

**CERTIFICATE OF NEED APPLICATION REVIEW
MAT-SU REGIONAL MEDICAL CENTER
EMERGENCY DEPARTMENT EXPANSION
JUNE 2018**

BILL WALKER

GOVERNOR

VALERIE DAVIDSON

COMMISSIONER

State of Alaska

Department of Health & Social Services

Office of Rate Review

Certificate of Need Program

Table of Contents

BACKGROUND	3
PROJECT DESCRIPTION	3
PROJECT COSTS.....	3
REVIEW STANDARDS.....	4
General Review Standard #1- Documented Need:	4
General Review Standard #2 – Relationship to Applicable Plans:.....	6
General Review Standard #3 – Stakeholder Participation:	8
General Review Standard #4 – Alternatives Considered:	8
General Review Standard #5 – Impact on the Existing System:	10
General Review Standard #6 – Access:	11
SERVICE-SPECIFIC REVIEW STANDARDS.....	11
Review Methodology	12
FINANCIAL FEASIBILITY	14
Impact to Medicaid	16
Recommendation.....	19

BACKGROUND

This is a review of a Certificate of Need (CON) application which was submitted March 6, 2018 by Mat-Su Regional Medical Center (MSRMC). The proposed project will expand existing hospital Emergency Department Treatment Services by adding 10 emergency department treatment beds to their existing 20 emergency department treatment beds. MSRMC is a licensed 74-bed acute care hospital located in Palmer, Alaska. “The hospital offers a wide variety of services, including medical-surgical care, surgical services, intensive-care services, laboratory services, radiology services, cardiology services, and emergency department services.” See *CON Application* at 6. MSRMC’s exact legal name is Mat-Su Valley Medical Center, LLC, DBA Mat-Su Regional Medical Center. The two governing owners are Community Health Systems Professional Services Corporation (for-profit entity) and Mat-Su Health Foundation (not-for-profit entity). See *CON Application* at 2.

PROJECT DESCRIPTION

MSRMC seeks to add 10 emergency room department treatment beds, 8 beds designated general emergency treatment beds and 2 beds designated as secure beds. The two secure beds will function as part of a psychiatric emergency department intended to complement the hospital’s proposed 36 bed adult inpatient psychiatric unit located directly adjacent to the main hospital emergency department.

Type of Service	Current Capacity	Added, Expanded, or Replacement Capacity	TOTAL PROPOSED CAPACITY
HOSPITAL EMERGENCY DEPARTMENT SERVICES			
Emergency Department Treatment Beds/Rooms	18	8	26
Secure Beds/Rooms	2	2	4

The project is estimated to be a total of 17,599 square feet (9,861 square feet in new construction and 7,738 square feet of renovated, existing space) in size with a total cost not exceeding \$14,500,529. The completion date for the project is on or before December 2020; which coincides with the anticipated completion date of the proposed 36 bed adult inpatient psychiatric unit. All services will be located on MSRMC’s existing campus in the Matanuska-Susitna Borough.

PROJECT COSTS

Total cost of the project is estimated at **\$14,500,529**

- \$ 9,615,750 Construction Costs
- \$ 2,497,476 Movable Equipment
- \$ 2,387,303 Other Costs

REVIEW STANDARDS

MSRMC is licensed health care facility under AS 18.07.111(8), and its proposed project consists of an “expenditure” that is over the \$1.5 million CON threshold for “construction” of a health care facility or “alteration” of a health care facility’s capacity. Therefore, the project will receive general review and service-specific review for Hospital Emergency Department Services.

To perform this review, the project is first subject to the General Review Standards. Then, “[a]fter determining whether an applicant has met the general review standards in Section I of this document, the department will apply the . . . service-specific review standards, as applicable, in its evaluation of an application for a certificate of need.” *Alaska Certificate of Need Review Standards and Methodologies* at 23-24.

General Review Standards

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.

