and confirmed by the physician. The applicant provided copies of intake and patient screening policies and forms to be utilized at Ten Broeck Ocala.

- f. **Services Description Ch. 59C-1.041(8), Florida Administrative Code. An applicant for hospital inpatient substance abuse services shall provide a detailed program description in its CON application including:**

**(1) Age groups to be served;**

The five-bed adult substance abuse program will serve all adults ages 18 and older. In addition, the applicant states that it will continue to offer a comprehensive, integrated system of residential, partial hospitalization, and intensive outpatient treatment for children, adolescents, and adults.

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

The applicant is proposing to establish a five-bed adult inpatient substance abuse hospital, which will focus on acute medical detoxification. The facility will offer a continuum of care to help with patient's recovery including partial hospitalization, and residential/outpatient programs.

**(3) Proposed staffing including qualifications of the clinical director, a description of staffing appropriate for any specialty program, and a discussion of the training and experience requirements for all staff who will provide substance abuse services.**

Schedule 6 shows that the existing facility will have 107 FTEs prior to implementing the five beds proposed in this application. The applicant will add 10.9 FTEs to its existing staff by the end of its first year of operation, increasing to 12.4 FTEs by the end of its second year of operation. The curricula vitae of Ten Broeck Ocala's Medical Director, Babu K. Rankupalli, M.D., was included in the application. The job descriptions and performance evaluations for department heads and key positions is located in Volume III, Appendix 16 of the application.

**(4) Therapeutic approaches to be used.**

The applicant offers a full range of services in an intensive treatment milieu. The admission screening will determine the initial plan of care and the goals for the patient. Individualized and group therapy will be provided with the overall goal of returning the patient to the community in a state that allows functional and responsible action.

**(5) Expected sources of patient referrals.**

The applicant states that it expects to draw its referrals from area hospitals and the following types of influencers: attending physicians, community mental health centers, employee assistance programs, military, hospital alumni, insurance, psychiatrists, professional counselors, nursing homes/ALFs, schools, legal/judicial, and through word-of-mouth. As discussed earlier in Section B, Public Hearings, the application included letters of support from other treatment providers and local community agencies that endorsed the applicant’s capacity to implement a substance abuse program.

**(6) Expected average length of stay for the hospital inpatient substance abuse services discharges by age group.**

The applicant expects the average lengths of stay for the adult inpatient substance abuse program to be six days.

**(7) Projected number of hospital inpatient substance abuse services patient days by payer type, including Medicare, Medicaid, private insurance, self-pay and charity care patient days for the first two years of operation after completion of the project.**

The following table relates to the applicant’s projected number of patient days by payer type for the first two years of operation of the five-inpatient substance abuse beds.

<b>Projected Patient Days by Payor</b>		
<b>Payor Source</b>	<b>Year 1</b>	<b>Year 2</b>
Medicare	227	405
Medicaid	Not Allowed	Not Allowed
Insurance/HMO/PPO	454	810
Self-Pay	76	135
<b>Total</b>	<b>756</b>	<b>1,350</b>

Source: CON # 9801, Schedule 7A

The applicant's Financial Schedule 7A shows that in the second year of operation, the applicant expects that Medicare will comprise 405 patient days (30 percent), managed care (insurance/HMO/PPO) is expected to be 810 patient days (60 percent), and self-pay is projected to be 135 patient days (10 percent). As previously discussed in Section E.2.b.(1), the applicant will not be eligible to receive Medicaid reimbursement for the five-inpatient substance abuse bed. Additionally, as noted above and below, the applicant has agreed to provide one percent of its patient days to charity patients. Pro formas submitted with

this application indicate that this one percent is contained within the “self-pay” payor source.

Refer to Section E.4.g. below.

**(8) Admission policies of the facility with regard to charity care patients.**

Ten Broeck has a charity care policy, which will be used at the hospital according to the applicant. In addition, the applicant has committed to providing one percent of its total annual patient days to charity care patients.

**g. Quarterly Reports Ch. 59C-1.041 (10), Florida Administrative Code. Facilities providing licensed hospital inpatient substance abuse services shall report to the agency or its designee, within 45 days after the end of each calendar quarter, the number of hospital inpatient substance abuse services admissions and patient days by age and primary diagnosis ICD 9 code.**

The applicant intends to file the requisite reports on a timely basis in accordance with the requirements of the Agency for Health Care Administration and the Local Health Planning Council.

