STATE OF ALASKA

DEPT. OF HEALTH AND SOCIAL SERVICES

OFFICE OF THE COMMISSIONER

FRANK H. MURKOWSKI, GOVERNOR

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JUNEAU, ALASKA 99811-0601
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April 17, 2006

Certified, Return Receipt Requested

Robert P. Sheehan, PhD
President & CEO
Boys & Girls Home & Family Services Inc.
PO Box 1197
Sioux City, IA 51102-1197

Dear Mr. Sheehan:

A review of the supplemental information submitted by Boys & Girls Home & Family Services Inc. for construction of a 45-bed Residential Psychiatric Treatment Center (RPTC) in Fairbanks is complete. I have made the following decision after consideration of the recommendations of the certificate of need review and State laws and regulations:

> ***In accordance with provisions of A.S. 18.07.031-111 and 7 AAC 07.010-130, it has been determined that the Boys & Girls Home and Family Services Incorporated application and supplemental information for construction of a Residential Psychiatric Treatment Center (RPTC) in Fairbanks has met the applicable standards for approval to the satisfaction of the State of Alaska Department of Health and Social Services.***
>
> ***Conditions of approval are: 1) the applicant may build a 44 bed RPTC facility in Fairbanks that must include a secure unit with at least 7 beds, 2) the design of the unit that includes the 7 secure beds must be submitted and approved by the Department of Health and Social Services before the project is allowed to proceed, and 3) the approved cost of the project is $10.5 million with a completion date of December 31, 2008.***

Boys & Girls Home and Family Services Incorporated are encouraged to contact Health Facilities Certification and Licensing as soon as possible to ensure the design meets licensing standards and are encouraged to meet with the Division of Behavioral Health and solicit input on making their facility design more home-like.

Under 7 AAC 07.080, if you are dissatisfied with my decision regarding this certificate of need, you are entitled to a hearing if I receive a written request no later than 30 days after you receive this notice. I have enclosed the certificate authorizing expenditures for the project and a copy of the supplemental information review document with findings and recommendations.

Sincerely,

Karleen K. Jackson WHH.

Karleen Jackson, Ph.D.
Commissioner

Enclosure

cc: Anthony M. Lombardo, Deputy Commissioner, DHSS
Pat Carr, Unit Manager, Health Planning & Systems Development

REVIEW OF SUPPLEMENTAL INFORMATION FOR CERTIFICATE OF NEED APPLICATIONS TO BUILD RESIDENTIAL PSYCHIATRIC TREATMENT FACILITIES AND AN ACUTE PSYCHIATRIC HOSPITAL IN FAIRBANKS

April 17, 2006

Frank H. Murkowski
Governor

Karleen Jackson, PhD
Commissioner
Department of Health and Social Services

Anthony Lombardo
Deputy Commissioner
Department of Health and Social Services

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SUMMARY of SUPPLEMENTAL INFORMATION

Two Certificate of Need (CON) applications were submitted to the Department of Health and Social Services for the construction of Residential Psychiatric Treatment Center (RPTC) beds in Fairbanks. Boys and Girls Home and Family Services, Inc. (BGHFS) proposed development of a 60-bed RPTC and North Star Behavioral Health System proposed development of a 30-bed RPTC and a 30-bed acute care adolescent psychiatric hospital.

Although the analysis of the applications found that there was a need for RPTC beds in Fairbanks, both proposals were denied because they failed to meet a substantial number of the CON standards required under the Department's regulations. The Commissioner invited both applicants to submit supplemental information that would address the deficiencies in their applications, which both applicants did. The Commissioner agreed to reconsider the additional information and make a decision on whether to approve either by April 17, 2006. This document was developed to provide the Commissioner with an analysis of whether the supplemental information would allow either of the applications to be approved.

Supplemental information provided by Boys and Girls Home and Family Services, Inc. (BGHFS) was substantial and addressed every issue and every standard not met in the initial application. The supplemental information elevates the application to now meet all standards except General Standard #1, the need. Although they do not meet that standard they come very close, within 1 bed. BGHFS reduced the number of beds requested in the initial application from 60 RPTC beds to 45 beds. The cost of the project was also reduced from $14.75 million to $10.5 million and updated financial data was submitted. The project was found to be financially feasible, that they had involved sufficient stakeholders, and considered the impact on the existing health care system related to recruitment. BGHFS offers both secure and non-secure beds in their facility.

Regarding the proposal to build 45 beds, although it is close to the number needed, 44 beds is the maximum recommended, because projected utilization is expected to decrease over time. BGHFS rounds up from 44.15 beds. Because of the capacity built into the Department's forecast methodology, including the 85% occupancy level, there is no basis for "rounding up" from a forecast that contains a fraction of a bed. Therefore, adding an additional bed to the number forecast to be needed by the CON methodology (44 beds) is not acceptable and not recommended.

North Star's supplemental information addressed some of the standards that were not met in the initial application. North Star provided supplemental information that addressed the impact on existing health care providers and stakeholder involvement in the planning process. Both of these standards were changed from not-met to met with the supplemental information. However, North Star did not change the number of RPTC beds or the number of acute inpatient psychiatric beds requested. They still propose construction of a 30-bed RPTC facility and the 30-bed acute inpatient psychiatric facility for children and youth. The proposed RPTC facility would only partially meet the RPTC bed need and the proposed inpatient facility would exceed the bed need in Fairbanks. The supplemental information from North Star did not address the lack of secure RPTC beds in their proposal.

North Star proposed a different method of determining acute psychiatric care bed need. However, the Department finds that the method should remain the same and therefore the data and projected need for beds remains the same as the initial application. The Departmental Data Manager's projections of need for RPTC beds and acute inpatient psychiatric hospital beds are found in the appendices on pages 11 and 12.

The initial review was finished November 10, 2005, and relied upon Phase I of the standards, which was adopted July 8, 2005. The current standards, known as Phase II, were adopted December 9, 2005, and became effective January 11, 2006. Phase II changed RPTC Specific Standard #4 to read that any project larger than **29 beds** would not be recommended for approval unless it was provided in home-like settings. The BGHFS design was initially reviewed under Phase I standards and would not be approved if reviewed under the Phase II standards because the design is not home-like or cottage-like and the project is larger than 29 beds. In fact neither BGHFS or North Star is designed to offer a home-like or cottage-like setting. Both are institutional in design, but the BGHFS design is much more institutional than North Star. BGHFS should reconsider their design and work with the Department to develop a facility that is more in keeping with best practices for patients. BGHFS is encouraged to contact Certification and Licensing as soon as possible to ensure that the design meets licensing standards.

BGHFS did not provide an architectural drawing of the third 15-bed unit that includes a 7-bed secure subunit that is proposed. It is critical that this be submitted before the project is approved. Based on information from the Division of Behavioral Health, this unit will need to have a carefully designed division between the 8-bed non-secure sub-unit and the 7-bed secure sub-unit.

RECOMMENDATIONS

It is recommended that Boys and Girls Home and Family Services, Inc. (BGHFS) be approved to spend $10.5 million to build a new 44-bed RPTC facility with at least 7 locked (secure) beds in Fairbanks, Alaska, with a completion date of December 31, 2008. Conditions of approval are that a design for the additional 15 beds (including 7 locked beds) must be submitted and approved by the Division of Behavioral Health before the project is allowed to proceed. BGHFS is encouraged to contact licensing as soon as possible to ensure the design meets licensing standards and is encouraged to meet with the Division of Behavioral Health and solicit input on making their facility design more home-like.

It is recommended that the proposed North Star Behavioral Health System 30-bed RPTC and a 30-bed acute care adolescent psychiatric hospital be denied.

