

**REVIEW OF CENTRAL PENINSULA HOSPITAL
CERTIFICATE OF NEED APPLICATION EXPANSION AND
RENOVATION PROJECT**

October 2017



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

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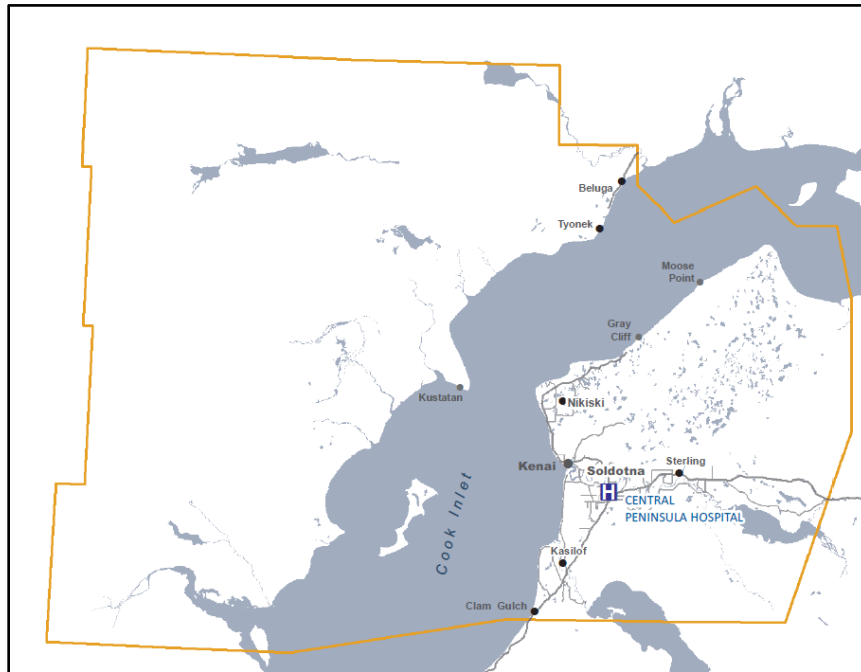
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BACKGROUND

The applicant for this Certificate of Need (CON) is Central Peninsula Hospital (CPH). CPH is a 49-bed acute care hospital that was opened in 1971. CPH is owned by the Kenai Peninsula Borough (KPB) and operated by Central Peninsula General Hospital, Inc. a 501 (c)(3) non-profit. See *CON Application* at 23. CPH service area encompasses the area outlined below, and has a population of 58,060 people.



The proposed project is part of CPH's long range plan that was developed in 2003 and updated in 2006, 2009, 2012 and 2014. Each update has been incorporated into its overall strategic plan. This project is part of a "phased" approach, commonly referred to as Phase VI by CPH and the KPB. Previous and future phases were/are:

- Phase I: Completion - 2004 Site preparation for inpatient Mountain Tower.
- Phase II: Completion - 2007 Addition of the three level Mountain Tower.
- Phase III: Completion - 2008 Renovation of Emergency Department.
- Phase IV: Completion - 2013 Addition of leased Radiation Oncology Center.
- Phase V: Completion - 2016 Specialty Clinics Building (SCB). Includes imaging services, endoscopy rooms, oncology infusion center, specialty clinics, and rehab space

See *CON Application* at 20.

PROJECT DESCRIPTION

The Central Peninsula Hospital Phase VI Project is an expansion and renovation project consisting of approximately 28,727 Square Feet (SF) of new building floor area and 26,000 SF of renovated/replacement space.

The renovation and expansion project consists of five parts: Obstetrics Modernization and Expansion; Cardiac Catheterization Lab Expansion; Intensive Care Unit Expansion; Pharmacy Expansion; and Ancillary Support/Site Upgrades Modernization and Expansion. See *CON Application* at 7.

New construction will replace an existing wing of the hospital and be joined, on three sides by existing buildings. The new construction will house the proposed cardiac catheterization laboratory (cath lab), the expanded OB Department and the expanded Pharmacy Department.

The new *OB Department* includes a re-classification of existing acute care beds. Currently the OB Department is utilizing all 9 OB acute care beds as post-partum beds. CPH plans on retaining 4 beds as post-partum and re-categorizing 5 beds to labor and delivery beds. Labor and delivery beds do not have to be licensed and certified as acute care beds. Three (3) of the 4 post-partum beds will also be categorized as ‘swing’ beds and will be utilized for the Medical Surgical Department as needed.