MSRMC is proposing to add 10 emergency department treatment beds. They currently have 20 emergency department beds; 18 of which are for general emergency department treatment services and 2 of which are for emergency psychiatric treatment (secure). MSRMC proposes to relocate the existing 2 secure beds across from the emergency department and expand by 2 secure beds for a projected count of 4 secure beds. MSRMC proposes to allocate the remaining 8 proposed beds to its general emergency department treatment services for a projected count of 26 general emergency department beds.

With the approved expansion, as presented, MSRMC will have 30 licensed and certified emergency department treatment beds which they can designate “secure” or “general” without having to go through a separate licensing or certification process for either designation.

MSRMC has the only emergency department in the Mat-Su Borough, which encompasses 24,682 square miles. In the planning of this project, MSRMC conducted a patient origin analysis that showed 92% of visits to Mat-Su Regional Medical Center’s emergency department are from borough residents. See *CON Application* at 25.

“[T]he average annual growth rate for visits to Mat-Su Regional Medical Center’s emergency department from 2013 to 2017 is 3.58%, which is higher than national trends. Additionally, the Mat-Su Borough is the fastest growing population in all of Alaska, and its 65 and older age

cohort is growing faster than any other age group within its population. *Alaska Department of Labor and Workforce Development Alaska Population Projections 2015 to 2045.*" *Id.*

MSRMC, in its application, quotes several studies highlighting the increasing rate of emergency room visits in the United States, which are at almost twice the population growth rate. In addition to the increasing number of emergency room visits, the purpose of the visit has become more complex and the age of the patient is older. "Emergency room visits are increasing as is the complexity of cases being seen in the emergency department. The acuity of the cases being seen can be attributed to an aging population. The visit frequency for Medicare beneficiaries . . . and adults aged 45 to 64 years increased faster than that of other payer or age groups[.]" Pitts, Stephen *National Trends in Emergency Department Occupancy, 2001 to 2008: Effect of Inpatient Admissions Versus Emergency Department Practice Intensity*; *Annals of Emergency Medicine*, Vol 60, No 6; Dec 2012 at 682. See *CON Application* at 22.

MSRMC's states their emergency room is already operating at capacity. "Increased visits coupled with higher acuity puts enormous pressure on an emergency department, especially one that is operating at capacity...these trends exist at Mat-Su Regional Medical Center, and the pressure is experienced every single day by patients, families, physicians, and staff." *Id.*

MSRMC states it is experiencing increasing emergency room visits by patients with multiple complaints; including behavioral health related issues. MSRMC believes additional rooms in the general emergency room as well as additional dedicated, secure rooms will relieve barriers to care that currently exist. See *CON Application* at 23.

MSRMC believes their current and expected emergency department status, given the influx of behavioral health patients and the increasing number of emergency department visits overall, is cause for concern. "A major problem with the rapid increase in behavioral health visits to the emergency department is that it creates another substantial element of pressure on service delivery. This pressure results in overcrowding in the emergency department, extended stays for patients needing inpatient behavioral health care, and emergency departments going on divert (i.e. having ambulances / emergency medical services bypass the hospital with critical patients since the emergency department is beyond capacity)." *Id.*

In 2017, MSRMC addressed one gap or deficiency in delivery of behavioral health services in the Mat-Su Borough by seeking approval for construction of a 36 bed adult inpatient psychiatric unit. A CON was approved for the project and its estimated completion date is December, 2020. However, MSRMC says more must be done and simply adding inpatient behavioral health beds is not enough. MSRMC believes an alternative to conventional emergency care is worth considering. "Most proposed solutions to this issue have focused solely on increasing available inpatient psychiatric hospital beds, rather than considering alternative emergency care designs that could provide prompt access to treatment and might reduce the need for many hospitalizations." *Zeller, Scott Effects of a Dedicated Regional Psychiatric Emergency*

Service on Boarding of Psychiatric Patients in Area Emergency Departments; Western Journal of Emergency Medicine, Vol XV, No 1; Feb 2014 at 1. See CON Application at 26.