**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.**

As previously discussed in Section E.1.a, the applicant is responding to a published need for five adult substance abuse beds in District 3. The applicant is seeking to establish a new five-bed adult substance abuse hospital at its existing residential and outpatient facility, Ten Broeck Ocala, located in Marion County. According to DCF staff, the facility is currently licensed under Chapter 397 and offers adult and child/adolescent substance abuse residential and outpatient services. It is the applicant’s contention that the five-bed substance abuse program will provide acute medical detoxification for patients who fall within the appropriate clinical diagnosis. It is expected that these patients would

then step down to the 32-bed adult residential substance abuse program, housed within the facility, or attend outpatient substance abuse programs within the facility. The facility will also include 39 child/adolescent residential beds for patients diagnosed with a chemical dependency.

Ten Broeck Ocala currently operates as a child/adolescent and adult residential psychiatric and substance abuse facility. It is the applicant's contention that the five-bed substance abuse program will provide acute medical detoxification for patients who fall within the appropriate clinical diagnosis. It is expected that these patients would then step down to either the 32-bed adult residential program, housed within the facility, or attend outpatient programs within the facility.

District 3 has 30 licensed adult substance abuse beds, which experienced an occupancy rate of 78.41 percent for the January 2003 through the December 2003 reporting period. The following table indicates the facilities in District 3 that have adult substance abuse beds and their respective utilization rates for CY 2003:

**Utilization of Adult Substance Abuse Beds  
District 3; CY 2003**

<b>Facility</b>	<b># of Beds</b>	<b>Bed Days</b>	<b>Patient Days</b>	<b>Occupancy</b>
Shands at Vista Pavilion	18	6,570	5,941	90.43%
Springbrook Hospital	5	1,825	744	40.44%
Lifestream Behavioral Center	7	2,555	1,901	74.40%
<b>TOTAL</b>	30	10,950	8,586	78.41%

**Source: AHCA's publication *Florida Hospital Bed and Service Utilization by District for the July 2004 Batching Cycle*.**

There are no adult substance abuse beds located in Marion County and the applicant contends that these residents have limited access with respect to adult inpatient substance abuse services. As previously discussed above in Section B, Public Hearing, the application included many letters of support attesting to the limited resources presently available to substance abuse patients in the region. These patients are often transferred or referred to facilities outside the area. The letters further stated that a number of these patients appear at local emergency rooms for medical detoxification.

The proposed project would increase the availability and access of adult inpatient substance abuse services to patients within the district. Having an inpatient substance abuse provider in Marion County will improve access since patients in need of these services will no longer have to travel outside of the district.

The financial analysis concludes that if forecasts are realized, the project will have a positive impact effect on competition to promote quality assurance and cost-effectiveness (See Item 4e).

Refer to E. 4. b. below for a discussion on the quality of care provided by the applicant. Additionally, there are several architectural concerns with the project including one which suggests possible quality of care issues regarding co-mingling of adult substance abuse inpatients and other residential patients, including children and another also suggesting quality of care issues with the facility not meeting current building code (see Item 4h).

Need for the project is evidenced by the availability, accessibility, and extent of utilization of existing health care facilities and health services in the applicant's service area.

**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's Ten Broeck Ocala facility began operations in August 2004 with the initiation of its residential inpatient programs along with its outpatient programs and does not have a history of providing care. The applicant claims that effective October 7, 2004 its facility received Joint Commission on Accreditation of Healthcare Organizations (JCAHO) accreditation. However, a JCAHO executive summary appears to belie this contention. Furthermore, a copy of JCAHO accreditation was not included in the application nor does this facility appear on the JCAHO's web site, <http://www.jcaho.org/>, as being an accredited facility. It is noted that pursuant to section 408.043 (4), Florida Statutes, accreditation from any private organization is not a requirement for the issuance or maintenance of a CON.

While the applicant does not have a history of providing care, it is affiliated with Ten Broeck Hospital in Jacksonville, which unlike the Ocala facility is a JCAHO accredited facility. According to AHCA data, Ten Broeck Hospital had 10 confirmed complaints over the past three years; three of these complaints were without deficiencies. Of the 10 confirmed complaints, three were related to patient care, one concerned a lack of supervision; two were Chapter 394/Baker Act issues, one physical plant issue, one billing complaint, and two medication errors.

The lack of supervision complaint alleges that in June of 2002, the facility failed to maintain the number of beds allowed as well as other issues of patient care. The Chapter 394/Baker Act complaint alleged that in June of 2002, the facility failed to appropriately implement Baker Act procedures. The Chapter 394/Baker Act complaint filed June 2003 alleged that the facility failed to contact guardian regarding a patient's care and discharge.

As noted above, there are several architectural concerns in areas that raise questions about this applicant's ability to provide quality care.