The *cath lab* will include 1 procedure room, 4 pre/post recovery bays, and ancillary support and equipment spaces to support the program.

The *Pharmacy Department* will be relocated to the first floor of the new proposed building and expanded from 1,437 SF to 2,047 SF.

The *Intensive Care Unit (ICU)* will be relocated to where the existing pharmacy resides in order to add the (3) additional ICU beds.

The reclassification of OB beds from post-partum or acute care beds to labor and delivery beds results in a net loss of two acute care beds subject to licensure and certification, for a total of 47 from a previous total of 49. As such, in addition to the extensive renovation of existing services, cath lab services is the only new service being introduced to CPH.

Total project cost is estimated at \$26,918,933:

\$20,468,939	general construction
\$ 1,265,872	major equipment
\$ 5,184,122	other costs including permits and fees

If granted a CON, CPH plans for the project to be completed and operational in January 2020.

REVIEW

CPH is a licensed health care facility under AS 18.07.111(8), and the proposed project consists of an “expenditure” that is over the \$1.5 million threshold for “construction” of a health care facility.¹ To perform this review, the whole project is 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 in its evaluation of an application for a certificate of need for “Diagnostic Imaging Services; Cardiac Catheterization Services.” *Alaska Certificate of Need Review Standards and Methodologies* at 26.

The proposed renovation and expansion project essentially consists of four components, three of which are subject to Certificate of Need (CON). These components include: addition of one service - a cardiac catheterization laboratory (cath lab); the expansion of two services - addition of three beds to the Intensive Care Unit (ICU), and the Pharmacy; and the upgrade of an existing service - the OB Department with abed re-classification.

CPH is adding three beds to their Intensive Care Unit, however they are not increasing their overall count of licensed and certified acute care beds. The overall reclassification of beds results in a net loss of two acute care beds subject to licensure and certification, from 49 to 47. As such, a service specific review of acute care hospital services is not required as no additional beds are being added.

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.

This first general review standard requires an analysis to determine whether the applicant “documents need for the project by the population served, or to be served [.]” In order to determine whether there is a documented need for project components subject to review, it is necessary to evaluate the project as a whole as well as any new proposed service.

Cardiac Catheterization Services

Currently there are no Cardiac Catheterization Laboratory Services (cath lab) in KPB. All patients requiring cath lab care must be transported out of the service area for necessary procedures. Through their application, CPH demonstrates due diligence in assessing need for the proposed service. CPH has utilized multiple resources and plans and scrutinized trends and potential barriers through the determination process. “Central Peninsula Hospital maintains a five-year strategic plan as a directional compass for hospital services and operations for service area residents. The plan is based on Community Health Needs Assessments, service lines currently offered, demographics, trends, age of physical plant and market analysis.” See *CON Application* at 21.

¹ Per AS 18.07.111(6), “construction” includes the extension or modification of a health care facility.

CPH states the proposed project addresses the current absence of cardiac catheterization services in their primary and secondary service areas. “One-hundred percent (100%) of the entire KPB residents must leave for cath lab services.” See *CON Application* at 69. CPH’s primary service area (PSA) encompasses all communities in the Kenai Peninsula Borough. Their secondary service area (SSA) encompasses an additional 24 communities totaling a population of 20,646. See *CON Application* at 39. The combined, net population of both the PSA and the SSA total 58,060 persons.

Based on recent population projections, CPH states the Kenai Peninsula will see a large increase in their senior population, especially in the sixty-five (65) and older age cohorts, “We are significantly older with a median age that is eight (8) years older than the Alaska median age and even surpasses the US median age by four (4) years. See *CON Application* at 70.

As a first step in addressing the need for cardiology services in the KPB, CPH just recently partnered with the American Heart Institute (AHI) to provide cardiology services. CPH reports the addition of a cath lab is a logical next step. “The proposed project will begin to address the current absence of cardiac catheterization lab services combined with the recent addition (in 2016) of full time cardiology services offered at CPH to peninsula residents.” See *CON Application* at 69. At this time, there are no other alternatives available to KPB residents.

Given the lack of cath lab services in KPB, and given there are cardiology services already in place in KPB, it appears CPH has identified a logical next step and a necessary need for cath lab services.

Addition of three (3) ICU Beds

CPH states that over the past three years their average occupancy in the existing ICU is 62%, and that they frequently top out at 100% occupancy. CPH contends this 100% occupancy rate is in direct correlation to their medical surgical beds hitting 100% occupancy. “Adding three (3) additional beds in existing space of the ICU will provide CPH the capacity necessary to care for our service area residents.” See *CON Application* at 30.