MSRMC states the amount of behavioral health patients being seen at their emergency department has jumped over 20% in two years. In 2014, 349 mental health assessments were conducted in the MSRMC's emergency department, compared to over 1,000 in 2017. MSRMC acknowledges not all behavioral health patients presenting at the emergency department require hospitalization, and that neither patient nor the hospital benefit from a prolonged stay in the emergency department. MSRMC states "to maximize its role in the continuum of care as a hospital, it must dedicate resources at its entry point—i.e. the emergency department—to stabilize and discharge patients for long-term, community-based outpatient services, while reserving its inpatient beds for those most in need." *Id.*

MSRMC says they conducted their own research, including looking closely at Providence's "single point of entry" psychiatric emergency room model and concluded designating an area for their 4 "secure" emergency department beds to function as a psychiatric emergency department would best serve the patients presenting with behavioral health conditions. MSRMC adds that patients can present with both mental and physical conditions and that the patient can spend time in the general emergency treatment department in addition to the secure unit; not necessarily one or the other. The 4 secure beds will relieve immediate pressure on the general emergency treatment department and provide safe intake for those patients requiring direct admission to the inpatient behavioral health unit. "This will also increase access to care for those needing emergency services for general care or behavioral health, and improve quality of care by eliminating "boarding" in the overall emergency department. See *CON Application* at 27.

MSRMC's proposed project addresses capacity deficiencies, allows for additional capacity to accommodate documented growth and incorporates best practices for those needing access to both general and behavioral health services in the emergency department. **General Review Standard #1 is satisfied in full.**

RECOMMENDATION: MSRMC satisfies GRS #1

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.

Per its application, MSRMC demonstrates that it considered local, regional and state health plans including service specific evidence-based planning and service delivery.

MSRMC demonstrates planning for their project through a thorough review of applicable plans. MSRMC states their project was developed “with key experts, and aligns with best practices from the American College of Emergency Physicians, the Western Journal of Emergency Medicine, the Alaska Department of Health and Social Services, the State of Alaska’s proposed 1115 Demonstration Waiver for Behavioral Health, Senate Bill 74 “Medicaid Reform,” Healthy Alaskans 2020, the Mat-Su Health Foundation, the High-utilizer Mat-Su (“HUMS”) Program, the Mat-Su Health Foundation 2016 Community Health Needs Assessment, the Mat-Su Behavioral Health Environmental Scan, the Mat-Su Emergency Physicians group, and Providence Alaska Medical Center’s Psychiatric Emergency Department.” See *CON Application* at 28.

In the development of their project plan, MSRMC researched the “Alameda Model” which provides for a 24 hour a day crisis mental health service that can be assessed immediately and does not require an onsite psychiatric consultation or an inpatient psychiatric bed placement for patient assessment. This model is currently utilized by Providence Alaska Medical Center (PAMC). MSRMC project developers visited PAMC on numerous occasions throughout their project planning process and observed the model “in action”; concluding the service model would work well in the Mat-Su Borough. See *CON Application* at 29.

MSRMC states as a result of working with the Mat-Su Health Foundation and their shared priority of reducing over-utilization of emergency department services for non-emergency conditions (which is costly and inefficient), they are participating in the “HUMS” Program (High-utilizer Mat-Su), which was “designed to provide care coordination and access to community support for “high utilizers” (5 or more visits in the emergency medical system/year) who, for numerous reasons, are unable to independently access consistent, appropriate care and support in the community. Simply put, “this program will better connect patients with more routine community-based care with less emphasis on use of the emergency system for non-emergent care. *High Utilizer Mat-Su Program – Request for Proposals* at 2. The program officially launched in January 2018.” See *CON Application* at 30.

In addition to HUMS, MSRMC is participating in the Emergency Department Coordination Project (EDCP), which was established under Senate Bill 74. EDCP was designed to be a tool to increase care management resources, reduce emergency department admissions and improve quality of care through consistent delivery of care, integrate with the Prescription Drug Monitoring Program which includes establishing uniform guidelines for prescribing narcotics in an ED. *Id.*

MSRMC demonstrates, through their application, that they considered evidence-based planning and service delivery at the local, state and national level. **General Review Standard #2 is satisfied in full.**

RECOMMENDATION: MSRMC satisfies GRS #2

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.