CERTIFICATE OF NEED REVIEW MATRICES

The Department of Health and Social Services is required to apply the following standards in its evaluation of each certificate of need application: 1) general review standards applicable to all projects and set out in the Alaska Certificate of Need Review Standards and Methodologies document; 2) the applicable service-specific review standards set out in the same standards document; and 3) the general and specific review standards for concurrent reviews. There are 6 categories of standards for this concurrent review: 4 for RPTC beds and 2 for Acute Inpatient Psychiatric Hospital beds. The reason the RPTC beds have 2 additional categories of standards is because it is a concurrent review and has a set of general and specific concurrent review standards. Each category of standards has its own matrix as follows:

I. CON MATRICES FOR RPTC BED STANDARDS

MATRIX #1: GENERAL REVIEW STANDARDS APPLICABLE TO ALL APPLICATIONS – APPLIED TO RPTC SERVICES

GENERAL CON REVIEW STANDARDS	Standard Met/Not Met	COMMENTS
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. In applying this standard, the department will also consider, when appropriate, whether the service is in an area of the state that is unserved or under-served in the type of proposed service.	**Not Met by BGHFS** **Not met by North Star**	North Star proposed 30 beds and BGHFS proposed 60 beds in the first review. Both exceeded the Departments need projections. In this proposal, BGHFS reduced their project to 45 beds, which exceeds need by one bed. North Star still proposes to build 30 beds, which would only partially meet the calculated need for RPTC beds in Fairbanks.
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.	**Met by BGHFS** **Met by North Star**	Both proposals substantially met this general standard in the first review. It was not an issue in the supplemental information that was submitted.
General Review Standard #3 – Stakeholder Participation: The applicant demonstrates effective formal mechanisms for stakeholder participation in planning for the project and in the design and execution of service.	**Met by BGHFS** **Met by North Star**	Neither applicant met the standard in the original application. Both applicants addressed this issue in the supplemental information submitted. Now both meet the standard.

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.	**Standard waived**	The original review indicated that neither applicant met this standard, but it was waived because there is a need for RPTC care that can't be met by other services and is not currently available in Fairbanks.
General Review Standard #5 – Impact on the Existing System: The applicant demonstrates the impact on existing health care systems within the project's service area that serve the target population in the service area, and health care systems that serve the target population in other regions of the state.	**Met by BGHFS** **Met by North Star**	This standard was not met by either applicant in the original application. Both applicants provided supplemental information regarding staff recruitment and this standard is considered to be met.
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.	**Met by BGHFS** **Met by North Star**	The original review determined that both applicants met this standard. It was not addressed in the supplemental information submitted.

Note: 44 beds is the maximum recommended because bed need is projected to decrease over time. The applicant rounds up from 44.15 beds. Because of the capacity built into the forecasts with the 85% occupancy level, there is no basis for "rounding up" the number forecast by the CON methodology from a forecast of a fraction of a bed.

MATRIX #2: SPECIFIC REVIEW STANDARDS APPLICABLE ONLY TO RPTC SERVICES

The department is required to use the following service-specific review standards in its evaluation of an RPTC application for a certificate of need:

RPTC Specific Review Standard #1 – Cost: The applicant identifies the probable impact on the cost to local consumers, and the cost to Medicaid and other medical assistance programs operated by the State of Alaska.	**Standard Waived in Original Review**	This standard was waived in the original review since nearly all patients will be funded by Medicaid. Also, the daily rate ($325) is not affected by the cost of the facility.
RPTC Specific Review Standard #2 – Feasibility: The applicant demonstrates the immediate and long-term financial feasibility of the project, based on availability of federal or other funding to construct and operate the project.	**Met by BGHFS** **Met by North Star**	In the original application, North Star met the financial feasibility standard but BGHFS did not. The supplemental information submitted by BGHFS meets the standard.

RPTC Specific Review Standard #3 – Accreditation: An RPTC facility must be accredited by the Joint Commission on Accreditation of Healthcare Organizations (JCAHO).	**Met by BGHFS** **Met by North Star**	This standard was met by both applicants in the original review. Both propose to be JCAHO accredited.
RPTC Specific Review Standard #4 – Setting: Projects larger than 60 beds will not be recommended for approval unless a. services will be provided in a campus-like, cottage setting, with smaller home-like units with 15 beds per unit or less [see 7 AAC 43.560(b)(4)(A)]; b. there are secure and non-secure beds in the facility.	**Met by BGHFS** **Not Met by North Star**	Both applicants propose projects smaller than 60 beds. Both met standard "a." in the original application because they were less than 60 beds, but neither offer home-like settings. BGHFS offered secure and non-secure beds in both applications. North Star does not offer any secure RPTC beds so did not meet standard "b." in either application. *
RPTC Specific Review Standard #5 – Cost: The applicant demonstrates that the project augments the existing community system of care and facilitates transition to lower levels of care, to community-based settings, or to an adult service system at maturity, providing an effective interface with lower levels of care in the same community. In applying this standard, the department will also consider: a. whether the project includes a plan for connecting children and families to appropriate levels of care, to engage families in their children's treatment; b. the degree to which the proposed services assist in developing a Comprehensive, Continuous, Integrated System of Care (CCISC) for behavioral health as planned by the department.	**Met by BGHFS** **Met by North Star**	Both projects met this standard in the original application, since both assist in the development of a statewide, integrated system of mental health care and mitigate the problem of having to refer children and adolescents to out-of-state services. North Star complements the system of care by adding acute care; while BGHFS complements the system by adding 7 secure RPTC beds.

*Note: The initial review was conducted under Phase I of the standards, which was adopted July 8, 2005. Phase I RPTC Specific Standard #4 regarding home-like setting, stated that projects larger than 60 beds would not be recommended for approval unless they are provided in campus-like, cottage-like setting with smaller home-like units. Phase II of the standards was adopted December 9, 2005, and became effective January 11, 2006. Phase II changed RPTC Specific Standard #4 to read that any project larger than **29 beds** would not be recommended for approval unless it was provided in home-like settings. This is the current standard. The BGHFS design would not be approved if reviewed under the new standard because the design is not home-like or cottage-like.

MATRIX #3: GENERAL CONCURRENT REVIEW STANDARDS APPLICABLE TO ALL CONCURRENT REVIEWS

Additional Considerations for Concurrent Review of More than one Application

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

General Concurrent Review Standard #1 – Quality: The applicant demonstrates a commitment to quality that is consistent with, or better than, that of existing services, if any.	**Met by BGHFS** **Met by North Star**	Both RPTC projects will be JCAHO accredited and are committed to offering quality services.
General Concurrent Review Standard #2 – Licensure: The applicant demonstrates a pattern of licensure and accreditation surveys with few deficiencies and a consistent history of few verified complaints.	**Met by BGHFS** **Met by North Star**	The information received to date did not indicate a pattern of deficiencies or complaints that is an issue for either applicant.
General Concurrent Review Standard #3 – Low-Income – Uninsured Care: The application demonstrates that the applicant has consistently provided, or has a policy to provide, high levels of care to low-income and uninsured persons.	**Met by BGHFS** **Met by North Star**	Virtually all RPTC patients are Medicaid funded, which indicates a high level of care to low-income and uninsured persons. Both applicants meet this standard.

MATRIX #4: SPECIFIC CONCURRENT REVIEW STANDARDS APPLICABLE ONLY TO RPTC SERVICES

There is only one review standard that is specific to the concurrent review of Residential Psychiatric Treatment Facilities, which is project operation by a Native organization.

Specific Concurrent Review Standard #1 – Operated by a Native Organization: The department will approve an otherwise equivalent proposal if the applicant is a facility operated by a Native organization operating under a compact or contract with the federal government to provide health services to IHS beneficiaries under P.L. 93-638	**Does not Apply**	This standard does not apply to either applicant since neither is operated by a Native organization.

II. MATRICES FOR REVIEW OF THE NORTH STAR ACUTE PSYCHIATRIC HOSPITAL CON APPLICATION

MATRIX #1: GENERAL REVIEW STANDARDS APPLICABLE TO ALL APPLICATIONS –

GENERAL CON REVIEW STANDARDS	Standard Met/Not Met	COMMENTS
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. In applying this standard, the department will also consider, when appropriate, whether the service is in an area of the state that is unserved or under-served in the type of proposed service.	**Not met by North Star**	North Star proposed the same number of beds as their first application (30 beds), which exceeds the 21 beds determined by the department to be needed. Also, the first review determined that the existing number of beds statewide was more than needed and that the beds in Fairbanks should not be built unless beds in other locations were taken out of service.
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.	**Met by North Star**	The North Star acute psychiatric hospital proposal substantially met this general standard in the first review and it was not addressed in the supplemental information.
General Review Standard #3 – Stakeholder Participation: The applicant demonstrates effective formal mechanisms for stakeholder participation in planning for the project and in the design and execution of service.	**Met by North Star**	This standard was not met by North Star in the original application, but was addressed in the supplemental information. North Star is considered to have met this standard for the Acute Psych bed section of its proposal.
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.	**This Standard is waived**	This standard was not met in the original review. However, the standard is waived because this component of psychiatric care does not exist in Fairbanks or the Interior, and regional facilities are desirable. A similar standard was waived for RPTC beds due to lack of access in Fairbanks.

