

**A CONCURRENT REVIEW OF  
CERTIFICATE OF NEED APPLICATIONS FOR  
RESIDENTIAL PSYCHIATRIC TREATMENT FACILITIES  
SUBMITTED BY  
NORTH STAR BEHAVIORAL HEALTH SYSTEM AND  
BOYS AND GIRLS HOME AND FAMILY SERVICES, INC.**

**November 10, 2005**



**Frank H. Murkowski, Governor**

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Department of Health and Social Services**

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## ***TABLE OF CONTENTS***

Executive Summary .....	2
Recommendations.....	3
Concurrent Review Report.....	4
Background.....	4
The Applicants.....	4
North Star Behavioral Health System (NSBHS) .....	4
Boys and Girls Home and Family Services, Inc. (BGHFCS) .....	5
Partnership with Family Centered Services of Alaska (FCSA) .....	5
Project Descriptions.....	6
North Star Behavioral Health System (NSBHS) .....	6
Boys and Girls Home of Alaska (BGHA) .....	7
Demonstration of Need.....	8
CON General Review Standards Applicable to All CON Applications.....	8
General Review Standard #1 – Documented Need.....	8
Finding #1.....	10
General Review Standard #2 – Relationship to Applicable Plans.....	10
Finding #2.....	10
General Review Standard #3 – Stakeholder Participation.....	11
Finding #3.....	11
General Review Standard #4 – Alternatives Considered.....	11
Finding #4.....	11
General Review Standard #5 – Impact on Existing System.....	12
Finding #5.....	12
General Review Standard #6 – Access.....	12
Finding #6.....	12
RPTC Specific Review Standards.....	12
RPTC Specific Review Standard #1 Cost Impact.....	13
Finding # 7.....	13
RPTC Specific Review Standard #2 Financial Feasibility.....	13
Finding # 8.....	14
RPTC Specific Review Standard #3 JCAHO.....	14
Finding # 9.....	14
RPTC Specific Review Standard #4 Home-Like Setting.....	14
Finding # 10.....	14
RPTC Specific Review Standard #5 Cost Impact.....	15
Finding # 11.....	15
RPTC Specific Review Standard #6 Native Health Facilities.....	15
Finding # 12.....	15
RPTC Specific Review Standard #7 – Continuum Fit.....	15
Finding # 13.....	15
Public Comment and Public Meeting.....	16

## ***EXECUTIVE SUMMARY***

The State of Alaska has received two applications for a Certificate of Need to build psychiatric facilities in Fairbanks for youth. Boys and Girls Home and Family Services, Inc. proposes to build a 60-bed residential psychiatric treatment center (RPTC) and North Star Behavioral Health Systems plans to build a 30-bed residential psychiatric treatment center as well as a 30-bed acute care adolescent psychiatric hospital that would be attached to it. The RPTC applications were being reviewed concurrently; the acute care psychiatric hospital portion of the North Star application is being considered on its own merits.

North Star's RPTC would serve adolescents ages 13 to 17 and their acute care psychiatric hospital would serve ages 5 to 17. Boys and Girls Home and Family Services, Inc. (called in this application "Boys and Girls Home of Alaska (BGHA)") would treat children and adolescents ages 5-18 in their RPTC. Neither applicant proposes to treat difficult diagnoses in their RPTC. BGHA proposes that one of their 15-bed units would be secure. North Star does not propose any secure beds in their RPTC but would build their facility to secure specifications so that it could be converted at a later date. Construction of North Star's RPTC and acute care psychiatric hospital would be complete in December, 2006 and would cost \$10.2 million. Construction of BGHA's RPTC would be complete in July, 2007 and would cost \$14.75 million.

An analysis of the need for RPTC beds shows that RPTC beds are needed in locations outside of the Anchorage and Mat-Su Valley so that service will be closer to patients' homes. Alaska continues to work to create a complete and balanced system of child and adolescent mental health care with community-based services as close to home as possible. There is considerable concern about the number of children who are sent out-of-state for residential care services because of lack of available in-state care. Both proposals offer in-state RPTC services.

The concurrent review of the Certificate of Need Applications for Residential Psychiatric Treatment Facilities submitted by North Star Behavioral Health System and Boys and Girls Home and Family Services, Inc. was conducted using the recently promulgated regulations and standards related to Certificate of Need that were effective on August 14, 2005. The review of the 30-bed acute care psychiatric hospital for adolescents and children, which is a part of the North Star RPTC application, was based on proposed standards for acute psychiatric hospitals.

