

**CONCURRENT REVIEW OF  
Providence Mat-Su Surgery Center  
And  
Mat-Su Valley Surgery Center  
CERTIFICATE OF NEED APPLICATIONS FOR  
CONSTRUCTION OF AN AMBULATORY SURGERY CENTER  
IN THE MAT-SU BOROUGH**

May 22, 2013



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Department of Health & Social Services  
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Certificate of Need Program**

## TABLE OF CONTENTS

|  |    |
|--|----|
| <b>BACKGROUND</b> .....  | 1  |
| <b>PROJECT DESCRIPTION</b> .....   | 1  |
| <b>REVIEW STANDARDS</b>  |    |
| <b>General Review Standards Applicable to All CON Applications</b>                 |    |
| #1 Documented Need .....   | 2  |
| #2 Relationship to Plans .....   | 3  |
| #3 Stakeholder Participation .....   | 4  |
| #4 Alternatives Considered .....   | 5  |
| #5 Impact on Existing System .....   | 6  |
| #6 Access .....  | 7  |
| <b>Concurrent Review Standards of More than One Application</b>                    |    |
| #1 Quality .....   | 8  |
| #2 Licensure and accreditation.....  | 9  |
| #3 Care to low-income and uninsured persons.....                                   | 10 |
| <b>Review Standards and Methodology Specific to General Surgery Services</b> ..... | 11 |
| <b>FINANCIAL FEASIBILITY</b> .....   | 13 |
| <b>PUBLIC COMMENT SUMMARY</b> .....  | 14 |
| <b>RECOMMENDATION</b> .....  | 15 |
| <b>APPENDIX A – General Review and Concurrent Review Standards</b> .....           | 16 |
| <b>APPENDIX B – Review Methodology</b> .....                                       | 19 |
| <b>APPENDIX C – Office of Rate Review - Estimated Impact to Medicaid</b> .....     | 24 |

## **BACKGROUND**

Providence Health and Services Alaska (Providence) submitted a Certificate of Need (CON) application in November 2012 for a two-suite ambulatory surgery center (ASC) in the Matanuska-Susitna Borough (Mat-Su) of Alaska. The facility would be named Providence Mat-Su Surgery Center.

As outlined in 7 AAC 07.042, Surgical Care Affiliates (SCA) submitted a timely letter of intent and CON application for concurrent review to construct a two-suite ambulatory surgery center in the Mat-Su. The facility would be named Mat-Su Valley Surgery Center.

As stated earlier, this is a comparative review of two CON applications as outlined in 7 AAC 07.060. The originating applicant is Providence and the concurrent applicant is SCA.

Neither Providence nor SCA has submitted a CON application in the past for surgical services in the Mat-Su. Providence is part owner of Imaging Associates of Providence, which operates an imaging facility in the Mat-Su. SCA does not own or operate any health care facilities in the area.

## **PROJECT DESCRIPTION**

### **Providence:**

Providence proposes to lease space in order to construct a 10,800 square foot freestanding ASC in the Mat-Su. The proposed facility will have two surgical suites supported by three preoperative rooms and seven recovery rooms.

The total cost of the project is \$12,255,385: \$7,219,549 for site acquisition.  
\$3,976,886 for major equipment purchases  
\$1,058,950 for other costs such as administrative costs, consultants, and permit fees

If granted Providence plans for the ASC to be operational May 1, 2015 with a completion date May 1, 2016. This information is per Providence's CON addendum submitted at the public meeting on April 8, 2013.

### **SCA:**

SCA proposes to establish an 11,000 square foot, two surgical suite ASC in the Mat-Su. The facility will also have a procedure room.

The total cost of the project is \$8,523,356: \$5,710,468 for construction costs  
\$2,812,888 for medical equipment costs

If granted the project proposed by SCA is expected to be operational by late fall 2014. This information is per SCA's CON application and addendum submitted to the Department on April, 8, 2013.

## REVIEW STANDARDS

### General Review Standards Applicable to All CON Applications

#### General Review Standard #1- Documented Need:

*The applicant documents need for the project by the population served, or to be served, including, but not limited to, the needs of rural populations in areas having distinct or unique geographic, socioeconomic, cultural, transportation, and other barriers to care.*

#### Providence:

The application states that the proposed ASC will serve the population of the Mat-Su Borough.

The application also discusses that there is a portion of the population that travels into the city of Anchorage for surgical services (this is termed “outmigration” in the application). The application and the addendum, dated April 8, 2013, make an assumption of the number of surgical cases that were performed in Anchorage because of the lack of surgical service in the Mat-Su Borough without evidence to support this assumption.

There is also mention that the rationale for using outmigration data is due to the fact that weather and road closures prevent patients from traveling into Anchorage for services, but again, the application does not provide evidence to support this rationale.