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

Ten Broeck Central Florida, Inc. is a development stage company that was formed August 11, 2003. The company was organized for the purpose of acquiring assets and/or businesses that will provide mental health care services to the residents of central Florida. As of December 31, 2003, the applicant had assets of \$984 and liabilities of \$2,282, resulting in a net deficit of \$1,298. Operating cash was provided by a related party loan.

**Capital requirements:**

Schedule 2 indicates the applicant has \$1.26 million in capital projects through 2005.

**Available capital:**

Funding for this project will come from non-related company financing. The applicant provided a letter dated October 14, 2004 from AmSouth Bank. The letter indicates AmSouth Bank's intent to loan the applicant \$1.5 million for working capital and permanent capital requirements.

**Conclusion:**

Based on the information provided, it appears likely that the applicant will have access to capital as needed to complete this and all other capital projects described in Schedule 2.

**d. 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 was derived from hospitals in peer groups that reported data in 2003; the applicant was compared to the hospitals in peer group 15. Per diem rates were projected to increase by an average of 3.4 percent per year. Inflation adjustments were based on the new CMS Market Basket, 2<sup>nd</sup> Quarter, 2004.

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

Projected net revenue per adjusted patient day (NRAPD) of \$357 in year one and \$366 in year two is between the control group median and lowest values of \$400 and \$80 in year one and \$412 and \$82 in year two. With net revenues falling between the median and lowest level, the facility is expected to consume health care resources in proportion to the services provided. (See Comparative Table). As noted in the application, typically the State of Florida does not permit freestanding specialty hospitals to be reimbursed through Medicaid. However, this applicant was able to obtain a waiver under the Statewide Inpatient Psychiatric

Program (SIPP), which allows the applicant to be reimbursed through Medicaid for treatment of youth with psychiatric disorders. The applicant indicated this waiver is for 33 beds, of which 12 of these beds were described as temporary. However, according to the Medicaid office, the applicant has a waiver for 20 SIPP beds. When evaluating the projected revenues, the patient days for the SIPP beds were 7,300 in year one and two or 20 beds annually. Therefore, it appears that projected revenues were calculated consistent with the applicant's Medicaid contract and not the narrative that accompanied the application.

Projected cost per adjusted patient day (CAPD) of \$335 in year one and \$330 in year two are between the group lowest and median values of \$283 and \$442 in year one and \$292 and \$456 in year two. The CAPD approaches the lowest value in year two which suggest a high level of efficiency. (See Comparative Table). The fact that the projected CAPD approaches the lowest value in the group may be explained by the low CAPD for administrative, overhead, and property expenses. The applicant is leasing the facility from a related party and is expected to experience cost-efficiencies through its association with the Ten Broeck Healthcare Network.

The year two operating profit for the hospital of \$869,861 computes to an operating margin per adjusted patient day of \$36, which is above the peer group median of a negative \$48. The projected operating margin is 9.9 percent, which indicates net revenues are in excess of costs. Although the operating margin percentage is adequate, the margin in terms of dollars is relatively small. The applicant will need to realize the efficiencies in its cost projections in order to remain profitable. This project is estimated to add approximately \$93,880 to net profit from operations in year two.

Based on the above, financial feasibility of this project appears likely.



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

The applicant forecasts managed care levels at 39.3 percent, which is between control group median and highest level of 22.5 and 59.6 percent. With the projected managed care level between control group median and highest level, these levels if realized are likely to have a positive impact on competition to promote quality and cost-effectiveness.

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

The applicant proposes to establish a five-bed adult substance abuse hospital in an existing building in Ocala. Although the building was once a hospital, it is not currently licensed by the Agency for Healthcare Administration (AHCA); therefore, the proposed hospital, and the building that it is within, will be reviewed as new construction as institutional occupancy.

The narrative is exceedingly confusing as to what types of beds and programs are existing or proposed. There are also many references to “licensed” beds and “Departments” without clearly identifying which State agency licensed the beds and programs.

Schedule B states that “Wing C renovation will occur beginning in November 2004” whereas Schedule 10 indicates that the design professional contracts will not be signed until January of 2005 and construction will not start until June. This obviously cannot be accurate, and the application has several such conflicting statements making Schedule B impossible to review in any meaningful way.

Although the correct revision dates of the Florida Building Code are listed in the narrative, references are repeatedly made to obsolete versions of this and other codes.

The information on Schedule 9 regarding project costs is also complicated to review. It is proposed that part of Wing C will become a licensed hospital within an existing building that has other non-licensed (by AHCA) spaces. There is no indication as to how much demolition and renovation will have to take place to create the new hospital. In the absence of more information, one would have to assume that the costs estimated in Schedule nine are an educated guess by the applicant.