In addition, CPH recently installed eICU services with Providence Hospital, and this addition along with a highly trained hospitalist group allows CPH to keep higher acuity patients in-house. See *CON Application* at 20. CPH states that the ability to keep higher acuity patients, for longer periods of time combined with the proposed new services such as the cath lab necessitates additional ICU beds. *Id.*

The addition of three more ICU beds is reasonable, given CPH’s explanation of proposed and existing services.

Renovation of the OB Department

CPH states that a modernized OB Department is essential to a more streamlined provision of in-patient services. CPH also notes moving the department is necessary due to its current location

in an older, less secure part of the hospital. “Leaving the current OB department in its current location also leaves CPH vulnerable to regulatory violation that will require costs to come into compliance.” See *CON Application* at 71. “The new proposed OB Department will not only modernize the decades old department but will also provide additional overflow med/surg rooms (when OB is not occupied at 100%).” See *CON Application* at 30. The new OB department will be directly adjacent to the med/surg department and allow post-partum beds from the OB department to be used as “swing” beds when med/surg beds are filled to capacity. “This innovation, coupled with the expansion of ICU, will stave off the need to add on to the med/surg wing for at least a decade. In addition, the OB Department will be more efficient, allow clinical staff to flex between OB and med/surg..[.] *Id.*

Moving the OB Department is a necessary and essential component to the proposed plan, especially given the renovation and construction costs along with the access issues related to the existing location.

Recommendation: The proposed project meets General Review Standard #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 CON application, CPH has demonstrated that it performed due diligence and considered planning at the local, state, and federal levels. See *CON Application* at 23.

CPH states “[t]hat planning the proposed project was spawned from a comprehensive process which included community health needs assessments, strategic planning, an open community process, and master site planning. State plans reviewed include Health Alaskans 2020 and reports and recommendations produced from the Alaska Health Care Commission.” See *CON Application* at 69. CPH demonstrates they are active at the federal level and current with the Patient Protection and Affordable Care Act requirements and proposed changes currently under consideration for the American Health Care Act. *Id.*

Recommendation: The proposed project does meet General Review Standard #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.

Per its CON application, CPH has demonstrated evidence of stakeholder participation in planning for the project and in the design and execution of services. There appears to have been extensive stakeholder participation for the proposed project. Examples of such participation include involvement from the Hospital Nonprofit Operating Board, members of the hospital’s medical staff, the elected Hospital Service Area Board, and the Kenai Peninsula Borough Mayor. See *CON Application* at 23.

CPH is owned by the KPB and operated by Central Peninsula General Hospital, Inc. a 501 (c)(3) non-profit. This operating model allows local and regional health planning to be completed in a collaborative manner through the inclusion of residents, local government, the hospital service area board (now the KPB Assembly), and the nonprofit hospital operating board. “The proposed project has been through a public hearing process in all of the aforementioned venues.” *Id.*

“The plans to move forward were unanimously approved by multiple boards, work groups, committees and ultimately the local KPB Assembly.” See *CON Application* at 24.

Recommendation: The proposed project does meet General Review Standard #3.

General Review Standard #4 – Alternatives Considered:

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

CPH considered not addressing the lack of cath lab services even though they partnered with American Heart Institute (AHI) in 2016 to provide expanded cardiology services for the Kenai Peninsula. “Currently the only option for residents on the Kenai Peninsula to receive catheterization services is a helicopter for emergent cases and up to a four-hour (4) drive for elective cases. In 2005, primary service area residents alone (not including secondary service area) received 15,242 cardiology service line procedures (includes outmigration) and accounted for 751 patient days (10.5% of total patient days at CPH).” See *CON Application* at 48.

CPH found there were no other alternatives. “If a peninsula resident or visitor is having a myocardial infarction that cannot be treated without intervention, the only option for survival is a helicopter flight to Anchorage. Our service area residents deserve and expect more than hope when Central Peninsula Hospital could be providing this lifesaving service.” *Id.*

CPH considered not addressing the re-location of the current OB Department and assessed it was not an option. In addition to overall modernization and re-classification of beds, the existing location was not optimal and did not provide operational efficiency. The “[o]ption of remodeling and upgrading a 24/7 department in place and keeping it functional is not only more expensive but operationally prohibitive.” See *CON Application* at 70.