Finally, the application discusses the need for a Class C ASC in the Mat-Su; however, the Department’s Section of Certification and Licensing does not license according to a specific class of facility. Aside from licensure the State does not distinguish between the different classes of ASCs as defined by the American Association for Accreditation of Ambulatory Surgery Facilities (AAAASF).

While the application does state that Providence will service the Mat-Su Borough, the application and its addendum do not discuss any services that will address unmet needs in the unique areas and population of the Mat-Su Borough that currently experience barriers to care.

This standard is not met.

#### SCA:

The application states that the proposed project will serve all residents of the Mat-Su Borough in need of outpatient surgery.

The applicant mentions a growing population, especially in the 65+ age group, but does not discuss how the proposed project will meet the needs of this age group or any unmet needs in the unique areas for the population of the Mat-Su Borough that currently experiences barriers to care.

This standard is not met.

**General Review Standard #2 – Relationship to Applicable Plans:**

*The applicant demonstrates that the project, including the applicant's long-range development plans, augments and integrates with relevant community, regional, state, and federal health planning, and incorporates or reflects evidence-based planning and service delivery. A demonstration under this standard should show that the applicant has checked with the department regarding any relevant state plan, with appropriate federal agencies for relevant federal plans, and with appropriate communities regarding community or regional plans.*

**Providence:**

The application discusses two planning agencies: Department of Health and Social Services Administration on Aging and the Institute for Healthcare Improvement Triple Aim Initiative, however; neither of these agencies identifies ASCs as a planning issue or a mechanism to address unique populations or barriers to care.

Additionally, the application discusses Providence's involvement in the Mat-Su Community Health Needs Assessment, but did not provide any findings as a result of this assessment or of Providence's involvement.

Currently, there are no relevant state, local or regional plans for ASCs.

This standard is waived.

**SCA:**

SCA states that this application is consistent with the SCA members' short-term and long-term plans, but there was no outline for these plans in the application.

Currently, there are no relevant state, local or regional plans for ASCs.

This standard is waived.

**General Review Standard #3 – Stakeholder Participation:**

*The applicant demonstrates evidence of stakeholder participation in planning for the project and in the design and execution of services.*

**Providence:**

The application states that the project was developed with internal experts, including individuals who currently work in, live in, and/or service the Mat-Su community. However, the application does not contain any evidence of stakeholder participation in the planning for the project and in the design and execution of services.

The application states that evidence of stakeholder participation will be submitted during the public hearing process. The addendum, dated April 8, 2013, does include a letter of support from the Mayor of the City of Wasilla. However, the letter does not describe how the city was involved in the planning of the project or the services.

During the public meeting, two Providence employees spoke in favor of the project, but did not mention if they were involved in the planning of the ASC or in the design and execution of services. Three letters were received during the public comment period in favor of the project, but again, they do not mention if or how stakeholders were involved in the planning of the ASC or in the design and execution of services.

This standard is not met.

**SCA:**

The application states that the proposed project included both physician and non-clinical stakeholders, but the application does not contain any evidence of stakeholder participation in the planning for the project and in the design and execution of services.

During the public meeting, one community member and one SCA employee spoke in favor of the project, but neither mentioned whether they were involved in the planning of the ASC or in the design and execution of services. Two letters were received during the public comment period in favor of the project, but again, there is no mention of stakeholder involvement in the planning of the project or the design and execution of services.

This standard is not met.

**General Review Standard #4 – Alternatives Considered:**

*The applicant demonstrates that they have assessed alternative methods of providing the proposed services and demonstrates that the proposed services are the most suitable approach.*

**Providence:**

The applicant explored four alternatives for the current project:

1. Do nothing: It was determined that this was not an acceptable alternative as the applicant felt it does not address the unmet community need.
2. Build a larger than two surgical suite ASC: The applicant determined that this was not acceptable in order to avoid overbuilding medical facilities in the community
3. Build a hospital: The applicant determined that this was not acceptable as the community is currently served by a hospital and an ASC would focus on procedures that are best performed in a ASC rather than a hospital.
4. Build a two surgical suite ASC: The applicant chose this alternative as it is the most effective and efficient way to address unmet community need and there is no not-for-profit, mission-based provider of surgery services in the Mat-Su Borough.

While alternatives were considered, there were assumptions used in the decision-making process. This includes the assumption that outmigration to Anchorage is a result of unmet need in the Mat-Su.

This review standard is met.

**SCA:**

The applicant explored three alternatives for the current project:

1. Do Nothing
2. The physician owners establish the project themselves
3. Undertake the project contained in the application

The physician members concluded that the addition of freestanding outpatient surgical capacity was needed in the community due to the rapid growth and aging of the population, the lack of choice for outpatient surgery, and the large percentage of residents leaving the area for outpatient surgical service. The physician members also felt that in developing the project with SCA, they would ensure that the facility would be developed and operated as efficiently and effectively as possible.

This applicant also makes the assumption that outmigration to Anchorage is a result of unmet need in the Mat-Su.

This review standard is met.