General Review Standard #5 – Impact on the Existing System: The applicant demonstrates the impact on existing health care systems within the project's service area that serve the target population in the service area, and health care systems that serve the target population in other regions of the state.	**Met by North Star**	This standard was not met in the initial application because of potential problems with the recruitment of staff. The supplemental information provided a more detailed description of recruitment so the standard is met.
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.	**Met by North Star**	The original review determined that North Star met this standard and it was not addressed in the additional information submitted.

MATRIX #2: SPECIFIC REVIEW STANDARDS APPLICABLE TO ACUTE INPATIENT PSYCHIATRIC SERVICES

Acute Inpatient Psychiatric Treatment Services (IPTS) Review Standards
After determining whether an applicant has met the general review standards the department is required to apply the following service-specific review standards in its evaluation of an application for a certificate of need to establish, expand, or relocate acute inpatient psychiatric treatment services:

Acute IPTS Review Standard #1 – Size: A new freestanding psychiatric hospital must have a minimum of 25 beds; new services located within existing acute care community hospitals must have a minimum of 12 beds. Any deviation must include a five-year projected cost benefit analysis that describes a sustainable "economy of scale."	**North Star Meets This Standard**	Technically North Star meets this minimum size standard because the proposal is for 30 beds. However, as stated in Inpatient Psychiatric General Standard #1 on page 8, there is no need for 30 beds.
Acute IPTS Review Standard #2 – Occupancy: To be considered for authorization to expand bed capacity, inpatient psychiatric treatment services must have an annual average occupancy of at least 80% during the preceding three years.	**Does Not Apply**	This is a new facility, not an expansion of bed capacity, so the rule does not apply in this case.
Acute IPTS Review Standard #3 – System: The applicant demonstrates that the project augments the existing community system of care and facilitates effective interface, transition and timely referral to lower levels of community-based settings.	**North Star Meets This Standard**	There currently are no acute inpatient beds for youth in Fairbanks as documented by the applicant. This is a type of service that is needed so the application meets the standard.

APPENDICES

(Next two pages)

Alaska Residential Psychiatric Treatment Center Bed Need Forecast based on Alaska Certificate of Need Methodology

Assumptions for 2010 RPTC Bed Need Forecasts:
(1) "use rate" per 1000 youth ages 6-17 kept steady; (2) level of out of state placement is reduced each year (assuming 80 fewer cases per year out of state), and (3) average length of stay KEPT AT 125

	"Current" (2004 most recent data year)		5 years from June 2005 (applications) 2010		
Pop = Population ages 6-17	130812		Pop-p	131208	
UR =Use Rate (users per 1000)=TC*1000/Pop	6.77		UR (use current, 2002-2004)	6.77	
TC = Total Caseload: avg cases 2002-2004 (737+925+993)/3	885		TC = Pop-p * URc	888	
		STEP 1	TC = (P x UR)/1000	887.68	
OSCc = Out of state caseload (reduce by 13% (80 cases) per year from 2002-2004 avg)	615.0		OSCp=OSCc - 5*80)	215	Target 90% reduction = 62 by 2012
ISCc = In state caseload (253+255+304)/3	271	STEP 2	ISCp = TCp - OSCp = 888-215	673	
		STEP 3	CRF (caseload reduction factor) not applied because there is no basis yet for such an estimation		
		STEP 4	ISALOS (In State Average LOS) assumption at current (2002-2004) level	125.0	Target 2012: 89.7
Total Service Days avg 2002-2004	158684	STEP 5	Projected In state Service Days = ISALOS * ISC	84085	
		STEP 6	Avg daily census =Instate Days of Care/365	230.37	
		STEP 7	Bed Need assuming 85% occupancy =ADC/.85:	271	
		STEP 8	Net Need = Bed Need - (Actual and approved)	271-187=84	
			Fairbanks/Interior + NSB area share:	44	
			(16% of kids 5-19)		

Residential Psychiatric Treatment Facility Need Estimate with Regional Distribution, for 2010

Potential service areas: (Beds distributed regionally using ages 5-19 2004 regional distribution)	Population ages 5-19, 2004 (CAAS04.xls)	%	Bed need 2010-- 85% occ.	Existing Beds 2005
Northwest Alaska (Nome, North West Arctic Borough)	5,438	3%	9	
Southwest Alaska (Wade Hampton, Bethel, Dillingham, Bristol Bay, Lake & Pen, Aleutians East, Aleutians West)	11,411	7%	19	
Anchorage, Matanuska-Susitna Borough, plus Valdez-Cordova Census Area	87,058	54%	146	187
Southeast (Ketchikan, POW, Juneau, Wrangell-Petersburg, Haines, Skagway-Hoonah-Angoon, Yakutat)	15,709	10%	26	
Interior (Fairbanks NSB, SE Fairbanks, Denali Borough, Yukon Koyukuk) plus North Slope Borough	26,336	16%	44	
Kenai and Kodiak Service Area	15,726	10%	26	
Total:	**161,678**	**100%**	**271**	

Acute Child/Adolescent Psychiatric Treatment Bed Need Forecasts based on Alaska Certificate of Need Methodology			
	Current		5 years from June 2005 (applications)
	2002-2004		**2010**
	Average per Year		
Pop = population 5-19 =	161074	P=Pop-projected 5-19	**163813**
UR =Use Rate (days per 1000)	185.3	UR	**185.3**
C= P * UR			
C=days of inpatient services (avg/yr)	29843	C projected=P * UR	**30351**
ADC=Avg Daily Census	82		**83**
Average Occupancy	82%	TO= Target Occupancy	0.8
		PBN=Projected bed Need	**104**
Existing Beds= EB=100	100	EB=Existing and Approved Beds	100
		Net Bed Need (statewide):	**4**

Potential service areas:	Population ages 5-19, 2004 (CAAS04.xls)	Percent	Potential Regional Allocation of 104 beds	Existing Beds
Northwest Alaska (Nome, North West Arctic Borough)	5,438	3%	3.5	
Southwest Alaska (Wade Hampton, Bethel, Dillingham, Bristol Bay, Lake & Pen, Aleutians East, Aleutians West)	11,411	7%	7.3	
Anchorage, Matanuska-Susitna Borough, plus Valdez-Cordova Census Area	87,058	54%	56.0	100
Southeast (Ketchikan, POW, Juneau, Wrangell-Petersburg, Haines, Skagway-Hoonah-Angoon, Yakutat)	15,709	10%	10.1	
Interior (Fairbanks NSB, SE Fairbanks, Denali Borough, Yukon Koyukuk) plus North Slope Borough	26,336	16%	16.9	
Kenai and Kodiak Service Area	15,726	10%	10.1	
Total:	**161,678**	100%	103.9	100

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March 29, 2006

Karleen Jackson
Commissioner
Department of Health and Social Services
PO Box 110601
Juneau, Alaska 99811-0601

RE: Second Amendment to Application for Certificate of Need.

Dear Ms. Jackson:

On November 22, 2005 the Department of Health and Social Services issued its decision responding to Boys and Girls Home and Family Services, Inc.'s (BGHFS) application for a Certificate of Need (CON) to build a 60-bed Residential Psychiatric Treatment Center in Fairbanks. The Department's decision determined BGHFS did not adequately address 3 General and 1 RPTC-specific Review Standards to the satisfaction of the Department. BGHFS requested a hearing to respond to the Department's decision on December 21, 2005. On February 22, 2006 the parties stipulated to hold BGHFS's Hearing Request in abeyance pending the Department's receipt of BGHFS's Supplements to its CON application.

BGHFS's Supplements, which follow this letter, are submitted to address the deficiencies noted by the Department in:

A. General Review Standard #1 - Documented Need;
B. General Review Standard #3 – Stakeholder Participation;
C. General Review Standard #5 – Impact on the Existing System;
D. RPTC Review Standard #2 – Financial Feasibility

BGHFS is also clarifying its application regarding RPTC Review Standard #4 – Home-Like Setting, to address and respond to comments contained in the Department's Concurrent Review. Additionally, in deference to the Department's findings, BGHFS is reducing the number of Level 5 beds from 60 to 45 in its proposal, although it believes a need for 60 beds is factually and financially supported.

BGHFS has taken great care to utilize the methodologies the Department provided for determining "Documented Need and Financial Feasibility". BGHFS has also taken great care to insure both the spirit and intent of applicable regulations were met while addressing each of the afore-referenced Review Standards. BGHFS's final RPTC proposal has been strengthened by the wide-scale Stakeholder input that occurred throughout the decision making process. The financial aspects of BGHFS's proposal are extremely solid and ensure long-term viability. There

is little doubt an RPTC in Fairbanks would provide needed services to a desperately underserved portion of this State, augmenting existing regional services rather than competing with them.