## ***RECOMMENDATIONS***

North Star should be approved with the following conditions: a maximum of 44 RPTC beds and no acute inpatient psychiatric beds should be approved. However, should the applicant or another current provider in Alaska decide to decommission adolescent inpatient psychiatric beds in Anchorage and change their use to another service or serve another population such as adults, the applicant may add up to a 21-bed inpatient psychiatric beds for children and adolescents in Fairbanks.

If the combined facility size of RPTC and acute psychiatric beds is less than 60 beds, the \$10,150,000 cost of the facility should be adjusted. 10 RPTC beds must be built to secure specifications, and at least one additional program for treatment of patients with a difficult diagnosis must be developed.

Construction of this project must be completed by June 30, 2007. The applicant must finalize the total number of beds, services to be offered, and cost with the Department of Health & Social Services before construction.

If North Star chooses not to accept these conditions, BGHA should be approved to build a 44 bed RPTC facility. In the event that BGHA is approved, they will be required to submit a new budget, timeline for construction and a better design for their facility.

## ***CONCURRENT REVIEW OF FAIRBANKS RESIDENTIAL PSYCHIATRIC TREATMENT CENTER PROPOSALS***

### ***BACKGROUND***

A significant number of children and youth in Alaska have mental health service needs that are not being met.<sup>1</sup> One major indicator of the increasing severity of these mental health needs is the growing number of children and youth being sent out-of-state to receive residential psychiatric treatment (RPT) services. At any given time in 2004, approximately 5 out of every 1000 children and adolescents, or 400 total, were receiving residential psychiatric treatment at facilities out-of-state. Only 1 out of 5 (20%) of children and adolescents who needed RPT services were served at a facility in-state. The other 80% were sent to RPT facilities outside of Alaska.<sup>1, 2, 3, 4</sup>

There is a strong desire by all system stakeholders to reverse the trend in out-of-state placements and have more children and youth receive care in Alaska.<sup>2</sup> The reason for the goal of serving patients as close to home as possible is so that their families can be a part of the treatment and recovery activities. There are multiple tasks that need to be performed in order to balance the Alaska Behavioral Health continuum of care and to expand capacity so that there are enough services of the right kind, in the right location to keep children and youth in Alaska. For example, the system currently lacks the capacity to provide specialized services for sex offenders, lower functioning patients, FAS patients, youth at risk of runaway, and youth with eating disorders. As a result, patients needing these services are sent out-of-state for these services. This CON review analyzes two proposals for RPT services in the Interior: one proposes a 60-bed Residential Psychiatric Treatment Facility and the other a 30-bed Residential Psychiatric Treatment Facility and a 30-bed acute care adolescent psychiatric hospital.

### ***THE APPLICANTS***

#### ***North Star Behavioral Health System (NSBHS)***

North Star Behavioral Health System is part of Universal Health Services, Inc. (UHS) whose main offices are in King of Prussia, Pennsylvania. UHS is in one of the nation's largest for-profit hospital operators, with facilities that include acute care hospitals, ambulatory surgery centers, radiation oncology centers, and behavioral health centers. UHS also owns and operates healthcare management companies and is one of the largest private hospital operators in France.<sup>3</sup>

North Star currently operates 65 RPTC beds in Alaska, including a 29-bed RPT facility in Palmer and a 36-bed RPT facility located at 650 South Bragaw Street in Anchorage. North Star recently had a Certificate of Need approved to build a 60-bed RPT facility attached to the 74-bed acute psychiatric hospital on DeBarr Street in Anchorage. The DeBarr Street acute psychiatric hospital was previously known as Charter North Hospital. North Star also operates an outpatient counseling center in Anchorage known as the Good Samaritan Counseling Center.<sup>4</sup>

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<sup>1</sup> Children and Youth Needs Assessment (CAYNA) final report. Page 5.

<sup>2</sup> CAYNA Report. Page 5.

<sup>3</sup> Hoovers. [http://www.hoovers.com/universal-health-services/--ID\\_\\_15028--/free-co-factsheet.xhtml](http://www.hoovers.com/universal-health-services/--ID__15028--/free-co-factsheet.xhtml)

<sup>4</sup> North Star CON application. Page 17.

North Star and Charter North were the first private in-patient psychiatric facilities operating in Alaska; they began in the early 1980s and are located in Anchorage. The two facilities merged to become North Star Behavioral Health in 2003. The Bragaw Street facility was originally a substance abuse treatment facility that converted to psychiatric care in 1990 then requested de-certification as a hospital to become an RPT facility in 1998. The Palmer RPT facility began operations in 2002 with 9 beds and expanded to 29 in 2004.