MSRMC, through their application, consistently demonstrates evidence of engaged stakeholder participation. “The proposed project was shaped by significant consultation with key stakeholders and subject matter experts, including the Mat-Su Emergency Physicians group and its Medical Director—Dr. Anne Zink; staff from Providence Alaska Medical Center’s psychiatric emergency department; architects specializing in health care design; the Mat-Su Health Foundation; the hospital’s Board of Directors; and, the hospital’s Board of Trustees.” See *CON Application* at 31.

MSRMC also involved other internal and external stakeholders in the development of their project, such as their employees and other hospitals in the state, specifically PAMC’s psychiatric emergency department. MSRMC conducted in excess of 65 employee forums to receive input on its hospital expansion plans and toured PAMC’s psychiatric emergency department multiple times to observe effective protocols and practices. *Id.*

MSRMC demonstrates clear evidence of stakeholder participation in the planning, design and execution of services. **General Review Standard #3 is satisfied in full.**

RECOMMENDATION: MSRMC satisfies GRS#3

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.

MSRMC contemplated other alternatives when considering the project. These alternatives included doing nothing, and converting the existing secure rooms into general emergency

department treatment rooms. Both alternatives were deemed unsatisfactory. “Given the level of evidence-based planning, expertise, and stakeholder input that went into the emergency department expansion project, Mat-Su Regional Medical Center is confident that its proposed project is the most suitable approach.” See *CON Application* at 32.

MSRMC states that the option of doing nothing was not considered given the status of its emergency department services. When considering CON’s Review Standards and Methodologies and emergency department treatment room capacity, 1,500 annual visits per bed is considered maximum capacity. Given the utilization of existing services at its emergency department, MSRMC states it has been operating beyond capacity, or in excess of 1,500 annual visits per emergency department bed since 2015. See *CON Application* at 32.

Capacity Measure	2015	2016	2017
Total ED Visits	29,510	31,570	31,076
CON Capacity Visit Threshold	1,500	1,500	1,500
EDTRs Needed	20	22	21
EDTRs in Operation	18	18	18
Additional EDTRs Needed	2	4	3

“The average annual growth rate for visits to Mat-Su Regional Medical Center’s emergency department exceeds the national average, and the national average has been growing at a clip that is roughly twice the rate of the population growth[.]” See *CON Application* at 32. MSRMC believes the national growth rates for emergency department visits as they correlate to population growth rates is especially concerning considering that in Alaska the Mat-Su Borough is the fastest growing area in the state according to the *Alaska Department of Labor and Workforce Development Alaska Population Projections 2015 to 2045*. *Id.*

MSRMC points out they decided against converting its existing 2 secure beds to general emergency department treatment beds because “although it would help alleviate some pressure on the ED, it would still not cure the existing capacity deficiency (again, according to CON standards, the emergency department has been 2 to 4 EDTR’s short since at least 2015), and it fails to account for projected growth from population alone. Second, it fails to address the current and future impact of behavioral health needs in the emergency department, does not support the future behavioral health inpatient unit, and actually sets the emergency department back by eliminating its ability to at least provide a “psych-safe” setting within the existing secure rooms.” See *CON Application* at 33.

MSRMC demonstrates they considered other alternatives and that its proposed project is the best approach to address existing capacity deficiencies and projected growth in the future. **General Review Standard #4 is satisfied in full.**

RECOMMENDATION: MSRMC satisfies GRS #4

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.