Per its CON application, CPH stated that there were two options to consider when assessing the ICU. They could do nothing or expand. “Doing nothing leaves our patient population vulnerable as our ICU runs at over 62% capacity on average. More importantly, it runs at 100% capacity frequently (163 days this fiscal year), high acuity patients will need to be transported at significant cost under the do nothing scenario.” See *CON Application* at 71.

CPH has demonstrated that it assessed alternative methods of providing all proposed services and that they are pursuing the most suitable approach.

Recommendation: The proposed project does meet General Review Standard #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.

Per its CON application, CPH points out that there will be an effect on volumes of other cath labs across the state and some out-of-state cath lab locations, notably Anchorage if their project is approved a CON. However, they note this should not be a factor upon consideration. “Not all services should be limited to the Anchorage bowl area when they can be performed safely in other locations at lower cost to the healthcare system.” See *CON Application* at 72. CPH goes on to state “...it is poor public policy to deny rural hospitals the right to provide these services for the sake of having one single service in a more urban location.” Anchorage has 8 cath labs, or one per 37,500 residents. CPH states putting a cath lab in the KPB, which has a population of approximately 60,000 is “[p]rudent policy and puts patients’ lives ahead of provider impact.” *Id.*

Other services located in Anchorage will be impacted, including the air ambulance service and other hospitalist services. “However, both of these groups support the construction of the cath lab at Central Peninsula Hospital.” See *CON Application* at 72. CPH believes no other services will be effected and points to support from other service providers for CPH’s proposed project. Finally, CPH states, “[t]here are no existing facilities locally. Positive impacts are expected for the recently opened full-time cardiology provider as well as local internal medicine practices who also manage care for patients with heart disease.” *Id.*

“The new OB department will not have any anticipated impacts on local or other providers outside of the community as this service remains the same as it is today and is being relocated to a new location in the hospital.” See *CON Application* at 53.

Cost savings for Alaska Medicaid will be seen through the approval of the proposed project as well. Currently, patients requiring services more advanced than those available at Central Peninsula Hospital are often sent to Anchorage for such services. The cost of travel is paid by the Alaska Medicaid system for such patients, and therefore, this proposed project would assist in cutting travel costs as well as costs paid to other facilities for ICU, obstetric and catheterization services. *Id.*

CPH ICU beds average a 62% occupancy rate, which is considerably higher than the target occupancy rate for other hospitals with fewer than 100 beds. (10% higher than the Target Occupancy for hospitals with fewer than 100 beds). To date, 104 of those days were operating at 100% capacity. CPH states that if they do not increase their overall ICU bed count, it puts their intensive care patients at risk of being transported and this adds unwelcome, additional costs to the state healthcare system as a whole. See *CON Application* at 48.

Recommendation: The proposed project does meet General Review Standard #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, CPH has demonstrated that the project’s location is accessible. For example, all facilities at CPH are in compliance with the American’s with Disabilities Act. See *CON Application* at 73. In addition, “[o]verall, access for all patients will be improved due to improved access to the entire hospital when OB is relocated and more importantly – Peninsula residents will have access to catheterization lab and interventional radiology services will be available for the first time locally to all borough residents.” See *CON Application* at 72.

Recommendation: The proposed project does meet General Review Standard #6.

Service-Specific Review Standards

Diagnostic Imaging Services - Cardiac Catheterization Laboratory Services

1. No new cardiac catheterization laboratories will be approved in a community with existing cardiac catheterization services unless all existing adult laboratories are operating at an average of at least 75% of capacity or an average of at least 750 procedures per year.

N/A. There are no existing cardiac catheterizations services on the Kenai Peninsula. See *CON Application* at 81.

2. The applicant for a facility that will offer pediatric cardiac catheterization demonstrates that at least 250 procedures per year will be performed.

N/A CPH will not be offering pediatric cardiac catheterization services. *Id.*

3. The applicant for a facility that will offer primary angioplasty without onsite cardiac surgery capability must have a proven and tested plan for rapid access (within 90 minutes from declaration of emergency to the patient being in a cardiac surgical operating room). Appropriate hemodynamic support capability for such a transfer must exist as well as a team of appropriately trained individuals. The ability to place an intraaortic balloon pump (IABP) and temporary transvenous pacemaker for stabilization before transport must also exist.

In place. See *CON Application* at Appendix A.