**General Review Standard #5 – Impact on the Existing System:**

*The applicant briefly describes the anticipated impact on existing health care systems within the project's service area that serve the target population in the service area, and the anticipated impact on the statewide health care system.*

**Providence:**

The application states that Mat-Su Regional Medical Center's available capacity is not sufficient to meet all of the surgical Class C needs of the Mat-Su residents, but provides no evidence to support this statement.

Secondly, the application states that ASC surgeries can be a less expensive patient alternative to hospital-based outpatient services. The application provides evidence of this from the American Hospital Association, but it does not provide evidence of any costs with regard to the current providers in the area.

Finally, the application discusses how, according to the 2012 County Health Ranking, 24% of the Mat-Su population does not have health insurance and that the Mat-Su Regional Medical Center, according to a 2003 CON application, only has charity care at 3% of its net patient revenues. No evidence was presented as to the current amount of charity care provided by the Mat-Su Regional Medical Center. Financial projections of the project show Providence estimates that 4-5% of its patient volume will be charity care.

It is worth noting that one individual spoke at the public meeting on how the Mat-Su Regional Medical Center has provided charity care for herself and her family. She was opposed to both CON applications.

This standard is not met.

**SCA:**

The application states that the primary goals of the project are reducing the outmigration of care, reducing costs, and increasing patient satisfaction.

As stated earlier, the application discusses outmigration for services to Anchorage, but it did not include any evidence to support this assumption or that this is attributable to unmet need in the Mat-Su.

Secondly, no cost data was provided in the application to show a reduction in costs from the project.

Finally, the application does not include any evidence of reviewing patient satisfaction in the Mat-Su for purposes of addressing the stated goal of increasing patient satisfaction.

This standard is not met.



During the public comment period, over 300 community members (by signing a form letter or card) stated that there was no need for additional surgical capacity in the Mat-Su, and that any additions would cause financial harm to the existing Mat-Su Regional Medical Center by duplicating services and increasing healthcare costs.

Only two community members indicated, by letter, that they were Mat-Su residents who received surgical care in Anchorage.

Additionally, the Department received a public comment, by letter, from Denali Orthopedic Surgery, P.C. It was signed by five physicians and stated that a significant number of their patients receive outpatient surgery in Anchorage due to cost savings, but it did not provide any indication as to the number of patients or amount of cost savings. The letter did not provide a preference as to which CON application was supported.

**General Review Standard #6 – Access:**

*The applicant demonstrates that the project's location is accessible to patients and clients, their immediate and extended families and community members, and to ancillary services. This includes the relocation of existing services or facilities.*

**Providence:**

The application discusses four areas with regard to accessibility: convenience of location on the Providence Mat-Su medical campus between Palmer and Wasilla with accessible transportation by private vehicle and public transportation; building accommodations for handicapped and aging patients; hours of operation from 7am-4pm Monday through Friday with later hours to accommodate recovery patients; and the Providence policy of non-discrimination in patient services.

This standard is met.

**SCA:**

The application outlines a single-story facility that will meet all of the ADA requirements for accessibility. The location of the proposed project is readily accessible by vehicle and public transportation. Hours of operation are planned to be 6am-5pm, Monday through Friday, and the applicant proposes to serve all patients meeting clinical admission criteria regardless of age, race, ethnicity, income, sex, etc.

This standard is met.

**CONCURRENT REVIEW STANDARDS:**

*In completing a concurrent review of two or more applications under 7 AAC 07.060, in addition to applying the standards set out above, the department will compare the extent to which each applicant, including any parent organization of the applicant:*

**Concurrent Review Standard #1 – Quality:**

*Demonstrates a commitment to quality that is consistent with, or better than, that of existing services, if any*

**Providence:**

The application indicates that no Class C ASCs currently exist in the Mat-Su. It also references three national studies that outline a general statement that ASCs offer more efficient clinical operations, which save time and money in delivering services. The application does not outline how the proposed project would meet this general statement nor was evidence presented as to the level of care currently provided in the area through the Mat-Su Regional Medical Center or the other licensed ASC: Surgery Center of Wasilla.

This standard is not met.

**SCA:**

The application states that the only existing ASC in Mat-Su is an independent center, but it fails to provide a facility name or discussion as to the quality of care provided by this independent center. The applicant proposes to be managed by SCA and states through the application about how SCA has significant and proven infrastructure to support quality outcomes. The application does not provide any evidence of SCA's past experience of providing quality outcomes.

No evidence is presented as to the level of care currently provided in the area through the Mat-Su Regional Medical Center's surgical services or the other licensed ASC: Surgery Center of Wasilla.

This standard is not met.

