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PROVIDENCE
Health & Services
Alaska

February 26, 2013

William J Streur, Commissioner
Department of Health and Social Services
3601 C Street, Suite 902
Anchorage, AK 99503-5924

Dear Commissioner Streur,

I'm writing to respond to the questions you've raised in your letter dated February 14, 2013 in regards to our request to grant a two year extension of our Certificate of Need (CON) for Providence Transitional Care Center (PTCC). I've provided written responses but am open to a face to face meeting regarding these and any other questions you may have, in the hopes this will allow you to make a determination as quickly as possible.

Questions and response:

1. *Please explain what cause the delay in completion of the TCC project. What steps are you taking to ensure that such a delay will not happen again and that projected costs for the project do not change?*

   There was a combination of factors. The initial delay was due to our corporate office implementing a capital freeze on all large projects for most of 2012 due to the difficult economic conditions across our health system. During this freeze, we were asked to determine what , if anything we could do to improve the financials of this operation as well as revisit all the potential other locations it could be placed for a lower capital output. In this analysis we wrestled with the question of whether we could even afford to remain in this business since it is subsidized by other regional operations. We determined that it was needed in our continuum of care and provided a significant unmet need in the community and there wasn't any better location for it than to be placed on the same campus with our new cottage model operations – which we have named Providence Extended Care (PEC).
   We have now been given approval to move forward on this project and, if the CON extension is granted, plan to start construction this spring. We don't

anticipate that another capital freeze will be placed by our system this year and this project is at the top of our new project list for 2013.

As you are aware, our request states that we do not anticipate exceeding the original project cost in the original CON. There have not been significant increases in material or contractor costs in the period since we first budgeted for this project and plan to remain within the original budget and its allowed contingency. An updated cost estimate was provided when we submitted our CON progress report on January 23, 2013.

2. *In the CON application for cottages, it states: "This new facility is intended to provide intermediate care services, similar to those currently offered at Providence Extended Care Center (PECC) but in a different location...It is anticipated that the existing intermediate care unit at PECC will be closed after all of the intermediate care residents move to the Cottages." In the CON application for TCC, it states "This facility [TCC] is intended to be a replacement for the existing transitional care unit within the Providence Extended Care Center (PECC)." Since the TCC project is delayed by two years, how will PECC be used over the next two years? Will PECC close entirely once TCC goes into service?*

The original program, Providence Extended Care Center, had four nursing units – one distinct part/Medicare skilled unit known as the Transitional Care unit (TCU) (62 beds) and three intermediate/long term nursing care residential units Matsu, Denali and Chugach neighborhoods (108 beds). The intermediate/long term care residents are in the process of moving to PEC and we will close down the south side of the building once their move is complete. We plan to spread the TCU patients over the space that used to comprise the TCU and the Matsu neighborhood so that the majority of residents can have private rooms and only share a bathroom with one other person instead of the current model with 2 beds to a room and two rooms (4 persons) sharing the same bathroom.

This will help with our ability to admit residents more quickly (eliminate the need to match male to male and female to female) and reduce infection control issues as well as improve quality of life for our residents in the current configuration. We will continue offering this skilled level of care at the old location until we can construct a replacement facility for this service.

Once we have moved the TCU patients to their new location (after approval of the CON extension for PTCC and construction of that building), we plan to cease all SNF/ICF operations at the old location. At this time we have no plans for future use of the building.

3. *Based on the above paragraph, what is your definition of "Transitional Care" and "Intermediate Care"?*

We have wrestled with this question internally as we did analysis of our patient mix and tried to define the difference in the level of care provided in the transitional care unit versus the three residential neighborhoods. We have

classified the transitional care unit patients as "transitional care" and the three neighborhoods as "intermediate care".

In CMS terms, the TCU is a distinct part unit – and classified as a Skilled Nursing Facility (SNF) level of care on the cost report – line 16 of our Medicare cost report. The patients in this unit have higher level acuity nursing needs requiring a more intense staffing ratio and usually a higher level of medical/pharmaceutical supplies. Many receive more intense short term rehab care. They are "in transition" from acute care to "home", (which may be assisted living, a nursing facility or the patient's home). In critical access hospitals, these patients are typically treated in the swing beds and most nursing homes in the state will not take these patients. In billing terms, these are the patients we bill at a "skilled" level of care.

In CMS terms, the three neighborhoods are an intermediate care nursing facility (ICF) level of care – long term/intermediate or residential care – reported on line 18 of our Medicare cost report. We refer to these individuals as residents and they average a much longer length of stay – some have a lower level of nursing care needs and generally require a lower level of staffing with lower usage of medical and pharmaceutical supplies. The nursing facility is their "home". These residents continue to need daily nursing services and thus are not eligible for assisted living but may no longer meet the criteria of "skilled" care...they are the type of residents found in the vast majority of the nursing homes across our state. In billing terms, these are the patients we bill at an "intermediate" level of care.

4. *In the CON application for cottages, it states:"the existing PECC facility is nearing the end of its usable life." If it is your intent for PECC to remain open until TCC goes into service, do you anticipate any safety concerns for people in PECC? Do you have a plan for the extended use of PECC over the next two years and will there be additional costs associated with this extended use?*

Yes, we anticipate additional costs associated with this extended use. There are areas of deferred maintenance at our old location that have been identified and are closely monitored by our real estate and maintenance staff . We have spoken openly with safety inspectors about these issues and have addressed all items needed to maintain resident safety, knowing we plan to replace the facility. . We will continue to monitor those critical safety components until we can move all our TCU patients to their new location.