MSRMC contends their proposed project is necessary when considering the overall system of care in the Mat-Su Borough, their responsibility within this system of care and the evolving needs of emergency department visitors. “[A] smooth continuum should exist among prehospital providers, ED providers, and providers of definitive follow-up care.” *American College of Emergency Physicians Emergency Department Planning and Resource Guidelines* at 1. See *CON Application* at 33. MSRMC states this concept drives the system of care they seek to provide with its proposed project. “More specifically, Mat-Su Regional Medical Center recognizes that all levels of health care in a service area are intimately connected, meaning balance must exist both inside and outside of the hospital.” *Id.*

MSRMC contends expanding their emergency treatment department will have a positive impact on the overall existing health care system, specifically by existing behavioral health services. “In addition to addressing general capacity needs, the proposed project also addresses behavioral health needs in a way that will fundamentally change service delivery in the statewide health care system, especially as it relates to Alaska Psychiatric Institute.” *Id.*

MSRMC says the proposed project alleviate the current access to care issue that exists at the Alaska Psychiatric Institute (API), noting that currently emergency department patients in need of behavioral health services are currently being held in secure and non-secure emergency department rooms across the entire state due to lack of space at API. “If Mat-Su Regional Medical Center expands its general emergency department capacity and incorporates a psychiatric emergency department within those operations, patients boarding in emergency departments around the state waiting for a bed at API can be transferred to Mat-Su Regional Medical Center’s emergency department, treated, and discharged home or admitted to its future inpatient behavioral health unit. This, in turn, will reduce statewide transfers and admissions to API, which will reduce its census to manageable levels, and allow it to receive and focus on more complex cases requiring longer, higher intensity interventions.” See *CON Application* at 35.

MSRMC demonstrates it considered the impact of its proposed project at the local and state level. **General Review Standard #5 is satisfied in full.**

RECOMMENDATION: MSRMC satisfies GRS #5

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.

Per its CON application, MSRMC demonstrates that the project’s location is accessible. MSRMC is located in Palmer, Alaska and is accessible by private, public, medical and other community transportation. “Mat-Su Regional Medical Center’s proposed emergency department expansion project demonstrates accessibility through its location next to two main Alaskan highways, its 24-7, 365-days per year hours of operation, its compliance with all local, state, and federal codes, including the Emergency Medical Treatment and Active Labor Act and the Americans with Disabilities Act, and its commitment to providing quality service, regardless of ability to pay and race, creed, color, religious beliefs or national origin.” See *CON Application* at 36.

MSRMC complies with all standards and regulations of the Americans with Disabilities Act, the Joint Commission on Accreditation of Health Care Organizations and Alaska Department of Health and Social Services, and the Federal Register for Nondiscrimination on the Basis of Disability by Public Accommodations and in Commercial Facilities. MSRMC has an open door policy and does not discriminate on a patient’s ability to pay, nationality, race, or creed. “Over the course of the last five years, Mat-Su Regional Medical Center incurred nearly \$11 million in unreimbursed costs for providing charity care.” *Id.*

MSRMC demonstrates they are accessible and are committed to providing quality care to all patients. **General Review Standard #6 is satisfied in full.**

RECOMMENDATION: MSRMC satisfies GRS 6

SERVICE-SPECIFIC REVIEW STANDARDS

Hospital Emergency Department Services: Review Standards and Methodology

- 1. The applicant demonstrates that the project promotes, or otherwise helps ensure, the maintenance of a stable and efficient emergency medical system.***

MSRMC demonstrates the proposed project will address emergency department services deficiencies as a result of exceeding maximum capacity, determined by Alaska Certificate of Need Review Standards and Methodologies, which is 1,500 annual visits per existing emergency room.

This standard is satisfied.

- 2. For the addition or expansion of general emergency services, a proposal will not be approved unless each emergency department treatment room will provide a minimum of 1,500 visits annually. The total number of emergency department treatment rooms (excluding specialized rooms such as cast/x-ray rooms, observation rooms, secure rooms and space for visiting physician clinics) approved will not exceed one room per 1,500 visits annually, based on utilization projections in the fifth year of operation. The department may approve additional space if the applicant documents use patterns, and submits data and analysis that show seasonal high peak use rates warranting additional treatment rooms.***

MSRMC, through the calculation of need supplied by the department in the Alaska Certificate of Need Review Standards and Methodologies, demonstrates a need for a minimum of 8 additional emergency department treatment rooms.