BGHFS looks forward to a favorable decision from the Department regarding its Application for Certificate of Need. BGHFS also would like to invite the Department to discuss any question or issue necessary to assure its Application conforms to all applicable Standards. Thank you.

Regards,

Douglas L. Blankenship
Attorney for:
Boys & Girls Home & Family Services, Inc.

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

General Review Standard #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. In applying this standard, the department will also consider, when appropriate, whether the service is in an area of the state that is unserved or under-served in the type of proposed service.

> (Concurrent Review, p. 7)…*The Department did not consider residents from the Northwest Arctic or Nome as being appropriate for this project because the travel patterns would take them through Anchorage first and that would be an easier place for families to be involved in services than Fairbanks.*

The following information addresses the Target Service Area, population and the Fairbanks RPTC Bed Count under the methodology used by the Alaska Department of Health and Social Services.

1. Composition of the Fairbanks RPTC Target Service Area properly includes the Nome Census Area and the Northwest Arctic Borough.

The Department determined that since there was no direct air service between Nome and Fairbanks and Kotzebue and Fairbanks, it was not appropriate for Boys and Girls Home and Family Services, Inc. to include the Nome area and Northwest Arctic Borough in the area to be primarily served by the Fairbanks RPTC. (Concurrent Review p.7.) However, since there is regularly-scheduled direct air service between Nome, Kotzebue and Fairbanks, the Northwest Arctic Borough and the Nome area are appropriately included within the area to be served by the Fairbanks RPTC.

The Boys and Girls Home and Family Services, Inc. CON application envisioned the Fairbanks RPTC as serving the northern portion of Alaska. The application identified the geographical Target Service Area as Fairbanks, Southeast Fairbanks, Denali - The George Parks Highway, Nome, Yukon-Koyukuk, Northwest Arctic and the North Slope. (Boys and Girls Home and Family Services, Inc. application p. 33-34.) The Concurrent Review accepts all the area in the Target Service Area except the Nome area and the Northwest Arctic Borough:

> *The Department did not consider residents from Northwest Arctic or Nome as being appropriate for this project because travel patterns would take them through Anchorage first and that would be an easier place for families to be involved in services than Fairbanks.* (Concurrent Review, p.7.)

The sole reason given for exclusion was that there was no direct air travel between Fairbanks and Nome, and Fairbanks and Kotzebue.

The attached Affidavit of Richard Basarab shows there are regularly-scheduled direct flights between Fairbanks and Nome, and between Fairbanks and Kotzebue. Virtually all of the villages in the Northwest Arctic Borough and the Nome area are serviced by a variety of carriers with regularly-scheduled flight service between the village and Nome or Kotzebue. Nome and Kotzebue are regional hubs for Frontier Flying.

The following pictorial description from Frontier Flying Service reveals these air routes between Fairbanks, Nome, and Kotzebue .

Source: Frontier Flying Service routes and scheduling

In addition to a departure and arrival point for airlines statewide, Fairbanks is a major visitor center and the northern terminus of the Alaska Railroad. The military, transportation and market nucleus of the Alaskan interior, Fairbanks is a supply point for arctic oil operations. Fairbanks will continue to remain the hub for commerce and business for these multiple communities. We believe that Fairbanks is the hub for RPTC services as well.

Accordingly, the Northwest Arctic Borough and Nome regions are appropriately with the Target Service Area of the Fairbanks RPTC.

2. Population and RPTC Bed Count of Target Service Area

After determining the composition of the Target Service Area, the next step is to determine the population of 6-17 year olds as of 2010 in the Nome and Northwest Arctic Borough.

The 6-17 year old population in the Target Service Area as of 2010 should be increased from 26,336 to 31,774. The 5,098 increase stems from inclusion of the Nome and Northwest Arctic Borough 6-17 year population. The 5,098 6-17 year old population for the two areas was gathered from the same source as used by the state (http://www.labor.state.ak.us/research/pop/estimates/4ARS04c.xls). This results in an increase of the Fairbanks RPTC bed count from 44 to 54 under the methodology. Attached as *Exhibit A* is a side-by-side analysis of the Department's and Boys and Girls Home and Family Services, Inc.'s calculations. The only difference between the two is the change in population from 26,336 to 31,774.

3. Reduction of Out of State Caseload Used in Formula

In addition to increasing the population of the Target Service Area, the projected 2010 out-of-state caseload should be reduced. Step Two of the RPTC Review Methodology requires the Department to take into account the children receiving RPTC services out-of-state. The Department's RPTC Review Methodology for Boys and Girls Home and Family Services, Inc.'s CON application anticipated 215 RPTC children out-of-state in 2010. However, the overall goal is a reduction of out-of-state RPTC beds to no more than 10% of the total children receiving RPTC services. The Department projects 888 children

receiving RPTC services in 2010. In the calculation of RPTC beds for the Fairbanks RTPC, the 215 out-of-state beds are deducted from the total statewide projected caseload in 2010 of 888 leaving projected in-state caseload at 673. The Fairbanks RPTC projected caseload is a portion of the 673.

In the methodology, the proper projected out-of-state caseload in 2010 should be no more than 89. The 89 out-of-state beds are 10% of the projected 888 statewide caseload and are consistent with the Department's goal of "increasing the proportion of the total caseload staying in-state to 90% of the total by 2012." Refer to the Department's comment on page 3 of the State of Alaska's Response to Interrogatories and Request for Production of Documents attached as *Exhibit B.* The Comment shows the Department projected 215 out-of-state beds in 2010 in reaching its 89 bed goal in 2012. The application of the 215 out-of-state RPTC bed number in the Department's CON methodology prevents the State from reaching its 89 bed goal prior to 2012 and arbitrarily reduces the total of Fairbanks RPTC beds. Consequently, the methodology should use 89 as the number of out-of-state beds of 2010 instead of 215 in Step 2. *Exhibit C* contains the methodology using the 89 projected out-of-state bed numbers as the only change resulting in 53 RPTC beds in Fairbanks. *Exhibit D* is the methodology including both the Nome and Northwest Arctic Borough in the Target Service Areas and the 89 projected RPTC out-of-state bed numbers resulting in 64 RPTC beds in Fairbanks.

Special Population Services:

Originally, Boys and Girls Home and Family Services, Inc. proposal allowed for designated special units designed specifically to treat special populations such as FAS/FAE, co-occurring issues (mental health and substance abuse), and juvenile sexual offenders at the RPTC level. These special units were identified to treat individuals within a specialized milieu, specific to their area of diagnosis. The revised proposal will still accommodate special populations with treatment tailored to meet these needs.

The special populations that have been gleaned from the referrals currently being made out-of-state reflect three distinct populations. Boys and Girls Home will provide special services to those children who have committed some type of sexual offense, but for some reason are not eligible for the program the State presently operates. This specially tailored programming could include, but not limited to, youth who have not been adjudicated for a variety of reasons, or youth with SED who also have been offending. The second area would be children/youth that have co-occurring issues. This specialized program may be children who have SED and sexual offenses as discussed above, or children who are battling a substance or alcohol issue as well as SED. Boys and Girls Home and Family Services, Inc. currently has extensive experience with both of these populations. The third area of specialization would use the expertise of Family Centered Services with a jointly managed program for FASD. This third area of specialized treatment would directly address the state's high rate of FASD and the disproportionate representation of children with FASD who are in out-of-state placement. For AK Natives, the prevalence rate is 15 times higher, an increase need to address these co-occurring factors. *Bring the Kids Home Initiative Master Planning Document* (DBH "Policy and Planning" and MHTA), Updated 10/8/04, pg 83)

The last specialized area would be a secure area for those children needing that level of care. This area would be a locked unit with intensive services, available for all adolescent psychiatric emergencies. This unit would have 24-hour/7-day access, serving as an acute care service in a crisis center setting. We believe that the need for this level of care would not exceed 7-beds and will be housed in one of the 15-bed units. This will allow for a step-down program within the same unit, while an assessment is made for the best course for that child.