***Boys and Girls Home and Family Services, Inc.***

Boys and Girls Home and Family Services, Inc. (BGHFS) is a non-profit, social service organization that has been in operation for 112 years. They currently provide an array of community-based and residential programming, including comparable RPT (Level 5) services in both Iowa and Nebraska.<sup>5</sup> Four subsidiary organizations they operate are: Boys and Girls Home Residential Treatment Centers, Inc., Boys and Girls Home of Nebraska, Inc., Family Services, Inc., and Boys and Girls Home of Sioux City, Iowa. The proposed project is the first expansion effort of BGHFS within the state of Alaska and if approved, they plan to incorporate under the name “Boys and Girls Home of Alaska” (BGHA).

***Partnership with Family Centered Services of Alaska (FCSA).*** The applicant lists Family Centered Services of Alaska as a partner in their planned project. FCSA is a non-profit corporation with a 16-year history of providing services in the Interior Region to children as young as 4 and young adults up to age 22 who meet the mental health criteria for severe emotional disturbance. Services provided include: Youth Education Support Services; short and long-term day treatment; Alaska Youth Initiative, individualized wrap-around services offering “unconditional care” in the least restrictive environment; Pathfinders, community-based wrap-around services for youth not eligible for Alaska Youth Initiative; Parent Advocacy/Natural Support Program; 24/7 Crisis Prevention Services; and a 9-bed residential diagnostic treatment facility largely funded by the Division of Family and Youth Services. In an average year, FCSA will serve 130 to 150 individuals.<sup>6</sup> FCSA currently operates two Therapeutic Residential Family Homes and is building two more, for a total capacity of 20 beds for this service.

Although there are no major financial or operational interdependencies between BGHA and FCSA, both organizations view the partnership as a union in which the strengths of the two entities compliment one another, ultimately providing greater benefits to clients.<sup>7, 8</sup> The FCSA Director stated in the public meeting that his organization was initially interested in building and operating an RPT facility themselves but instead chose to recruit BGHA, an organization more experienced in providing this type of service. If the CON application is approved, BGHA will incorporate in Alaska.

A Memorandum of Agreement in the application indicates that BGHA and Family Centered Services of Alaska will jointly provide a variety of level 2 to 5 services and will explore collaboration on administration, clinical expertise and operational functions. The applicant states

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<sup>5</sup> Certificate of Need Application. Boys and Girls Home and Family Services, Inc. March 2005. Page 9.

<sup>6</sup> [www.hss.state.ak.us/dbh/sq/commreviews/pdf/67.pdf](http://www.hss.state.ak.us/dbh/sq/commreviews/pdf/67.pdf) . Page 1-2.

<sup>7</sup> BGHFS Response to Completeness Check Request for Additional Information. May 17, 2005.

<sup>8</sup> Ibid. BGHFS CON Application. Page 44.

that both entities would work together with a joint case system to oversee treatment plans. BGHA's focus would be providing RPT Level 5 treatment services and FSA's focus would be working with SED children requiring services below the RPTC level. In addition, BGHA would contract with FSA to provide educational services for RPTC clients and training for RPTC staff.<sup>9</sup>

## ***PROJECT DESCRIPTIONS***

### ***North Star Behavioral Health System (NSBHS)***

North Star plans to build a 30-bed residential psychiatric treatment facility called North Star Residential Treatment Facility, and a 30-bed acute care adolescent psychiatric hospital called North Star Hospital, on undeveloped land on Old Richardson Highway in Fairbanks. They have signed a purchase agreement for this property. The hospital and Residential Psychiatric Treatment Center (RPTC) would both be located in opposite wings of a one-story building. The hospital would have a 24-hour emergency room for psychiatric stabilization and the RPTC would be for long-term treatment of youth not yet able to transition from hospital to community-based services. The hospital would have secured beds and the RPTC would be built to secure standards so that it could be converted immediately. They state that no locked bed will be offered until state regulations make it financially feasible to deliver "locked" RTC services.

The RPTC and the hospital would each have three 10-bed living units. One of the living units would have five 2-bed bedrooms and two would have four 2-bed bedrooms and two 1-bed bedrooms. Each 10-bed living unit would also have the following shared areas: an activity room, patient laundry room, patient property storage, group rooms, therapist's office, medication room, quiet room, single staff-only toilet room, soiled utility room, linen room, and nurses' station. Age-appropriate programs would occur in each pod. In addition to patient rooms, the RPTC and the hospital would have a full-sized gym; treatment support spaces; and activity rooms. The RPTC would also have classroom facilities with a computer lab with at least 10 computer stations to accommodate on-line teaching. Since the building site has 10 acres with woods and a pond, the applicant states that an eight-acre parcel of this land could be used for outdoor recreation for the clients.