**Concurrent Review Standard #2 – Licensure and accreditation:**

*Demonstrates a pattern of licensure and accreditation surveys with few deficiencies and a consistent history of few verified complaints*

**Providence:**

The application outlines the current licensure and accreditation status of nine facilities owned or managed by Providence. All are licensed and accredited to show a commitment of quality care. However, Providence Surgery Centers, LLC, doing business as Creekside Surgery Center, in Anchorage, is not listed among these nine. This is an ASC owned 50% by Providence, initially licensed by the State in November 2010, and listed as an accredited ASC by the Accreditation Association for Ambulatory Health Care (AAAHC) according to the website: [www.aaahc.org](http://www.aaahc.org).

This standard is met as Providence has a long history of licensure and accreditation of its facilities. However, it is of interest that the application did not include the history of Providence's only ASC in Alaska, which has been operational since November 2010.

**SCA:**

The application states that the managing member of this project has a documented history of operating facilities and services in conformance to the licensure and accreditation requirements of the states in which it operates. Also mentioned is a statement that Alaska Surgery Center, SCA's affiliate in Anchorage, is considered a "Center of Excellence" and is held out as a benchmark for all SCA facilities. Review of state licensing and AAAHC shows that Alaska Surgery Center is licensed by the State and accredited by AAAHC.

This standard is not met. The applicant does not demonstrate a *pattern* of licensure and accreditation surveys for Alaska Surgery Center.

**Concurrent Review Standard #3 – Care to low-income and uninsured persons:**

*Demonstrates that the applicant has consistently provided, or has a policy to provide, high levels of care to low-income and uninsured persons*

**Providence:**

The applicant states a number of times, throughout the application, that it is committed to serving low-income and uninsured persons in the proposed project. This is evidenced by the financial projections, which state that of the total number of patients, 4-5% will be charity care. It is worth noting that the application does not provide a policy that would be utilized to identify need.

This standard is met.

**SCA:**

The application states that SCA has made a commitment to serve all patients regardless of ability to pay. This is evidenced by both the facility pro forma financials, which project charity care of 3% of the total patient cases, and by a policy SCA will use to establish a protocol for financial hardship, charity care and discount processing for the facility.

This standard is met.

**REVIEW STANDARDS AND METHODOLOGY SPECIFIC TO SURGICAL CARE:**

**A. General Surgery Services**

*After determining whether an applicant has met the general review standards in Section I of this document, the department will apply the following service specific review standards in its evaluation of an application for a CON for general surgery services: The applicant demonstrates need in accordance with the following review methodology.*

*The review standards for general surgery services do not apply to (1) open-heart surgery subject to the standards in B of this section; (2) surgery suites dedicated to C-sections and other birth-related surgeries; or (3) surgery suites dedicated to LASIK or other eye surgery.*

CON staff provided each applicant with current surgical utilization data (through calendar year 2011) in order to proceed with the General Surgery Services methodology. As outlined in the standards above, this review methodology does not include utilization for open-heart surgery, surgery suites dedicated to C-sections and other birth-related surgeries, or surgery suites dedicated to LASIK or other eye surgery.

**B. Review Methodology**

*The department will use the following formula to determine need for general surgery capacity:*

**STEP ONE:** Determine the projected general surgery caseload using the formula:

$$C = P \times GSUR$$

**C** (caseload) = the number of general surgery cases projected for the fifth year from the project implementation date. Cases refer to patients who may have one or more surgical procedures during a particular visit to the operating room. If the patient returns at a later date for additional services, the next visit will count as an additional case.

**P** (projected population) = the official state projected population in the fifth year following implementation of the project

**GSUR** (general surgery use rate) = defined as the average number of general surgery cases provided over the preceding three years per 1,000 (persons)

**STEP TWO:** Determine the projected number of operating rooms required to meet projected demand using the formula:

$$GORR = C / TU$$

**GORR** = general operating rooms required

**C** = projected general surgery cases

**TU** = target use rate for operating rooms, defined as 900 surgical cases per operating room for operating rooms serving both inpatients and outpatients and 1,200 surgical cases for operating rooms dedicated to outpatient surgery use

**STEP THREE:** Determine unmet need for general purpose operating rooms, if any, by subtracting number of existing and CON-approved operating rooms from the number projected to be needed.

**Providence:**

The applicant did provide an estimate for the need of surgery suites in the Mat-Su through the year 2020; however, there is also the addition of surgical cases that were performed in Anchorage (outmigration) based on two assumptions presented in the application and the addendum:

1. Approximately 10 percent of Providence Alaska Medical Center outpatient surgery patients are residents of the Mat-Su, AND
2. If 10 percent of PAMC's patients are from the Mat-Su then the assumption was made that other Anchorage ASCs have a similar mix of patients.

These cases were added to the methodology in the application to support the applicant's assumption of unmet surgical capacity in the Mat-Su.

The review methodology specific to surgical care does not address or allow for these assumptions in determining surgical capacity and need, and the review methodology cannot be waived.

**SCA:**

The applicant did provide an estimate of the need for surgery suites in the Mat-Su through the year 2020; however the applicant also adds surgical cases that were performed in Anchorage to support the assumption of unmet surgical capacity.