We stand uncertain as to what child will present what diagnosis at any given moment. We are serving many different needs within these 45-beds and need to remain as flexible as we can, while meeting the needs of every child in whatever program is best suited for that particular child. We first see that the unit

with 7-locked beds will be our assessment unit. For the most part, we see each child starting in this unit, either in a locked situation or unlocked, whatever meets the child's needs. The other 30-beds would change to the presenting needs of the children. We see moving populations in units of seven or eight with two distinct groups in one unit area at a time. The unit areas of 15 would provide care to children with similar generic characteristics including sex, age, and general disorder. For example, children presenting conduct disorder symptoms would be separate from children with mental health issues. Children who present generic conduct disorder, but also need to work on a special subset of alcohol abuse may live in a unit of 15 with other conduct disorder kids, but operate as a group of 7 or 8 who are dealing with substance abuse as well. We would determine in the assessment unit, which bed (unit area) would be best suited for each child and place the child in the most appropriate setting. This allows the greatest flexibility in serving the greatest number of children.

Conclusion:

Boys and Girls Home and Family Services, Inc. have demonstrated in the attached affidavit that there is regularly-scheduled direct air service between Nome and Fairbanks and Kotzebue and Fairbanks. Consequently, the Target Service Area for the Fairbanks RPTC appropriately includes the Nome and Northwest Arctic Borough areas. The attendant 6-17 year old population increase in the target Service Area supports 54 RPTC beds in Fairbanks. In addition, the methodology artificially reduces the RPTC beds necessary to fill the need by using 215 out-of-state RPTC beds in the model instead of the Department's ultimate goal of a maximum of 10% of all RPTC beds out-of-state which equates to 89 beds under the methodology used by the Department. Consequently, modification of the methodology reflecting the target service area, the population therein and the 89 out-of-state RPTC beds results in 64 RPTC beds that may be located in Fairbanks as set forth in Exhibit D.

While the facts support a need for 54 or 64 RPTC beds located in the Fairbanks area and Boys and Girls Home and Family Services, Inc. believes a finding for such would benefit the target service area, it acknowledges that state's position of only approving the CON for 45 beds. Therefore, the financial information discussed in a following section with financial forms attached reflects only the 45-bed determination from the Department. Additionally, the proposed 45-beds include not only secure beds but will serve special populations.

Attachment 1: Affidavit of Richard Basarab, Frontier Flying Service

Exhibits:

Exhibit A: *S*ide-by-side analysis of the Department's and Boys and Girls Home and Family Services, Inc.'s calculations with the only difference between the two is the change in population from 26,336 to 31,774.

Exhibit B: State of Alaska's Response to Interrogatories and Request for Production of Documents

Exhibit C: Methodology using the 89 projected out-of-state bed numbers as the only change resulting in 53 RPTC beds in Fairbanks.

Exhibit D Methodology including both the Nome and Northwest Arctic Borough in the Target Service Areas and the 89 projected RPTC out-of-state bed numbers resulting in 64 RPTC beds in Fairbanks

Finding #3: General Review Standard #3: Stakeholder Participation

General Review Standard #3-Stakeholder Participation. The applicant demonstrates effective formal mechanisms for stakeholder participation in planning for the project and in the design and execution of the service.

> (Concurrent Review, p.11)*…Neither applicant demonstrated stakeholder participation in the planning, design or execution of the service…Although BGHA seemed to have more support at the public meetings and in written comments, research into stakeholder participation in planning indicates that BGHA/FCSA did not contact at least one major provider of care, Fairbanks Native Association (FNA), and that North Star did contact FNA and a number of other organizations in Alaska.*

1. Summary report on community networking efforts

This report has been prepared by Family Centered Services of Alaska Inc., and Boys and Girls Home and Family Services, Inc. as a supplement to our Certificate of Need (CON) application to build and operate a residential psychiatric treatment center in Fairbanks Alaska. The report and accompanying attachments specifically provide clarification, further documentation and comment to the State of Alaska Department of Health and Social Services determination that the applicants did not meet CON application "General Review Standard #3 – Stakeholder Participation". It is the position of the applicants that the intent and spirit of General Review Standard #3 was met as part of the original application process, and believe this report provides additional support for the applicant's position.

Background: The stakeholder networking campaign Family Centered Services of Alaska Inc., and Boys and Girls Family Home and Family Services, Inc. conducted as part of the Residential Psychiatric Treatment Center Certificate of Need (CON) application process was meticulously designed, broad-based and implemented over an extended period of time. The campaign was designed to assure maximum meaningful participation and provide multiple opportunities for all interested public and private stakeholders within the targeted service area to participate. Maximum community input was considered critical in the campaign design because of the significant social, political and economic impact that a residential psychiatric treatment center (RPTC) would have on the Fairbanks community and the greater region to be served through the center.

While the primary objective of the campaign was to assure maximum stakeholder participation in the application process so as to comply with application Standard #3 it was also intended to achieve several other goals that were supportive of the true intent of standard #3, which is to assure that any CON application and/or project is practical, viable, and appropriate for the targeted community as well as the Alaska service system. The additional goals identified in the design phase of the networking campaign were: 1) to assure the long-term success of the project, 2) to improve the quality of the project and application, and 3) to use public input to design the project to fit the personality and desires of the community and service area.

Building from the primary objective and the goals the project team developed an umbrella list of the major community components targeted to disburse information to and receive input from. The list developed included the following:

1. Consumers and family members
2. Public school system

3. Social service provider agencies
4. Tribal and Native Alaskan social service provider agencies
5. Elected officials and political bodies
6. Business community
7. Hospitals and other primary care (medical) providers
8. State of Alaska offices/agencies
    - State of Alaska Division of Behavioral Health
    - State of Alaska Division of Office of Children's Services
    - State of Alaska Division of Juvenile Justice
9. Faith community
10. University of Alaska
11. Other

After the identification of major community components to disseminate information the project team identified specific agencies, organizations and key individuals, for example mayors, within each component to make contact with and/or presentations to. This step in the process resulted in the development of a list (often extensive) for each of the major community components. Refer to the attachments to this document for a sampling of the targeted groups and individuals.

Using the specific work list the project team then took into consideration two factors, time and contact (volume and form), as the next step in the design process.

Time: It was determined that the timeline to deliver, receive and incorporate public information into the project would need to be lengthy because of the large and diverse number of contacts that would be needed to assure meaningful participation and provide the highest quality input into the process. The logistics associated with a large number of contacts simply dictated that a lengthy time period would be required to effectively implement our stakeholder networking campaign. Also, a longer time period would help assure that all groups and individuals would be aware of the proposed project and have sufficient time to digest information and follow-up later with questions. Lastly, it would help to assure that the application would be of the highest quality and the project most likely to be successful if the application is ultimately approved and the RPTC established.

The design of the networking campaign called for the immediate dissemination of information and input gathering and commenced in the early fall of 2004. The end date of the campaign was determined to be when a final determination on the CON application was made. Submittal of the application was not considered to be the end date because meaningful information from the public could be incorporated into the project if the application was approved during the implementation stage.

Contact (volume and form): For our project to be best understood and objectively assessed we determined that the largest amount of public contact possible would be best. Greater contact would not only help fulfill an application requirement it would assure nothing of importance was unconsidered and produce a higher quality project. Another factor dictating the need for greater community contact was the number of presentations that would be required because of the diverse mix of targeted interest groups that needed to be involved in the process. For example, the questions that would be of most importance to social service provider agencies, elected officials, primary care facilities, and businesses would be very different. A social service organization would understandably be most concerned in the collaboration process on common consumers (clients)

whereas the business community interest may be the local economic impact. In addition, the expertise to raise the appropriate questions and the ability to assess our responses would vary over the different interest groups.

Another item of discussion regarding presentations centered on should we conduct small or large group presentations. The conclusion was to use a variety of forums because the process had already been determined to be lengthy so the time available would allow for many presentations. Therefore, we decided to prioritize no specific size groups and to make large and small group presentations and concentrate on gathering a large volume of input. It was anticipated this approach would result in some community members receiving several presentations. However, this was not viewed as a weakness of the networking campaign. In fact it was seen as a possible strength because it may result in more engaged participants and lively presentations.

In conjunction with the development of the contact lists, specific individuals were identified as individual or team presenters, team presentations were the preferred approach. Designated presenters were selected based on their expertise and professional backgrounds and the groups that the presentations would be made to. The presenter list included, Family Centered Services of Alaska's (FCSA) program managers, board members, administrative and clinical staff, and specifically the Executive Directors of both FCSA and Boys and Girls Home and Family Services, Inc. who were identified as the lead presenters. In addition, FCSA staff was provided briefings on the project so as to be able to address questions and speak effectively on the project as the need arose.

Lastly, it was determined that dissemination of information would not be constricted to just the Fairbanks community and greater service area targeted in the application but would be disbursed to some extent statewide. This was done because the project would benefit a percentage of children from all areas of the state, and to assure that our project was being done in partnership with other current efforts to develop a statewide-integrated behavioral health system for children, most specifically the *Bring The Kids Home* Project. Refer to the attachments to this report for some of the actual presentation scheduling lists and names of participants.