This standard is satisfied.

- 3. For the addition or expansion of fast track emergency services within a facility, a proposal will not be approved unless the applicant demonstrates that***

Not applicable. No fast track emergency services exist or are being proposed with this project.

- 4. For a proposal for additional space in the hospital emergency department, the applicant must perform a size-by-functional-need survey and analysis for additional space that demonstrates efficient use of the space.***

MSRMC performed a size-by-functional-need survey, the results of which demonstrate the project will use existing and expanded space in an efficient and cost effective manner.

Review Methodology

Review Methodology

The department will use the following formula to determine the need for emergency department treatment room services:

$$EDTR = C5/1500$$

$$C5 = P5 \times SAS \times UR$$

C5 = caseload (emergency department visits) projected for the fifth year after project completion

P5 = projected population for the fifth year after project completion

SAS (service area share) = the proposed service area's current share of the population to be served, as of the most recent geographic population estimates

UR = current utilization rate (average number of emergency department visits per year for the last three years, divided by population), to be determined on a service area basis

$$C5 = (P5)127,144 \times (SAS)1 \times (UR)0.297$$

$$C5 = 37,762$$

$$EDTR=37,762/1500$$

$$EDTR=25.17$$

$$EDTR=26 \text{ beds}$$

Per the calculation, the projected emergency department treatment services bed need in the Mat-Su Borough will be 26 beds in the year 2025. MSRMC currently has 18 general emergency department treatment services beds dedicated.

Alaska Certificate of Need Review Standards and Methodologies, Hospital Emergency Department Services Review Standards, #2 states:

“For the addition or expansion of general emergency services, a proposal will not be approved unless each emergency department treatment room will provide a minimum of 1,500 visits annually. The total number of emergency department treatment rooms (excluding rooms such as cast/x-ray rooms, observation rooms, secure rooms and space for visiting physician clinics) approved will not exceed one room per 1,500 visits annually, based on utilization projections in the fifth year of operation. The department may approve additional space if the applicant documents use patterns, and submits data and analysis that show seasonal high peak use rates warranting additional treatment rooms.”

NOTE: Based on the methodology as outlined above, the department uses MSRMC’s existing general emergency department bed count of 18, and does not include their designated, secure beds in the calculation. Similarly, the department uses the proposed general emergency department bed count to project general emergency department bed need by 2025.

FINANCIAL FEASIBILITY

MSRMC

The total cost of the project is not to exceed \$14,500,529. Estimated total project cost is \$14,500,529. This consists of \$13,384,486 in total project costs and \$1,116,043 in contingencies, including financing and general allowance.

1. 1. Construction Method (Please check)

- | | | | |
|----|------------------|----------------------------|------------------|
| a. | Conventional bid | <u>Contract management</u> | Design and build |
| b. | Phased | <u>Single project</u> | Fast Track |

2. Construction Cost (New Activity)

	(Omit cents)
a. Site acquisition (Section VIII.A.2.f)	\$0.00
b. Estimated general construction**	\$9,615,750
c. Fixed equipment, not included in a**	\$0.00
d. Total construction costs (sum of items a, b, and c)**	\$9,615,750
e. Major movable equipment**	\$2,497,476
f. Professional Fees:**	\$1,271,260
(1) Architect / Engineer	\$807,723
(2) Related Professional Fees	\$207,537
(3) Program Manager	\$56,000
(4) Impact Fees	\$200,000
g. Total project cost (sum of items d, e, f)	\$13,384,486
h. Contingency for Financing	\$546,533
i. Contingency Allowance General	\$569,510
j. Total project budget (sum of items g, h, i)	\$14,500,529
k. Anticipated long-term interest rate	TBD
l. Anticipated interim (construction) interest rate	TBD
m. Anticipated long-term interest amount	TBD
n. Anticipated interim interest amount	TBD
o. Total items with financing	TBD
p. Estimated annual debt service requirement	TBD
q. Construction cost per sq. ft.	\$546

r. Construction cost per bed	\$320,525''
s. Project cost per sq. ft.	\$824
t. Project cost per bed (if applicable)	\$483,351''

TBD Mat-Su Regional Medical Center is considering different financing options for its proposed project. The primary financing option appears to be through a loan with the U.S. Department of Housing and Urban Development Federal Housing Authority and the Section 242 HUD for Hospitals program. While details have not been finalized for financing, Mat-Su Regional Medical Center does have a contingency cost built into its project budget above (see h) to account for financing costs.