4. A facility requesting authorization to perform elective coronary interventions must be located within a hospital or in a laboratory attached to a hospital with onsite cardiac surgery capability. The department may approve a laboratory that is not located within a hospital or not attached to a hospital with onsite cardiac surgery capability, if the following conditions are met:

- a. Patients with acute coronary syndromes, severe congestive heart failure, and pulmonary edema due to acute ischemia, severe multi-vessel or left main disease, and severe left ventricular dysfunction associated with valvular disease are excluded.

CPH will meet this standard as these patients will be screened and excluded from the services being requested in this application. See *CON Application* at 82.

- b. Patients with complex (Type IIb and III) coronary lesions and other high-risk anatomic situations (only remaining coronary artery, vessel to be treated supplies more than 40% of remaining viable myocardium, etc.) are excluded. Facilities requesting approval for percutaneous coronary intervention (PCI) services in the absence of onsite cardiac surgery must develop criteria to screen for the types of clinical and anatomic situations appropriate and inappropriate for their facility based on published criteria in the literature.

CPH will meet this standard as these patients will be screened and excluded from the services being requested in this application. See *CON Application* at Appendix A.

- c. A plan for proper oversight must be approved by the department before approval of a certificate of need. The plan must include
- accreditation by the Joint Commission on Accreditation of Healthcare Organizations (JCAHO);

Central Peninsula Hospital is accredited by The Joint Commission. See *CON Application at Appendix A*

- membership in the American College of Cardiology – National Cardiovascular Data Registry (for benchmarking outcomes);

CPH will become a member of ACC National Cardiovascular Data Registry upon approval of the CON. There are high annual fees associated with membership that would accrue prior to actual approval and opening of the facility. See *CON Application* at 82.

- an independent peer review of the program by the Society for Cardiovascular Angiography and Interventions or the American Medical Foundation for Peer Review, to be conducted once in the first six months and then annually thereafter for the first three years, to ensure that all issues related to quality assurance are monitored and addressed.

Upon approval of this project, CPH will make arrangements for the program to be reviewed by the Society for Cardiovascular Angiography and Interventions to ensure that all issues related to quality assurance are monitored and addressed within the first six months and then annually for the first three years as requested. See *CON Application* at 83.

- supplying the department with all reports and data developed within 10 working days after each is developed.

CPH states they will satisfy this requirement and provide all reports and data within the timeframes required. *Id.*

- The laboratory director must have extensive experience performing coronary interventions (more than 500 procedures performed during their career and more than 75 procedures annually during the past two years), and must have and maintain a certificate of “Added Qualifications” in Interventional Cardiology from the American Board of Internal Medicine.

A laboratory director has been selected (AHI who perform over 95% of all cardiology procedures in Alaska) with extensive experience and qualified as required. They will provide a cardiologist(s) annually or as needed to maintain competency and obtain education from colleagues in the specialty of Cardiology. *Id.*

- The laboratory must maintain a quality standard for diagnostic catheterization mortality of less than 3 per 1000 procedures and for PCI of less than 1 per 100 procedures.

CPH will provide mortality experience that falls within the required standards of less than 3 per 1000 procedures and less than 1 per 100 for PCI procedures. *Id.*

- An applicant who seeks to establish new cardiac catheterization services in a community without existing services demonstrates that the facility is likely to perform a minimum of 500 cardiac catheterizations per year by the third year after program implementation.

Projected Catheterization Rate

Variable	Rate	Comments
Total Adult Population in 2020	46,000	Alaska Dept. of Labor Projections
Use rate per 1,000 (adults ≥ 18+)	11.25	Set slightly above previous CON applicant to account for significantly older population demographics; still below national rate, which is for a younger population
Primary Service Area Market Share	75%	Based on Alaska State Hospital and Nursing Home Association dataset extrapolated from 2012
Secondary Service Area Market Share	55%	Estimate based on existing referral patterns and proximity
In-Migration	8%	Based on 2016 data obtained from the Kenai Peninsula Tourism Marketing Council. These data include out of state visitors to the Kenai Peninsula (565,169) and in-state visitors (214,764), for a total of 779,933 annual visitors.

Final Expected Cardiac Catheterization Volumes	512	Based on extensive analysis of all known relevant factors; very close but slightly below the number proposed by an external consulting firm
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Service Specific Summary for Additional Cardiac Catheterization Services

Step One – Determine the projected Cardiac Catheterization Caseload for KPB using the following formula:

$$C=P \times UR$$

Step Two – Determine the number of cardiac catheterization laboratories required using the formula:

$$CCLR=(C/LC)/TO$$

Step Three – Determine number of additional catheterization laboratories needed by subtracting number of currently existing and CON-approved laboratories from the numbers found to be needed.