Informational Materials: Within the framework noted above considerable thought was given to the specific type and quantity of presentation materials to be disseminated. It was determined that all informational packets would include the same basic information and that the information would be delivered in a variety of visual formats. Furthermore, that as details changed and the project was refined from input the materials would be revised and updated as needed. In addition as needed supplemental information of specific interest to certain groups would be included with the basic information. It was determined the core information to be included in all presentation packets or handouts would be the following:

1. Architectural drawings
2. Facility location
3. Project objectives
4. Information on the applicant agencies
5. Targeted service population
6. Background information on the need the project
7. A lay-persons description of what RPTC service is
8. Staffing information (staff numbers and qualification requirements)
9. Project financing information
10. Annual operating cost

Refer to the attachments to this document for a sampling of presentation materials distributed.

Encouraging Participation: We recognized that pubic participation was essential for the operating and treatment plans within our application to be successful and that getting a large amount of public participation can often be very challenging. Therefore, we developed and included a media campaign to increase participation. The media campaign was an augmentation to our primary approach of encouraging participation through personal contact. Both BGHFS and FCSA have experience conducting media campaigns. Therefore, preparing the campaign was time consuming but not difficult. The media campaign developed and implemented included news media (newspaper) releases and informal notifications such as flyers and mailings to attend special luncheons or presentations. The use of food was another avenue that was used to increase attendance and participation. Through experience we have learned that having food is an extremely effective way to encourage attendance, reduce tensions, and increase the comfort level of participants. Refer to the attachments for samples of public notices.

Results of the Stakeholder Networking Campaign:

It is the opinion of the applicants that the objective and goals of our stakeholder networking campaign, detailed above, were accomplished and as a result "General Review Standard #3 – Stakeholder Participation" was met. We base our opinion on the information detailed in this report, the supporting documents attached to this report, the facts noted below, and our response, to certain State of Alaska staff reviewer comments on our CON application, also noted below, that were included in the staff report dated November 10, 2005.

A) The large public attendance and support for our project documented by the comments of the staff of the State of Alaska included in the "Public Comments and Public Meeting" section of the CON application evaluation report dated November 10, 2005 substantiates both the communities' involvement in the process and the success of our networking campaign. That section of the report notes that 51 individuals attended, which equates to significant participation and that a large majority held a favorable view of our application. One specific reviewer comment that makes community support for our application clear is, "Most participants spoke in favor of approving the BGHA project based on its relationship with Family Centered Services."

By our estimates, supportive testimony for our project was approximately 15 to 1 or 1500% higher then the support received by the other applicant. We also believe that the reviewers comment which was "Many of those testifying in favor of BGHA were on the Board, employed by, or in another way were connected with FCSA. "does not diminish from our achievement. This is because the comment fails to appreciate the extent BGHA has established networked relationships in the target service area. The remark is inaccurate because of individuals that testified only one was a board member and one was an employee (FCSA's Clinical Director). The others who testified were connected to FCSA because we routinely collaborate with the organizations they represent and successfully involved them in the process.

B) The large number of letters of support for our application from all segments of the community also documents active involvement and support for our project. Many of the letters were from representatives of organizations that we have worked with for many years who are familiar with the services FCSA and BGHFS provide and spoke to the quality of them and the long-term valued relationships. Refer to the attachments for additional supporting documentation.

C) The large number of individual, small and large group work sessions and presentations conducted during our lengthy networking campaign provide additional documentation of our successful community involvement efforts and success of our stakeholder networking campaign. By our estimates not hundreds but thousands of individuals were involved in the process. The high range of our estimate is that just over 4,000 individuals participated in the process. This number represents a significant percentage of the entire population of the service area.

D) The primary basis it appears for the reviewers(s) determining that our application did not meet General Review Standard #3 is in error. The reviewer(s) appear to heavily weigh their determination of failure to meet Standard #3 on one comment in the state report (dated November 10, 2005), that comment is "BGHA/FCSA did not contact FNA and other organizations in Fairbanks". With regard to other organizations, we are not aware of any organizations that could or should have been involved in our project/application that were not involved, nor informed, nor provided multiple opportunities to be involved. With regard to Fairbanks Native Association (FNA), John Regitano FCSA Executive Director personally was involved in no less then six (6) presentations and workshops that FNA management and clinical staff attended and/or participated in, just one example being the Arctic Alliance for People meeting on May 4, 2005. Further, the FCSA Executive Director along with clinical and management staff of FNA have participated in monthly meetings of the Fairbanks Behavioral Health Planning Group since August 2005 and still meet monthly with the group. This work group had considerable input in the development of all aspects of our CON application from facility design to program operation. The Fairbanks Behavioral Health Planning Group is facilitated by Information Insights through state contract.

Lastly, FCSA and FNA are both signers on a document developed by the key mental health service providers in interior Alaska entitled *"Fairbanks Community Children & Young Adults Systems of Care Plan and Inter-Agency Memorandum of Understating to Provide a Comprehensive Array of Services for Interior Alaska"*. The document, which was prepared in October 2003, is significant in a discussion of our application because it identifies the need for an RPTC facility in the region and that FCSA is the agency identified in the document to pursue that objective. The document ultimately became the starting point for the development of the RPTC, CON application that this report addresses. Attached is a copy of the Systems of Care Plan and Inter-Agency Memorandum of Understating.

Additional information: As a non-profit agency incorporated within the State of Alaska, Boys and Girls Home of Alaska, Inc. will be governed by a local Board of Directors. This local organizational structure will create a formal mechanism for stakeholder participation in the ongoing planning, design and implementation of the RPTC service and facility. This organizational structure ensures ongoing local control, greater participation of stakeholders within the community and region while addressing the unique needs of Alaska's families and youth. By incorporating as a non-profit agency with a local Board of Directors is further evidenced that stakeholders will not only have input in the initial phases of the RPTC project and facility but also in the ongoing business and management of the project. As the project unfolds, stakeholders will have a voice in determining building design, types of ancillary and specialized services. This local board means more than simply the initial contacting of local and regional support but an ongoing commitment by Boys and Girls Home and Family Services, Inc. for local control of the program within the state of Alaska. As a non-profit agency governed by a Board of Directors, key areas are addressed on an ongoing basis: financial impact, program development,

community participation, service delivery, etc. Refer to the attached Boys and Girls Home of Alaska, Inc. filing.

2. Conclusion

The concurrent review recognized BGHA had greater stakeholder involvement from the public and from written comments then the other applicant. The Concurrent Review was not accurate in concluding BGHA did not have stakeholder participation in planning, design, or execution of service. Scores of meetings were held with the public, organizations and individuals to solicit such input. And most importantly, FNA was, and remains, an integral stakeholder participating in each stage of BGHA's CON application

Finding #5: General Review Standard #5: Impact on Existing Health Care System

General Review Standard #5. The applicant demonstrates the impact on existing health care systems within the project's service area that serve the target population in the service area, and health care systems that serve the target population in other regions of the state.

> (Concurrent Review, pg. 12) *Neither applicant demonstrated the impact of their project on existing health care systems in the projects local service area, partially because there is not local providers for these services. Both applicants indicate that their new facilities would enhance the existing system of care and increase accessibility to RPT services. Both applicants enjoy close relationships with various components of the Alaska health care system. North Star's statewide network appears stronger than that of BGHA, while BGHA has a strong local link with their collaboration with Family Centered Services of Alaska. North Star did not describe the impact of adding additional acute psychiatric hospital beds in Fairbanks on the providers in Anchorage.*
>
> *BGHA states that their connection with FCSA allows them to offer a seamless array of services from levels 2-5, allows for lesser periods of time in a level 5 service, and smoother transition to lower levels of care. North Star states they will maintain close relationships with Fairbanks Area Schools and with Fairbanks Memorial Hospital. The main impact on health systems in Alaska would be the potential to hire needed staff away from other institutions. Neither applicant described the potential local and statewide impact on staffing, but both state they will work with their parent organizations out of state to recruit staff and mitigate the impact on local families.*
>
> *Finding #5: This standard was not met by either applicant. Neither addressed the potential staffing impact well. Although BGHA sought to position itself as a local agency through its contact with FCSA, relations with some other providers of lower levels of care are not strong. Both applicants will have different but positive impacts on the system. North Star's proposed facility would have a greater impact on developing the higher levels of care, BGHA more impact on developing secure and lower levels of care. BGHA will serve a broader age group.*

We disagree with parts of Finding #5 and believe we have adequately described the impact on the existing system in Alaska. The project meets a vital state interest in the targeted population to "Bring the Kids Home" from facilities now outside the State of Alaska. Boys and Girls Home of Alaska, Inc. is partnering with Family Centered Services of Alaska, Inc., creating a continuum of care for Alaska's youth and families. This collaboration has the potential to maximize staffing for both programs.