'' Since the proposed project includes adding new emergency department treatment rooms, new secure rooms, and renovating existing rooms, all of the emergency department treatment rooms (26) and secure rooms (4) are included.

* Site acquisition should be stated as "book" value, i.e., actual purchase price (or estimate of value if donated) plus costs of development. If desired, the applicant may elect to state as "fair market value" (in which case, so indicate). A form for use in calculating fair market value is included on page 31 of this packet. Include your calculations as part of this section of your application.

** Items must be certified estimates from an architect or other professional. Major medical equipment may be documented by bid quotes from suppliers.



THE STATE
of ALASKA
GOVERNOR BILL WALKER

Department of
Health and Social Services

OFFICE OF RATE REVIEW

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MEMORANDUM

To: Alexandria Hicks
CON Coordinator

From: Christine Goetz 
Audit Supervisor
Office of Rate Review

Date: April 26, 2018

Subject: Certificate of Need (CON) Review for Mat-Su Regional Medical Center Emergency Room Expansion

Mat-Su Regional Medical Center (MSRMC) is proposing to expand its emergency department and to establish a psychiatric emergency department in its existing facility. Currently, the facility operates with 18 general emergency department treatment rooms (EDTRs) and 2 secure rooms. The proposed project will add 8 general EDTRs, relocate the 2 existing secure rooms across the emergency department and add 2 secure rooms. Upon completion of the proposed project, MSRMC's emergency department will consist of 26 EDTRs and 4 secure rooms that will complement the hospital's future inpatient behavioral health unit. They will operate 24 hours per day, 7 days per week.

The main drivers for the project are to meet the significant growing shortage of emergency rooms and psychiatric beds for adults in the State of Alaska and especially in the Matanuska Susitna Borough.

The total project is estimated to cost \$14,500,529, and will be up to 17,599 square feet of space, with an estimated 9,861 square feet of new construction and 7,738 square feet of renovation. MSRMC is considering different financing options for the proposed project and states the primary financing appears to be through a loan with the U.S. Department of Housing and Urban Development Federal Housing Authority and the Section 242 HUD for Hospitals program. The estimated completion date for the project is on or before December 2020.

The information below estimates the added cost to Medicaid from FY 2021 to 2024 following the operational date of the project for the Medicaid rate reimbursement to the facility associated with the project.

Note: The estimated Medicaid costs were calculated assuming the current inpatient/outpatient rate methodology.

Estimated Medicaid CON rate add-on Cost/Utilization (using information available in the CON application where available)

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Projected Depreciation (1)	\$ -	\$ -	\$ -	\$ 178,871
Adults & Peds Medicaid Utilization Rate (2)	0.00%	0.00%	0.00%	17.58%
Additional Depreciation Costs to Medicaid Program	\$ -	\$ -	\$ -	\$ 31,445

Estimated Medicaid Outpatient (OP) Cost/Utilization (using information available in the CON application where available)

Projected Increase in Outpatient Revenues (3)	\$ 3,193,814	\$ 4,131,017	\$ 5,133,185	\$ 6,204,689
Outpatient Medicaid Utilization (4)	<u>19.21%</u>	<u>19.21%</u>	<u>19.21%</u>	<u>19.21%</u>
Increase in Medicaid Revenues	\$ 613,532	\$ 793,568	\$ 986,085	\$ 1,191,921
Outpatient Medicaid Payment Rate (5)	<u>17.81%</u>	<u>17.81%</u>	<u>17.81%</u>	<u>17.81%</u>
Additional Increase in Outpatient Costs to Medicaid Progr	\$ 109,270	\$ 141,335	\$ 175,622	\$ 212,281