C=number of cardiac catheterization procedures in the third year following the implementation of the project
 LC=laboratory capacity, defined as 1,000 procedure per year
 CCLR=cardiac cath lab required
 UR=use rate
 TO=target occupancy to be 75% or 0.75

The Alaska Certificate of Need methodology uses adult population use rates (meaning persons 18 years or older) to calculate need. The current methodology shows that the current adult population statewide of 580,928 has an average of 7,803 cath lab procedures annually. Or, 13.4 procedures per every 1,000 adults.

Applying this use rate to the population of the Kenai Peninsula Borough’s service area (approximately 47,000 adults), the KPB population averages 630 procedures annually. Based on the methodology, we can assume that for the KPB’s population in 2020 (48,944) there will be a “need” for approximately **656** procedures to be performed annually. The methodology indicates that target laboratory capacity should be defined as 1,000 procedures a year.

CPH has met the requirement of 500 procedures three years post implementation.

6. The applicant demonstrates that the facility has the capability of providing immediate transvenous pacemakers in case of cardiac arrest.

CPH will have the capability to provide immediate transvenous pacemakers in the event of cardiac arrest upon commencing to provide cath lab services. See *CON Application* at 90.

FINANCIAL FEASIBILITY

Per its application, the total proposed project cost is \$32,058,270.00. The project will be financed with revenue bonds (\$28.9 million) and the remainder from accumulated savings contained in the hospital plant replacement and expansion fund. See *CON Application* at 7.

Construction Costs

1. Construction Method (Please check)

- a. Conventional bid Contract management Design and build
 b. Phased Single project Fast Track

2. Construction Cost (New Activity)

(Omit cents)

a. Site acquisition (Section VIII A.2.f)	\$N/A
b. Estimated general construction**	\$19,133,349
c. Fixed equipment, not included in a**	\$1,335,590
d. Total construction costs (sum of items a, b, and c)**	\$20,468,939
e. Major movable equipment**	\$1,265,872
f. Other cost:**	
(1) Administration expense	\$281,407
(2) Site survey, soils investigation, and materials testing	\$35,140
(3) Architects and engineering fees	\$2,424,625
(4) Other consultation fees	\$0
(5) Legal fees	\$0
(6) Land development and landscaping	\$1,751,562
(7) Building permits and utility assessments (including water, sewer, electrical, phones, etc.)	\$128,574
(8) Additional inspection fees (clerk of the works)	\$562,814
(9) Insurance (required during construction period)	\$0
g. Total project cost (sum of items d, e, f)	\$26,918,933
h. Amount to be financed	\$26,918,933
i. Difference between 2.g and 2.h (list, as Schedule 1, available resources to be used, e.g., available cash, investments, grants funds, community contributions, etc.)	\$0
j. Anticipated long-term interest rate	3.5%
k. Anticipated interim (construction) interest rate	3.5%
l. Anticipated long-term interest amount	\$10,961,969
m. Anticipated interim interest amount	\$1,851,000
n. Total items g, l, and m	\$39,731,902
o. Estimated annual debt service requirement	\$1,894,045
p. Construction cost per sq. ft.	\$446.50

q. Construction cost per bed	\$0
r. Project cost per sq. ft.	\$0
s. Project cost per bed (if applicable)	\$0

*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.