We assume the premise that professional staff is a difficult resource to find for Fairbanks and that the fear is we would "steal" professional staff and weaken other organizations because there are not enough staff and none will come. We would suggest, that based on this fear and logic, the hospital, university, and many businesses and agencies should simply not exist – yet they do. We assume that to have a place to work once you receive your bachelor's degree from the University of Alaska at Fairbanks is a great resource for the University. We assume that FCSA and Boys and Girls Home and Family Services will collaborate and share staff wherever possible. Furthermore, Boys and Girls Home and Family Services, Inc. have already had over 40 inquiries by current staff looking at relocating to Alaska if awarded the contract.

The other method that the proposed BGHFS/FCSA project intends is to limit the possibility of any negative employment impact to other regional providers through the expansion and enhancement of the training program that FCSA operates. Presently, FCSA is recognized not only within the region but within the State

of Alaska as having one of the premier mental health/behavioral health training programs. FCSA is one of the few non-profits within the region that has a training department included within its management infrastructure and fulltime training staff. The training department of FCSA is well recognized for their expertise which is why many local providers as well as the State of Alaska regularly contract with FCSA to provide local and regional staff training. The same can be said of BGHFS who also has a full-time training department. The significance of BGHFS/FCSA emphasis in an expanded and combined training program is that since FCSA created its training department approximately 10 ten years ago it has experienced little or no staffing problems with regard to recruitment and retention. FCSA attributes this success, in large part, to having a quality in-house training program which was established to address the issue of getting and keeping qualified staff. Prior to the creation of the department FCSA was having difficulty finding and retaining staff which we surmise other similar agencies are still having. The goal of the training department was to provide ongoing training throughout an individual's employment at FCSA, to encourage personal growth, and be in position as an employer to better assess the abilities of new and generally younger employees for further advancement at FCSA or redirecting them to other employment outside the behavioral health field if it better suited their skills.

Boys and Girls Home and Family Services, Inc. also have an internal scholarship program to assist staff to achieve professional accreditation and post-secondary education. These efforts, combined with federal and/or other college loan and grant programs, further assists to maximize professional efforts in the area. Also, like BGHFS, FCSA has modified its personnel policy to make available greater financial support for employees to seek college degrees while employed at FCSA. This in conjunction with its internal training program has turned out to be a winning combination with regard to employee recruitment and retention.

The proposed strategy includes recruiting Psychiatrist, nurses and special education teachers from Alaska, from the lower Midwest states of Iowa and Nebraska where Boys and Girls Home and Family Services currently operate, and nationwide. Additionally, recruitment efforts will include master-level social workers, therapists, and resident counselors. Recruitment efforts will include linking with the University of Alaska, internship opportunities and other professional recruiting efforts from Alaska as well as from the Midwest. A key to assuring that staffing is not an issue for the program or other local or state providers, BGFHS will recruit outside Alaska exclusively for higher level positions primarily clinical and masters level to staff the RPTC project as.

As the project is implemented in Fairbanks, somewhere not too far into the future after startup (perhaps one to two years) the number of well trained employees available for the all regional behavioral health providers will be much greater. This is because more job opportunities will be available, more entry level and younger individuals will be able to enter the field and this cannot help but increase the local and state qualified employee pool. This greater availability of qualified staff will only result in a greater access to employees not less access. There will be some movement of staff between community organizations because that appears to be a natural trend within the behavioral health field however the exchange will have a net zero effect. We anticipate a continuation of this net zero effect with regard to employee movement as long as wage parity between behavioral health organizations is maintained as the BGHFS/FCSA is designed to help assure stays in place.

While the agency recognizes the health, mental health shortage area designation of the state, existing health care services in the region will be enhanced and accessible for more appropriate uses when children and youth with mental health emergencies do not inappropriately utilize hospitals and emergency rooms due to the lack of other options. The addition of Level 5 RPTC services will complete the continuum of care in the region and will link to existing Level 1 through 4 services provided by FCSA and other providers. The Level 5 RPTC will be unique to the region and will provide high-end, residential psychiatric and ancillary services to children and youth in need of intensive care. These services are necessary to serve the identified target population, which currently uses such services in more expensive out of state facilities. The proposed facility

and services will compete with similar services now being paid for by the State of Alaska in Anchorage and the lower 48 states.

Finding #8: RPTC Specific Standard#2: Financial Feasibility

RPTC #2. The applicant demonstrates the immediate and long-term financial feasibility of the project, based on availability of federal or other funding to construct and operate the project

> (Concurrent review, pg. 13-14) *BGHA is not nearly as financially strong as North Star. They had a revenue shortage of $429,244 in 2004, and they anticipate a revenue shortfall for the Fairbanks RPTC of over $2 million in 2006. They projected that they will break even each year form FY2007 to FY2010 with no excess revenues and no losses. North Star is a for-profit company that would finance their facility through cash revenues. They are in a much better financial position to adequately support their project. Universal Health Services, North Star's parent company, reported $169.5 million in net income in 2004 and an average net income of $187.3 million in 2002 and 2003. They estimate net revenues for the Fairbanks facility of $5.4 million in 2006 and larger profits through FY2010.*
>
> *Late in the review it was discovered there were some serious discrepancies in the BGHA financial data that was submitted on September 6, 2005. BGHA submitted these revised budget projects because they had reduced the number or RPTC beds requested from 120 to 60. The budget they submitted does not appear to be valid, because it looks like level 4 income and expenditures are included with level 5 RPTC estimates. The CON program does not review level 4 services and these services should not be included in their application…The result of these inaccuracies would indicate that this project may not be viable, or at the very least, the numbers are grossly inaccurate. Some of the numbers appear to be derived with little or not research. In addition, this project will have a large debt to repay (nearly $2 million annually in debt service to repay a $14.75 million project). These factors bring into question the projects feasibility, since they are not anticipating any excess revenues over expenses and the revenues would appear to drop considerably if the errors are corrected. Adding to the problems that BGHA may face is the fact that their project will cost $14.67 million, which is considerably more than the cost of the North Star project ($10.15 million), and will require over $2 million in debt service.*

1. Boys and Girls Home and Family Services' Financial Strengths

BGHA is a non-profit organization and will not be in the same financial position when compared with a for-profit entity (North Star proposal). For over 112 years, Boys and Girls Home and Family Services, Inc. has had an enduring commitment to the mission of providing services for children, youth and their families. This is true with the proposal so that Alaska's children and youth can remain within the state of Alaska to receive needed services. This commitment is evidenced by the fact that the nonprofit agency is willing to incur debt service via bonds in order to make the project a reality. We have made this project financially strong and feasible.

In order to further clarify the financial feasibility of the project, we have offered the following supplemental information to the proposed RPTC project.

A) Bond clarification – Financing
B) Financial Forms for RPTC financial information only, excluding any other level of services for the prescribed 45- beds as indicated by the state need methodology

A) Bond clarification - Financing

We have asked David O. Thompson, Preston Gates & Ellis LLP who has worked with the Fairbanks North Star Borough as well as other communities in Alaska to offer an explanation regarding such bonds, specific to the State of Alaska. His comments as received via email on 3/7/2006 and attached are as follows.

> *AS 29.47.390 authorizes the Borough to issue bonds payable from revenues other than Borough taxes or revenues to finance various types of projects including "medical projects (RPTC – nonprofit agency)." Such bonds are expressly described by the statute as not a debt or liability of the municipality. (In that sense such bonds are "nonrecourse" to the Borough.) Instead, such bonds are payable by the hospital (RPTC – nonprofit agency) and may be secured by a pledge of assets of the hospital (RPTC – nonprofit agency). Additional security for such bonds is often provided in the form of a letter of credit or bond insurance. (In analyzing the credit-worthiness of such bonds, underwriters and investors will look solely to the credit of the hospital (RPTC – nonprofit agency) -- and any credit enhancement -- not to the credit of the Borough.)*
>
> *Such bonds would be issued by the Borough, even though they would be for the hospital's (RPTC – nonprofit agency) benefit, so the Borough would likely want to control or closely monitor the proposed structure and terms of any such financing.*
>
> *Under federal tax law, bonds issued for 501(c)(3) organizations are considered "private activity bonds." Interest on such bonds can be tax-exempt (per Section 145 of the IRC). Private activity bonds like these do not "count," however, when the Borough determines whether it is eligible for a "small issuer" exemption from arbitrage rebate (per Section 1.148-8(c) of the IRS Regulations).*
>
> *In other words, the Borough can issue up to $15 million in bonds for its own governmental purposes and be eligible for the small issuer exemption from rebate, so long as at least $10 million of those bonds are for school construction. Issuance of private activity bonds for the hospital during the same calendar year would not affect the availability of this exemption.*

Additional information has been offered by the agency's Bond Consultant, Timothy Oswald, from Piper Jaffray and Company, evidenced by email received on 3/7/06 as attached.