In terms of cost to the State Medicaid system , these interim costs are not built into our current rate because the rate setting process is based on our costs in 2010. They will not be included in our rebase unless incurred in 2014. It is our understanding of the rate setting regulations, that any capital costs associated with the old building would be abandoned when we move to a new location.

5. *Given the unanticipated use of PECC over the next two years, how many patients will remain at PECC once the transfer of patients to Cottages is complete? What level of service will be provided to the patients remaining at PECC and by what Medicaid provider (please include name, CCN and Medicaid provider type and ID)?*

There are 62 beds in our distinct part TCU at this time. The current configuration for the TCU is that the vast majority of these beds are placed two to a room with four patients sharing a bathroom. So these 62 beds are currently contained in 37 rooms. This configuration results in difficulty in matching male to male/female to female as well as infection control issues so we have been unable to fully utilize all these beds and have only averaged a census of 40 on this unit during the prior year and year to date 2013.

Once the Matsu patients are finished moving to PEC, we plan to spread our 62 licensed SNF beds over the 57 rooms in the north side of the building resulting in the majority of the rooms having only one bed. These residents will continue to be billed at the skilled level of care (Rev Code 191) if clinically appropriate and then "intermediate" (Rev Code 192) level of care until successfully discharged.

We have applied for a name change of PECC to Providence Transitional Care Center effective January 1, 2013. We have updated our business license to reflect this name and have updated the name on our NPI of #1124025507. We have submitted the Medicaid licensing application for the name change to Medicaid license # LTC-006. The CCN is 02-5018 and we've requested the name change in the online provider enrollment system, the provider type will continue to be SNF/ICF facility and the provider ID will continue to be LT0368.

6. *Did PECC change its name? Does PECC, as a Medicaid provider, continue to exist?*

   Yes, PECC has changed its name to PTCC effective January 1, 2013. PECC, as a Medicaid provider, ceased to exist as of January 1, 2013.

7. *As of February 14, 2013, how many patients reside at Cottages on a full time basis? What is the expected timeline for transitioning other patients from PECC to Cottages (details should include dates, number of patients, number of Cottage beds occupied, number of Cottages at full capacity, and details on a cottage by cottage basis for transition into full capacity)? When do you expect the full transition to be complete?*

   There were 12 patients in one cottage full time as of February 14, 2013. PEC is in the process of being licensed as a new facility and we obtained our provisional license in late December. We moved the number of residents requested by the surveyors, one cottage of 12 beds, on January 8, 2013. The surveyors came the last week of January and issued their report of findings on February 8, 2013. We provided our plan of correction and licensing resurveyed and accepted the plan of correction on February 11, 2013. We have started the process of moving the remaining residents from the three neighborhoods at PTCC into the remaining seven cottages at PEC (each cottage holds 12 residents). Our second cottage was filled last week with 12 residents and we plan to move the remaining cottages – one per week over the next 6 weeks – with the last cottage being filled the week of April 1st, 2013.

We have staged the moves because State licensing requires that we complete a full discharge MDS from the old location and full admitting MDS at the new location with all disciplines providing their part on every resident we move. We have been averaging a census in the mid 80s in the three residential nursing units at PTCC over the past month as we have limited our admissions to the old location in anticipation of the move in order to utilize existing staff for the moves and the additional MDS work. We have created a waiting list for direct admission to the cottages as soon as we're through the process of moving all existing residents from PTCC over to PEC.

8. *What is the relationship between Providence Health & Services Alaska (PHS) and TCC? What is the relationship between PHS and Cottages? What is the relationship between PHS and PECC? For each relationship, if it is a corporate subsidiary relationship, how are the subsidiaries managed, who selects the management, and how much administrative work is shared between all of these entities?*

   Providence Health & Services – Washington (PHS-W) is the not for profit corporation that owns all the operations that roll into our region – which is referred to as Providence Health & Services Alaska (PHS-A). The prior PECC was 100% owned by PHS-W and continues to be 100% owned by PHS-W under the name of PTCC. PEC is 100% owned by PHS-W as well. In the splitting of PECC into two separate entities – we have separate administrators and directors of nursing. We have separate, but not duplicated, direct patient care nursing staff (CNAs, LPNs, RNs, Homekeepers), dietary managers and dieticians, and social workers. Due to the difficulty of finding sufficient ancillary staff, we will have Physical Therapy, Speech Therapy, Occupational Therapy, Respiratory Therapy and Pharmacy staff that will provide services to the two entities – similar to when we owned and operated both Mary Conrad Center and Providence Extended Care Center. As a region, we have common long term care policies/ procedures that will apply to both locations except where the different models of care require facility specific policy/procedures.

Please feel free to call me with any questions. We welcome the opportunity to respond face to face to discuss any question in this letter as well as any additional questions you may have.

Sincerely,

Susan Humphrey-Barnett

Susan Humphrey-Barnett
Area Operations Administrator, Alaska Region
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