PROJECTED OPERATIONS BUDGET

Schedule I. Facility Income Statement				
Projections During Construction Period				
Gross Patient Revenue:	FY 2017	FY 2018	FY 2019	FY 2020
Inpatient Routine	19,420,199	19,420,199	43,684,825	47,705,679
Inpatient Ancillary	80,196,792	91,042,547	81,990,478	90,503,822
Outpatient	150,958,121	172,285,674	189,514,241	208,465,666
Long-Term Care	12,561,852	13,117,599	13,773,479	14,462,153
Swing Beds	2,059,091	2,264,999	2,491,499	2,740,649
Other	38,646,840	43,393,850	45,563,542	47,841,719
Total Patient Revenue	303,842,895	341,524,868	377,018,064	411,719,687
Less Deductions			-	-
Charity Care	3,617,283	4,145,195	5,655,271	6,175,795
Contractual Allowances	151,877,018	177,670,208	203,589,755	230,563,025
Bad Debts	6,072,302	7,881,204	9,425,452	10,292,992
Total Deductions	161,566,603	189,696,607	218,670,477	247,031,812
Net Operating Revenues	142,276,292	151,828,261	158,347,587	164,687,875
All Other Revenues	4,713,240	5,306,835	5,837,519	6,421,270
EXPENSES:			-	-
Salaries	64,046,934	67,137,236	70,494,098	74,378,109
Benefits	20,429,815	20,915,131	22,558,111	23,800,995
Supplies	24,943,979	26,795,450	27,599,314	29,042,305
Utilities	3,434,056	3,660,000	3,769,800	3,882,894
Property Tax	-	-	-	-
Rent	780,241	814,779	839,222	864,399
Lease			-	-
Other Expenses	17,878,497	16,378,116	16,893,190	17,737,393
Depreciation	13,577,515	13,889,757	14,000,000	16,137,841
Interest	1,867,733	1,678,973	1,974,167	1,795,212
Total Expenses	146,958,770	151,269,442	158,127,902	167,639,147
Excess (Shortage) of Revenue Over Expenditures	30,762	5,865,654	6,057,203	3,469,998
Note: FY is for the Fiscal Year from July 1 - June 30				
Revenue and Expenses are total organizational revenues and expenses				

PUBLIC COMMENT SUMMARY

On September 7, 2017 a public meeting was held in Soldotna, Alaska in the Kasilof Conference on the campus of CPH. Five persons attended the meeting, all present were either members of the CPH Board of Directors or direct employees of CPH. All present were in favor of the project.

Four written comments were received. Fairbanks Memorial Hospital, US Department of Veterans Affairs, the Board of Directors of CPH and one private citizen all voiced their approval in favor of the project.

There has been no voiced or written disagreement or negative comment submitted in relation to the proposed project.

RECOMMENDATIONS

Overall Recommendation

The CON Program recommends that the Commissioner approve CPH's application for a CON for its Hospital Expansion and Modernization Project (Phase VI), in its entirety.

The CON should be approved for the following project components:

- Obstetrics Modernization and Expansion
- Cardiac Catheterization Lab
- Intensive Care Unit Expansion
- Pharmacy Expansion
- Overall facility site upgrade and modernization

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

Rationale 2: The Cath Lab expansion satisfies Diagnostic Imaging Services service specific review standards for Cardiac Catheterization Services.

Rationale 3: No objection to the project; strong support from the community and stakeholders

APPENDIX A

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.
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 CPH 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.

APPENDIX B

Service Specific Review Standard(s)

VII. Diagnostic Imaging Services: Review Standards and Methodology

The department will develop and maintain data sources for measuring utilization rates and will identify regional and national norms to use in assessing the reasonableness of applicant assertions about projected levels of service.

D. Cardiac Catheterization Services

Review Standards

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 certificate of need for cardiac catheterization services:

1. No new cardiac catheterization laboratories will be approved in a community with existing cardiac catheterization services unless all existing adult laboratories are operating at an average of at least 75% of capacity or an average of at least 750 procedures per year.
2. The applicant for a facility that will offer pediatric cardiac catheterization demonstrates that at least 250 procedures per year will be performed.
3. The applicant for a facility that will offer primary angioplasty without onsite cardiac surgery capability must have a proven and tested plan for rapid access (within 90 minutes from declaration of emergency to the patient being in a cardiac surgical operating room). Appropriate hemodynamic support capability for such a transfer must exist as well as a team of appropriately trained individuals. The ability to place an intraaortic balloon pump (IABP) and temporary transvenous pacemaker for stabilization before transport must also exist.
4. A facility requesting authorization to perform elective coronary interventions must be located within a hospital or in a laboratory attached to a hospital with onsite cardiac surgery capability. The department may approve a laboratory that is not located within a hospital or not attached to a hospital with onsite cardiac surgery capability, if the following conditions are met:
 - a. Patients with acute coronary syndromes, severe congestive heart failure, and pulmonary edema due to acute ischemia, severe multi-vessel or left main disease, and severe left ventricular dysfunction associated with valvular disease are excluded.
 - b. Patients with complex (Type IIb and III) coronary lesions and other high-risk anatomic situations (only remaining coronary artery, vessel to be treated supplies more than 40% of remaining viable myocardium, etc.) are excluded. Facilities requesting approval for percutaneous coronary intervention (PCI) services in the absence of onsite cardiac surgery must develop criteria to screen for the types of clinical and anatomic situations appropriate and inappropriate for their facility based on published criteria in the literature.