The application states that the general surgical use rate in the Mat-Su is low because residents travel to Anchorage for service. The application does not include any documentation to justify this statement.

The application also utilizes the Anchorage surgical use rate to support the need for additional surgical capacity in the Mat-Su.

The review methodology specific to surgical care does not address or allow for these assumptions in determining surgical capacity and need, and the review methodology cannot be waived.

**Staff Analysis of Review Methodology:**

The Review Methodology adopted by the Department shows that there is no need for additional surgery suites in the Mat-Su Borough through 2020.

The Review Methodology used for the review is Appendix B of this document.

## **FINANCIAL FEASIBILITY AND IMPACT TO MEDICAID**

### **Providence:**

The application states that Providence will lease a 10,800 square foot facility in Wasilla, Alaska. This space will be equipped and licensed as an ambulatory surgery center with two surgical suites, three preoperative rooms and seven recovery rooms.

The total cost of the project is \$12,255,386 of which \$5 million will be funded through a bond and the remainder will be financed at an estimated 6.5% interest rate.

The lease payments will be considered an operating expense for the facility.

Of the total number of patient cases, it is estimated that 4-5% will be charity care, 8-9% self-pay, and 20% Medicaid through the first three years of operation.

The financial income statements provided in the application show a shortage of revenue to expenditures of \$3.7 million in the first year, \$1,174 million in the second year and \$350,000 in the third year. It is estimated that in the fourth year of operation, the facility will have a positive cash flow.

Medicaid payments for ASCs are based on procedures that are grouped in one of eight categories with payments that currently range between \$606 and \$1,815. Analysis by the Office of Rate Review shows a low and a high projection for Medicaid payments for the project over five years of operation. The low projection ranges from \$101,853 in the first year to \$325,674 by the fifth year. The high projection ranges from \$304,923 in the first year to \$974,987 by the fifth year.

### **SCA:**

The application states that SCA will lease a 11,000 square foot facility in Wasilla, Alaska. This space will be equipped and licensed as an ambulatory surgery center with two surgical suites and a procedure room.

The total cost of the project is \$8,290,840 and will be financed with 15% equity from partners and 85% from conventional loans at an estimated 7% interest rate.

The lease payments will be considered an operating expense for the facility.

Of the total number of patient cases, it is estimated that 3% will be charity care, 2% self-pay, and 8-9% Medicaid.

The financial income statements provided in the application show an excess of revenue to expenditures of \$64,418 in the first year and ultimately an excess of \$426,747 in the fifth year of operation.

Medicaid payments for ASCs are based on procedures that are grouped in one of eight categories with payments that currently range between \$606 and \$1,815. Analysis by the Office of Rate Review shows a low and a high projection for Medicaid payments for the project over five years of operation. The low projection ranges from \$71,540 in the first year to \$83,281 by the fifth year. The high projection ranges from \$214,172 in the first year to \$249,321 by the fifth year.

## **PUBLIC COMMENT SUMMARY**

A written public comment period was open from March 22, 2013 to April 22, 2013.

A public meeting was held in Wasilla on April 8, 2013. Over 100 individuals attended the meeting with 37 providing comments. 31 spoke in opposition to the addition of any surgical capacity in the Mat-Su. It should be noted that of the 31 in opposition, 24 identified themselves as Mat-Su Regional Medical Center employees, one was a Mat-Su Foundation member, and one was a Mat-Su Regional Medical Center Board member.

Also, during the public meeting, two spoke in favor to the project proposed by Providence. They both identified themselves as Providence employees. Two spoke in favor of the SCA application, one of which was an SCA employee. Two individuals, who identified themselves as having an affiliation with Providence, spoke in favor of an ASC in the Mat-Su, but did not state a preference with regard to the CON applications.

319 letters in opposition of both CON applications were received before the deadline either during the public meeting, by mail, or by e-mail. These letters in opposition were a form letter or postcard addressed to the CON program, which outlined opposition for three reasons: no need for additional surgery suites in the community, unused capacity at Mat-Su Regional Medical Center, and the proposed projects will cause financial harm to the Mat-Su Regional Medical Center, which will increase healthcare costs to residents of the Mat-Su.

Four letters of support were received for the Providence application, one of which was from the Mayor of the City of Wasilla.

Two letters of support were received for the SCA application.

Three letters were received that stated patients desire more choice for surgery in the Mat-Su, but none of the letters indicated which application they supported. Two of these letters also discussed the issue of outmigration and the writers identified themselves as having to travel to Anchorage for care. Both went to SCA. These were the only letters presented or comments given that discussed the need to travel to Anchorage for care.

Additionally, as stated earlier, one letter was signed by five physicians from Denali Orthopedic Surgery, P.C. It stated that there was a need for an ASC in the Mat-Su, but it did not give an opinion as to which application it supported.