The application mentions the issue of disaster preparedness, and since this is technically a new building, the entire building must meet these code requirements. The new hospital must have a dedicated nurse station and may not share one with the two adjacent adult residential wings as shown on the floor plan. All functional spaces required for the hospital must be dedicated to the hospital and not shared with any non-hospital functions.

A clear delineation must be made to define hospital space from space used by and for the other occupants. Correcting this problem may require extensive redesign since the AHCA Office of Plans and Construction cannot approve the project as submitted.

Although not a strictly architectural issue, extreme care must be taken to ensure that there is no intermingling of adult and adolescent patients. Often shifting spaces or placing doors in strategic locations helps to minimize the possibility of the mixing of the two age groups.

All of the patient rooms are proposed to be private and one handicapped accessible room is provided. The large-scale plans show that the patient rooms meet the size requirements. However, the handicapped accessible patient toilet room does not have the required space to accommodate the 5' turning circle for a wheelchair but does provide what appears to be an accessible shower. None of the toilet room doors have the required clearance on the latch side to comply with Chapter 11 of the Florida Building Code. This needs to be corrected.

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.

- 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(11), Florida Statutes.**

As a specialty hospital, the applicant is not eligible for Medicaid reimbursement. However, through its Statewide Inpatient Psychiatric Program (SIPP) contact with the Agency for Health Care Administration (AHCA), Ten Broeck Ocala provides treatment to adolescent Medicaid

recipients. Even though the applicant contends its current program is allocated for 21 beds to serve SIPP patients, an AHCA representative was contacted and stated that the Agency only has a contract for 20 beds. As a condition of approval, the applicant commits to provide a minimum of one percent of its patient days to charity care.

**F. SUMMARY**

Ten Broeck Central Florida, Inc. (Ten Broeck), affiliated with United Medical Corporation, a privately held corporation, proposes to establish a new five-bed adult substance abuse hospital at its existing Ten Broeck Ocala facility located in Marion County. This facility currently operates as a child/adolescent and adult residential and psychiatric substance abuse facility. It is the applicant's contention that the five-bed substance abuse program will provide acute medical detoxification for patients who fall within the appropriate clinical diagnosis.

The proposed project involves a total cost of \$493,546. Renovation costs are projected at \$250,000 and involves 4,199 GSF of renovation.

**Need**

There was a fixed need pool of five additional adult inpatient substance abuse beds in District 3. The applicant is responding to published need.

**Access**

The applicant is proposing to locate the hospital in Marion County and provided some evidence that access to services is restrained in this area.

**Quality of Care**

The applicant's Ten Broeck Ocala facility began operations in August 2004 with the initiation of its residential inpatient programs its outpatient programs and therefore, does not have a long history of providing care.

While the applicant does not have a history of providing care, it is affiliated with Ten Broeck Hospital in Jacksonville. According to AHCA data, Ten Broeck Hospital had 10 confirmed complaints over the past three years; three of these complaints were without deficiencies.

A review of the physical plant raises several concerns including those that leave questions about the applicant's ability to provide quality care.

**Medicaid/Indigent Care**

The applicant is a specialty hospital and not eligible for Medicaid participation. The applicants *Certificate of Need Predicated on Conditions* page proposes a minimum of one percent of its patient days to charity care patients.

**Cost/Financial Analysis**

The application included a letter from AmSouth Bank indicating its intent to loan the applicant \$1.5 million for working capital and permanent capital requirements. Funding for this project and all capital projects should be available as needed. This project appears financially feasible. If the projected level of managed care is realized, the project should have a positive impact on competition to promote quality assurance and cost-effectiveness.

**Architectural Analysis**

The building will be required to meet the standards for new construction even though it is an existing structure. There is no indication as to the amount of demolition and renovation needed to create a new substance abuse hospital. There is an architectural concern with the project regarding co-mingling of adult substance abuse inpatients and other residential patients, including children, which suggests possible quality of care issues. Extensive redesigning may be needed to clearly delineate defined hospital space from space used by other occupants. Because the applicant submitted confusing and conflicting information, the statutory criteria concerning reasonableness of costs and implementation of the project cannot be determined.

**G. RECOMMENDATION**

Approve CON #9801 to establish a five-bed substance abuse hospital at 3130 Southwest 27<sup>th</sup> Avenue in Ocala. Project costs total \$493,546 and include 4,199 GSF of renovation and \$250,000 in construction costs.

CONDITION: A minimum of one percent of the five-bed facility's patient days shall be provided to charity care patients.

**AUTHORIZATION FOR AGENCY ACTION**

Authorized representatives of the Agency for Health Care Administration adopted the recommendation contained herein and released the State Agency Action Report.

DATE: \_\_\_\_\_

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

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