> *A conduit bond is a bond issued by a governmental body who loans the proceeds to a nonprofit corporation (or certain qualifying for profit corporations, none of which are relevant here). Interest on the bond is generally exempt from federal income taxation due to the fact that the bond is issued by the governmental body. The loan from the governmental body to the nonprofit must be for a qualifying purpose to retain tax exemption (this project should fit that mold). The bond is payable SOLELY AND ONLY out of the repayments from the nonprofit corporation and is not an obligation of the governmental body in any form or fashion beyond the resources of the nonprofit. Typically, most governmental bodies also require the nonprofit to indemnify and hold harmless in the event that the governmental body is, somehow, drawn into a protracted dispute, so that the nonprofit is the entity that pays all costs. In essence, the governmental body is simply lending its name to the nonprofit for the sole purpose of allowing the nonprofit to achieve tax exempt status. While the nonprofit is a 501(c)(3) corporation under IRS rules, the IRS does not grant the authority to issue tax exempt bonds to 501(c)(3) corporations. The right to issue said bonds is reserved, in most states, to the state and its political subdivisions only.*
>
> *This is a very customary way of financing nonprofit facilities, used throughout the United States for projects exactly like the proposed RPTC in Fairbanks. Piper Jaffray and Company can offer a significant list of projects that they have worked on that mirror this one, and they are a relatively small firm by industry standards.*

As indicated by the attached letter provided by the Mayor of the Fairbanks North Star Borough, the Fairbanks North Star Borough stands ready to support Municipal Conduit Bond Financing to assist with the financing of this facility. AS 29.47.390 authorizes the Borough to issue bonds payable from revenues other than Borough taxes or revenues to finance various types of projects including "medical projects."

B. <u>Financial Forms for RPTC financial information only, excluding any other level of services for the prescribed 45- beds as indicated by the state need methodology</u>

In addition to the explanation of the financing through conduit bond, the CON financial forms has been revised to reflect only the RPTC Level 5 costs for the facility and projected operational costs. This revised information directly relates to the concurrent review comment that "…*the CON program does not review level 4 services and these services should not be included in their application*".

2. Conclusion

Conduit bond financing affords BGHA solid financial strength to accomplish its planned project. Non-profit organizational financing and accounting mechanisms are very different then those used by for-profit companies. A review of the financial and accounting information provided in BGHA's original CON application, along with this supplement should clearly lead to a finding that BGHA has more than sufficient financial strengths to complete this project and maintain long-term financial feasibility.

Attachments:

Attachment 4-1. Timothy Oswald, from Piper Jaffray and Company, Bond Consultant, email dated 3/7/06.

Attachment 4-2. David O. Thompson, Preston Gates & Ellis LLP, Bond Consultant, email dated 3/7/2006

Attachment 4-3. Fairbanks North Star Borough, Letter of Interest and Consideration of Municipal Conduit Bond Financing

CON Financial Forms revised 3/06 with RPTC costs only

Attachment 4-3. Section VIIIA. Financial Data – Acquisition

Attachment 4-4. Section VIIIB. Financial Data – Construction Only

Attachment 4-5. Schedule I - Facility Income Statements

Attachment 4-6. Schedule II - Facility Balance Sheet

Attachment 4-7. Schedule III- Average Patient Cost Per Day and revenue Amounts

Attachment 4-8. Schedule IV - Operating Budget

Attachment 4-9. Schedule V-A - Debt Service Summary

Attachment 4-10. Schedule V-B. New Project Debt Service Summary

Attachment 4-11. Schedule VI - Reimbursement Sources

Attachment 4-12. Schedule VII - Depreciation Schedule

Finding #10: RPTC Specific Standard #4: Home-Like Setting

RPTC #4. Projects larger than 60 beds will not be recommended for approval unless services will be provided in a campus-like, cottage setting, with smaller home-like units with 15 beds per unit or less [see 7 AAC 43.560(b)(4)(A)].

We agree with Finding #10 but request further review of BGHA's actual design plan. We believe the design meets "campus-like, cottage setting, with smaller home-like units with 15-beds per unit" as well as meeting the therapy and other facility resources needed to support the program's goals and objectives.

> (Concurrent review, pg. 14) *This standard does not apply to ether applicant since neither plans to operate a facility larger than 60 beds. However, neither applicant is providing a campus-like, cottage setting, although both have units with 15 beds per unit or less. North Star's design is preferable to that of BGHA since North Star has smaller units (10 beds rather 15) and is designed to operate and feel more like a "cottage setting". The BGH facility design is very institutional had poor "line of sight" supervision opportunities (e.g. staff situated in the nursing station maintain visual supervision of only three of the fifteen bedrooms and the day room). BGHA does not have enough therapy spaces and the design allows for opportunities of inappropriate mixing of age groups in the activity areas. Another advantage of the North Start design is that it allows for easier separation of ages and different types of treatment with more control over limiting interaction. Smaller units provide the opportunity to have greater variety in specialized treatment populations should applicants offer them.*

We believe the Department has did not consider did not consider one of the great strengths of our design; namely, that each child has their own individual area (bedroom). We believe this is a critical for many reasons No matter what program a child is in, safety is one of our greatest concerns. We know that the majority of children will be suffering from some type of trauma in their life and in order to get to those issues, one need to be in a safe place. We have found that even for children who have fear of being alone, having their own room and being able to place pictures of family and important things they carry for themselves in that space is extremely important. From a behavior management point of view, we have found it an important factor in helping to control sexual acting out, exploitation, colluding, bullying, running away, etc. In the area of teaching responsibility, having one's own room also is an effective tool. One cannot blame or put off their responsibility on someone else, when it is your own room that you are responsible for. In short, we have found that having one's own area is a great asset in the treatment process.

We believe line of sight is not an issue and that one counselor can see every bedroom door at one time. If the children/youth are not in their rooms, then they would be in the common area. Unless a child is sick, a child would be expected to be with the group in the common area or wherever the group may be. When it is time to be in their own rooms, the entire group is also engaged in that same activity.

We designed the space so that children and staff use the whole building and not just their unit. The activity areas in the unit buildings are not designed to have 30-children in them at one time. Though two units share an activity area, the greater area for activities are not in the unit building. Those areas in the unit building are designed when the unit, for whatever reason, determines that it needs to stay in that building. We see that as a rare occurrence rather than a rule of use. We are further designing each unit to operate in two (2) distinct sections of 7-8-beds while still being in one unit. We believe our design gives us the greatest flexibility, safety and privacy for children, youth and programming needs.

Attachments

Attachment 1: Revised Architectural floor plan allowing special populations

STATE OF ALASKA
DEPARTMENT OF HEALTH AND SOCIAL SERVICES
FRANK H. MURKOWSKI, GOVERNOR

CERTIFICATE OF NEED

FOR

Boys and Girls Home and Family Services, Inc

BY

ORDER OF THE COMMISSIONER

In accordance with provisions of A.S. 18.07.031-111 and 7 AAC 07.010-130, it has been determined that the Boys and Girls Home and Family Services, Inc (BGHFS) application for a Residential Psychiatric Treatment Center facility in Fairbanks has met the applicable criteria for approval to the satisfaction of the State of Alaska Department of Health and Social Services.

This Certificate authorizes BGHFS to build a 44-bed Residential Psychiatric Treatment Center in Fairbanks with the following conditions 1) the facility must include a secure unit with at least 7-beds, 2) the design of the unit that includes the 7 secure beds must be submitted and approved by the Department of Health and Social Services before the project is allowed to proceed, and 3) the approved cost of the project is $10.5 million with a completion date of December 31, 2008.

By: Karleen K. Jackson WHH.

Karleen Jackson, PhD
Commissioner

Date: April 17, 2006