## **RECOMMENDATION**

### **Providence:**

It is recommended that the Providence Health and Services Alaska CON application for construction of a two-suite ASC in Mat-Su be denied based on the following findings:

1. The application did not document need for the project as outlined in General Review Standard #1
2. The application did not demonstrate evidence of stakeholder participation in planning as outlined in General Review Standard #3
3. The application did not describe the anticipated impact on existing health care systems within the project's service area as outlined in General Review Standard #5
4. The application did not demonstrate a commitment to quality that is consistent with or better than that of existing services as outlined in Concurrent Review Standard #1

Additionally, utilizing the Department's Review Methodology for Surgical Services, there is no need for additional surgical capacity through 2020.

### **SCA:**

It is recommended that the Surgical Care Affiliates CON application for construction of a two-suite ASC in Mat-Su be denied based on the following findings:

1. The application did not document need for the project as outlined in General Review Standard #1
2. The application did not demonstrate evidence of stakeholder participation in planning as outlined in General Review Standard #3
3. The application did not describe the anticipated impact on existing health care systems within the project's service area as outlined in General Review Standard #5
4. The application did not demonstrate a commitment to quality that is consistent with or better than that of existing services as outlined in Concurrent Review Standard #1
5. The application did not provide evidence that demonstrates a pattern of licensure and accreditation surveys for the parent organization of the applicant.

Additionally, utilizing the Department's Review Methodology for Surgical Services, there is no need for additional surgical capacity through 2020.

**APPENDIX A**  
**General Review Standards and Concurrent Review Standards**

## I. General Review Standards Applicable to all Certificate of Need Applications

### *Review Standards*

The department will apply the following general review standards, the applicable service-specific review standards set out in this document, the standards set out in AS 18.07.043, and the requirements of 7 AAC 07 in its evaluation of each certificate of need application:

1. The applicant documents need for the project by the population served, or to be served, including, but not limited to, the needs of rural populations in areas having distinct or unique geographic, socioeconomic, cultural, transportation, and other barriers to care.
2. The applicant demonstrates that the project, including the applicant's long-range development plans, augments and integrates with relevant community, regional, state, and federal health planning, and incorporates or reflects evidence-based planning and service delivery. A demonstration under this standard should show that the applicant has checked with the department regarding any relevant state plan, with appropriate federal agencies for relevant federal plans, and with appropriate communities regarding community or regional plans.<sup>1</sup>
3. The applicant demonstrates evidence of stakeholder participation in planning for the project and in the design and execution of services.
4. The applicant demonstrates that they have assessed alternative methods of providing the proposed services and demonstrates that the proposed services are the most suitable approach.
5. The applicant briefly describes the anticipated impact on existing health care systems within the project's service area that serve the target population in the service area, and the anticipated impact on the statewide health care system.
6. The applicant demonstrates that the project's location is accessible to patients and clients, their immediate and extended families and community members, and to ancillary services. This includes the relocation of existing services or facilities.

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<sup>1</sup> For state planning processes and materials, applicants should contact the Certificate of Need coordinator or check the department's Internet web site at [http://www.hss.state.ak.us/dph/chems/cert\\_of\\_need/](http://www.hss.state.ak.us/dph/chems/cert_of_need/) for links to state planning documents. A summary of state plans through 2003 is available at the following Internet web site: <http://www.hss.state.ak.us/dph/targets/ha2010/volume3/plans.htm>. For federal health planning processes, a project may refer to documents such as the Healthy People planning documents (for example, Healthy People 2010) and other documents developed by the Centers for Disease Control ([www.cdc.gov](http://www.cdc.gov)), Centers for Medicare and Medicaid ([www.cms.gov](http://www.cms.gov)), Agency for Health Care Research and Quality ([www.ahrq.com](http://www.ahrq.com)), and other agencies.

### ***Additional Considerations for Concurrent Review of More than one Application***

In completing a concurrent review of two or more applications under 7 AAC 07.060, in addition to applying the standards set out above, the department will compare the extent to which each applicant, including any parent organization of the applicant,

1. demonstrates a commitment to quality that is consistent with, or better than, that of existing services, if any;
2. demonstrates a pattern of licensure and accreditation surveys with few deficiencies and a consistent history of few verified complaints; and
3. demonstrates that the applicant has consistently provided, or has a policy to provide, high levels of care to low-income and uninsured persons.

### ***Review Methodology***

For each specific service for which a methodology for calculating a standard of need has been established, the methodology is outlined in this document.