- c. A plan for proper oversight must be approved by the department before approval of a certificate of need. The plan must include
- accreditation by the Joint Commission on Accreditation of Healthcare Organizations (JCAHO);
 - membership in the American College of Cardiology – National Cardiovascular Data Registry (for benchmarking outcomes);
 - an independent peer review of the program by the Society for Cardiovascular Angiography and Interventions or the American Medical Foundation for Peer Review, to be conducted once in the first six months and then annually thereafter for the first three years, to ensure that all issues related to quality assurance are monitored and addressed; and
 - supplying the department with all reports and data developed within 10 working days after each is developed.
- d. The laboratory director must have extensive experience performing coronary interventions (more than 500 procedures performed during their career and more than 75 procedures annually during the past two years), and must have and maintain a certificate of “Added Qualifications” in Interventional Cardiology from the American Board of Internal Medicine.
- e. The laboratory must maintain a quality standard for diagnostic catheterization mortality of less than 3 per 1000 procedures and for PCI of less than 1 per 100 procedures.
5. An applicant who seeks to establish new cardiac catheterization services in a community without existing services demonstrates that the facility is likely to perform a minimum of 500 cardiac catheterizations per year by the third year after program implementation.
6. The applicant demonstrates that the facility has the capability of providing immediate transvenous pacemakers in case of cardiac arrest.

APPENDIX C

Estimated Impact to Medicaid



THE STATE
of **ALASKA**

GOVERNOR BILL WALKER

**Department of
Health and Social Services**

OFFICE OF RATE REVIEW

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MEMORANDUM

Date: August 1, 2017

To: Alexandria Hicks
CON Coordinator

From: Christine Goetz 
Audit Supervisor

Subject: Certificate of Need (CON) Review for Central Peninsula Hospital Modernization and Expansion

Central Peninsula Hospital (CPH) is a 49-bed acute care hospital combined with a 60-bed long term care facility. The hospital building and land are owned by the Kenai Peninsula Borough, a government, not for profit entity.

CPH Phase VI Project is an expansion and renovation project consisting of approximately 28,000 square feet (SF) of new building floor area and 16,000 SF of renovated/replacement space to house a new Obstetrics (OB) Department, new Cardiac Catheterization Laboratory, to expand the Intensive Care Unit (ICU) and to house impacted departments from demolishing an existing 7,500 SF wing built in 1985.

This project is estimated to cost \$26,918,933 and will be financed by \$28.9 million in revenue bonds. The anticipated schedule date for occupancy will be no later than January 2020. Since there will not be any added beds resulting from this project, the impact on the Medicaid program will mainly be in the form of increased capital costs and outpatient services.

The main consideration for the proposed project is to ensure that the facility has the ability and capacity to continue to meet community health care needs. CPH is proposing to re-categorize 5 of their OB beds to labor and delivery beds allowing them to add three (3) new ICU beds. This restructure is necessary as CPH participates in a Medicare demonstration program that requires them to be at or below 50 beds.

The facility is due to be rebased in FY2021 using data from it's FY2019 Medicare Cost Report. Given the project's deadline, some expenses related to this project may not be included in the facility's Medicaid rate that will take effect in the FY 2021 rate year.

	FY 2020 (1/1/20-6/30/20)	FY2021	FY2022	FY2023
Depreciation	\$866,578	\$1,733,155	\$1,733,155	\$1,733,155
Interest	\$488,795	\$959,044	\$921,305	\$882,245
Insurance	\$0	\$0	\$0	\$0
Total Est. Capital Cost per Year	\$1,355,372	\$2,692,199	\$2,654,460	\$2,615,400
Est. Medicaid Utilization	24.0%	24.0%	24.0%	24.0%
Est. Additional Capital Cost to Medicaid Program	\$325,289	\$646,128	\$637,070	\$627,696
Est. Cath Lab Outpatient Revenues	\$2,138,758	\$2,851,677	\$4,429,449	\$4,872,394
Est. Medicaid Utilization	24.0%	24.0%	24.0%	24.0%
Total Est. Medicaid Cath Lab Revenue	\$513,302	\$684,402	\$1,063,068	\$1,169,375
Est. Outpatient Reimbursement	32.25%	32.25%	32.25%	32.25%
Est. Additional Outpatient Service Cost to Medicaid Program	\$165,540	\$220,720	\$342,839	\$377,123
Total Estimated Additional Costs to Medicaid Program	\$490,829	\$866,848	\$979,910	\$1,004,819

Please note, all calculations in this 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.

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