Combined Depreciation & OP Costs to Medicaid Program

Total Estimated Increase in Depreciation & OP Costs to Medicaid Program	\$ 109,270	\$ 141,335	\$ 175,622	\$ 243,727
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Please note, all calculations in the memorandum are estimates only and are based on the assumptions set forth in the CON application. The Department is not bound by these estimates or assumptions. Also, please note 7 AAC 07.070(i):

Approval of a certificate of need does not imply any guarantee of federal, state, or private money, including Medicaid payments or grant awards, and does not imply any guarantee of profitability.

If you have any questions please contact Christine Goetz at 334-2476.

Public Comment

One public meeting was held to receive public comment on the proposed emergency department expansion.

The meeting was held on May 1, 2018, at the UAA Campus located at 8295 E. College Drive in Palmer, Alaska. Approximately 45 people attended the meeting and approximately 15 in attendance provided verbal comment.

Summary of Presentation

Mr. Dave Wallace, MSRMC's CEO and Dr. Anne Zink, ER Director, presented MSRMC's proposed project. The presentation outlined the 10 bed emergency department expansion and highlighted the additional 2 "secure" emergency department treatment rooms that would be added to augment the planned 36 bed adult inpatient psychiatric unit.

Both Mr. Wallace and Dr. Zink emphasized MSRMC's strong support from the community and stakeholders. This support was evident in the verbal comment that followed as well as the written comment received.

Summary of Verbal Public Comment

There was unanimous support for the proposed project. Of all comment received, no negative comments were shared, nor any comment in opposition.

Summary of Written Public Comment

A written public comment period was open from April 6, 2018 thru May 7, 2018. A total of 49 written comments were received. All written comment was in support of MSRMC's proposed emergency department expansion.

Recommendation

The CON Program recommends that the Commissioner approve MSRMC's application for a CON for its Emergency Department Expansion; in its entirety.

Rationale 1: The project components satisfy General Review Standards 1, 2, 3, 4, 5 and 6.

Rationale 2: The project meets the Hospital Emergency Department Services specific review standards.

Rationale 3: There is strong support for, and no written or verbal objection to, services being offered by MSRMC.

MSRMC has documented a thorough planning process in the development of their proposed emergency room department expansion. The project is strongly supported by the community and key stakeholders and, as MSRMC demonstrates in its application, addresses existing and projected deficiencies as they relate to capacity in overall emergency department services in the Mat-Su Borough.

In addition, the proposed project addresses the need for additional behavioral health services that will not necessarily be met with the addition of MSRMC's proposed 36 bed inpatient adult psychiatric treatment unit which is slated for completion in December 2020. The proposed project is designed to provide relief to an emergency department that is currently operating at or beyond capacity in the treatment of general emergency department visitors, as well as those emergency department visitors who present with behavioral health related complaints. The project will relieve the current, overall stress being sustained by the facility, its staff, and visitors as well as support the existing system wide continuum of care.

Per the Alaska Certificate of Need Standards and Methodologies, Service Specific Review Standards for Emergency Departments, there is a need for 26 general emergency department treatment beds necessary to provide adequate access to emergency department services in the Mat-Su Borough by the year 2025. MSRMC currently has 20 general emergency department treatment beds, 18 for general emergency services and 2 for "secure" or psychiatric emergency services. MSRMC proposes 10 additional beds, 8 for general emergency services and 2 for "secure" or psychiatric services. These additional beds will meet the community's need through 2025.

MSRMC is the only hospital in the Mat-Su Borough currently delivering these services. It is unlikely another provider will apply for a Certificate of Need to establish like services and have the ability to bring those services on line by the year 2025.

The need for additional emergency department treatment services is immediate, and MSRMC is proposing a viable project and plan. Given the scope and intent of the proposed project, and in consideration of the demonstrated need for emergency department treatment services by 2025, MSRMC should be granted a CON for the project as proposed.