**APPENDIX B**  
**General Surgery Review Methodology**

## REVIEW METHODOLOGY:

**Step One: Determine the projected general surgery caseload using the formula**

$$C=P \times GSUR$$

C(caseload)=the number of surgery cases projected for the fifth year from the project implementation date. Cases refer to patients who may have one or more surgical procedures during a particular visit to the operating room. If the patient returns at a later date for additional services, the next visit will count as an additional case

P(projected population)=the official state projected population in the fifth year following implementation of the project

GSUR(general surgery use rate)=defined as the average number of general surgery cases provided over the preceding three years per 1,000 (persons)

|  |                            |
|--|----------------------------|
| <b>Population Mat-Su Borough</b>             | 89,721 DOL 2010 estimate*  |
|  | 103,070 DOL 2015 estimate* |
| <b>Population from completion of project</b> | 117,222 DOL 2020 estimate* |
|  | 131,764 DOL 2025 estimate* |

\*DOL = State of Alaska Department of Labor and Workforce Development

**Surgery cases - per data submitted to CON program**

| YEAR                           | 2008 | 2009 | 2010                     | 2011 | 3 year average | Combo Suites | Outpt only Suites | Total Suites | Target Use* |
|--------------------------------|------|------|--------------------------|------|----------------|--------------|-------------------|--------------|-------------|
| Mat-Su Regional Medical Center |      |      |                          |      |                |              |                   |              |             |
| Combo                          | 3242 | 3334 | 3519                     | 3588 | 3481           | 5            |                   | 5            | 4500        |
| Outpt only                     | 871  | 796  | 765                      | 889  | 817            |              | 2                 | 2            | 2400        |
| Pioneer Peak Surgical Center   |      |      | Ceased operation in 2012 |      |                |              |                   |              |             |
| Outpt only                     |      | 1290 | 2203                     | 1446 | 1647           | 0            | 1                 | 1            | 1200        |
| Surgery Center of Wasilla      |      |      | Licensed 11/2012         |      |                |              |                   |              |             |
| Outpt only                     |      |      | 0                        | 0    | 0              | 0            | 1                 | 1            | 0           |

5 Combo Suites 3 yr average = 3,481

3 Outpt only Suites\* 3 yr average = 2,463

\* does not include Surgery Center of Wasilla

Combo Suites GSUR =cases / 1000 population

Outpt only Suites GSUR =cases / 1000 population

\*TU=target use rate for operating rooms, defined as 900 surgical cases for combo suites and 1,200 for outpt only suites

|       |
|-------|
| 38.8  |
| 27.45 |

**FOR COMBO SUITES - performing inpatient as well as outpatient surgeries**

**STEP TWO: Determine the projected number of operating rooms required to meet projected demand using the formula:**

$$GORR=C/TU$$

GORR=general operating rooms required

C=projected general surgery cases

TU=target use rate for operating rooms; defined as 900 surgical cases per operating room for

operating rooms serving both inpatients and outpatients and 1,200 surgical cases

for operating rooms dedicated to outpatient surgery use

| Combo Suites              | GSUR=38.8 | Projected cases /1000 population | # of Operating Rooms needed |
|---------------------------|-----------|----------------------------------|-----------------------------|
| 2015 projected population |           | 103,070                          | 4.44 by 2015                |
| 2020 projected population |           | 117,222                          | 5.06 by 2020                |
| 2025 projected population |           | 131,764                          | 5.68 by 2025                |

**STEP THREE: Determine unmet need for general purpose operating rooms, if any, by subtracting number of existing and CON-approved operating rooms from the number projected to be needed.**

| Current Mat-Su General Surgery Suites | 5 Combo suites | Additional Suites |
|---------------------------------------|----------------|-------------------|
|                                       | GSUR= 38.8     |                   |
| Surgery Suites needed to 2015         | 4.44           | 0                 |
| 2020                                  | 5.06           | 1                 |
| 2025                                  | 5.68           | 1                 |

**No combo surgery suites required in Mat-Su through 2020**



**FOR OUTPATIENT ONLY SUITES - performing only outpatient surgeries**

**STEP TWO: Determine the projected number of operating rooms required to meet projected demand using the formula:**

$$GORR=C/TU$$

GORR=general operating rooms required

C=projected general surgery cases

TU=target use rate for operating rooms; defined as 900 surgical cases per operating room for

operating rooms serving both inpatients and outpatients and 1,200 surgical cases

for operating rooms dedicated to outpatient surgery use

| Outpatient only suites    | GSUR=27.45 | Projected cases /1000 population | # of Operating Rooms needed |
|---------------------------|------------|----------------------------------|-----------------------------|
| 2015 projected population |            | 103,070                          | 2.36 by 2015                |
| 2020 projected population |            | 117,222                          | 2.68 by 2020                |
| 2025 projected population |            | 131,764                          | 3.01 by 2025                |

**STEP THREE: Determine unmet need for general purpose operating rooms, if any, by subtracting number of existing and CON-approved operating rooms from the number projected to be needed.**

| Current Mat-Su Ambulatory Surgery Suites | 3 outpatient only suites | Additional Capacity |
|--|--------------------------|---------------------|
|  | GSUR=27.45               |                     |
| Surgery Suites needed to 2015            | 3                        | 0                   |
| 2020                                     | 3                        | 0                   |
| 2025                                     | 4                        | 1                   |

**No outpatient only surgery suites required in Mat-Su through 2025**

Providence Mat-Su Surgery Center  
Mat-Su Valley Surgery Center  
Concurrent Certificate of Need Review for  
Ambulatory Surgery Center in Mat-Su

May 22, 2013

**APPENDIX C**  
**Office of Rate Review – Estimated Cost to Medicaid**



**MEMORANDUM**

**Date:** May 20, 2013  
**To:** Karen Lawfer, CON Coordinator  
**From:** Jared C. Kosin, Executive Director  
**Subject:** Certificate of Need Review for Freestanding Ambulatory Surgical Center

Providence Health & Services Alaska is requesting a Certificate of Need (CON) for the creation of the Providence Mat-Su Surgery Center: an Ambulatory Surgical Center (ASC) located in Wasilla, Alaska. The CON application has been submitted for approval to lease and equip a facility with approximately 10,800 square feet that will have two Class C operating rooms, three preoperative rooms, and seven recovery rooms.

The total cost of the project is projected to be \$12,255,386. A portion of the total costs will be financed by issuing a \$5 million bond. The lease payments will be an operating expense of the Providence Mat-Su Surgery Center.

The application's project development schedule (pg. 49) estimates construction on the leased building will begin by May 1, 2013 and is anticipated to be completed by January 1, 2014. The project's operational date is anticipated to be May 1, 2014. An addendum to the CON application dated April 8, 2013 was submitted with a revised project timeline (pg. 6 of the addendum). According to the addendum, construction is estimated to begin May 1, 2014 and is anticipated to be completed by January 1, 2015. The operational date is anticipated to be May 1, 2015.

Medicaid services to be provided through this project would be paid based upon ASC procedure codes. Alaska Medicaid classifies all ASC procedures into one of eight groups and payments in SFY2013 range from \$606 to \$1,815.

In determining the estimated impact to Alaska Medicaid, we estimated using the projected volumes for five years from Table IV.B.5.c. (pg. 30) and Schedule VI (pg. 60).

| Projected Medicaid Utilization | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
|--------------------------------|--------|--------|--------|--------|--------|
|                                | 168    | 308    | 366    | 424    | 481    |


As noted above, the estimate below is based on a range of service categories available from the lowest to the highest procedure payment rate for services and the information provided in the application. The following is an estimate of the impact to Medicaid:

|      |           |           |           |           |           |
|------|-----------|-----------|-----------|-----------|-----------|
| Low  | \$101,853 | \$191,960 | \$234,495 | \$279,262 | \$325,674 |
| High | \$304,923 | \$574,679 | \$702,019 | \$836,039 | \$974,987 |

Should you have any questions, please contact Joyce Seekatz at 344-2466 or me at 334-2447.



**MEMORANDUM**

**Date:** May 21, 2013  
**To:** Karen Lawfer, CON Coordinator  
**From:** Jared C. Kosin, Executive Director   
**Subject:** Certificate of Need Review for Freestanding Ambulatory Surgical Center

The partners of Mat-Su Valley Surgery Center, LLC are requesting a Certificate of Need (CON) for the creation of the Mat-Su Valley Surgery Center, LLC: an Ambulatory Surgical Center (ASC) located in Wasilla, Alaska. The CON application has been submitted for approval to lease, improve, and equip a facility with approximately 9,700 square feet that will have two operating rooms and one procedure room.

The total cost of the project is projected to be \$8,290,840. The project will be financed with 15% equity from the partners and 85% from two conventional loans (pg. 3). Patient revenues are projected to contribute sufficient funds to finance the debt service.

The application's project development schedule (pg. 31) estimates construction on the leased building will begin by February 2014 and is anticipated to be completed by August 2014. The project's operational date is anticipated to be October 2014.

Medicaid services to be provided through this project would be paid based upon ASC procedure codes. Alaska Medicaid classifies all ASC procedures into one of eight groups and payments in SFY2013 range from \$606 to \$1,815.

In determining the estimated impact to Alaska Medicaid, we estimated using the projected Medicaid utilization rate from Schedule IV (pg. 45) and the Medicaid patient volumes from Schedule VI (pg. 48).

| Projected Medicaid Utilization | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
|--------------------------------|--------|--------|--------|--------|--------|
|                                | 118    | 120    | 123    | 123*   | 123*   |

\*Amount from Year 3 was used in Years 4 and 5 as amounts for these years were not provided.

As noted above, the estimate below is based on a range of service categories available from the lowest to the highest procedure payment rate for services and the information provided in the application. The following is an estimate of the impact to Medicaid:

|      |           |           |           |           |           |
|------|-----------|-----------|-----------|-----------|-----------|
| Low  | \$71,540  | \$74,789  | \$78,806  | \$81,012  | \$83,281  |
| High | \$214,172 | \$223,901 | \$235,924 | \$242,530 | \$249,321 |

Should you have any questions, please contact Joyce Seekatz at 344-2466 or me at 334-2447.