The target populations proposed by North Star are interior region adolescents ages 13-17 only for the RPTC, but the acute psychiatric hospital would serve both children and adolescents from the Interior. Both would serve non-Interior patients if beds are available. Admission criteria to North Star's RPTC are as follows:

1. Age between 13-17
2. Involvement by family or custodian/guardian
3. DSC-IV Diagnosis, including but not limited to:
  - a. Anxiety Disorders including PTSD
  - b. Conduct disorder
  - c. Major Mood Disorders
  - d. Disruptive Behavior Disorders
  - e. Affective Disorders
  - f. Impulse Control Disorders
  - g. Adjustment Disorders
  - h. Attachment Reactive Disorders
  - i. Organically impaired

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<sup>9</sup> Additional CON Information for RPTC Services in Fairbanks May 17, 2005.

North Star does not propose specific plans for treating difficult-to-treat diagnoses in their RPTC. They would not treat those needing a program for sex offending, those with eating disorders, or neuropsychological needs, but they would consider developing such programs if needed in the future. Although the RTC beds would be built to secure specifications, this proposal does not propose to offer any secure beds. The target average length of stay for the North Star RPTC is 150 days.

***Boys and Girls Home and Family Services, Inc.***

Boys and Girls Home and Family Services, Inc proposes to build a 60-bed RPT facility consisting of a two-story building on undeveloped property on Banner Avenue near Stoneridge Street in Fairbanks. The building would house up to 60 youth who require intensive mental health treatment. There would be four 15-bed units of single occupancy rooms; one of those units would be for children ages 5-12 and one unit would be secured. The typical living units would have 15 single bedrooms, laundry facilities, day room, therapy room, recreation area and nursing/medication station. There would also be a full-sized gymnasium and a cafeteria in the facility.

BGHA's services would give preference to residents from the following census areas: Fairbanks, S.E. Fairbanks, Denali Borough, North Slope, Northwest Arctic, Nome, and Yukon-Koyukuk. Initially the facility would target children currently placed out of state. 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.

Eligible clients are both male and female youth ages 5 to 18 with an IQ of 80 or above and who meet one or more of the following therapeutic issues:

- Criteria to establish a DSM IV diagnosis;
- Failure of significant clinical gain in a less intensive treatment setting;
- Symptoms or behaviors deemed as dangerous to self or others, or sufficiently disruptive as to impair day-to-day functioning or cause extreme distress; and
- Acute psychiatric crisis and/or need for treatment intervention, stabilization, close supervision, and/or evaluation to facilitate admission to the most appropriate treatment setting.

BGHA does not propose specific plans for treating most difficult-to-treat diagnoses in their RPTC. In their original application for 120 beds they proposed treating juvenile sex offenders, those with FASD/FAE, and those with co-occurring disorders (mental health and substance abuse). However, they removed these proposed services when they reduced their proposal to 60 beds.<sup>10</sup> Children whose primary diagnosis is developmental disabled and/or Pervasive Developmental Disorders would be excluded.

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<sup>10</sup> BGHFS CON Application. Letter from President and CEO, August 2005. Page 3.



## ***DEMONSTRATION OF NEED***

The standards used to review these applications include general CON review standards that apply to all applications, specific CON review standards that apply only to RPT services, and additional considerations for the concurrent review of the RPT services. The following analysis compares how well each applicant met the general standards, standards specific to RPT services, and other standards listed for RPTCs in AS 18.07.043. In addition to the RPTC standards, this section reviews North Stars proposed 30-bed acute inpatient psychiatric hospital project according to the appropriate standards to determine whether they were met.

### ***CON General Review Standards Applicable to All CON Applications***

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

***RPTC:*** *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.*

The Department has determined that by 2010, 41 RPTC beds will be needed in Fairbanks if the Department is able to meet its goal of reducing the average length of stay for in-state patients to 112 days per admission. If the Department is unable to reach the goal of reducing the in-patient average length of stay to 112 beds and it stays at 125 beds, then 44 RPTC beds will be needed in Fairbanks.<sup>11</sup> Both applicants included a significant amount of background material to support the need for services they propose to offer. Both included population-based utilization statistics.

Both applicants documented a need for RPTC beds, but BGHA projected a need for significantly more beds (60) than the Department's need projections justify. Originally BGHA proposed 120 RPTC beds, but then scaled back the number to 60. BGHA's estimated bed need is higher for several reasons: 1) they included several regions in their target service area that are not practical based on air transportation patterns, 2) they included one age group (age 5) that cannot be served in an RPTC; and 3) the application was submitted before the Department's methodology was adopted, and although they had an opportunity to adjust their bed need projections using the Department's method, they chose not to use it.

North Star used the Department's bed need methodology to project a need for 36 beds at 90% occupancy. North Star then developed their RPTC project around this size of facility, with a few less beds since they are also planning to build a 30-bed acute psychiatric hospital for adolescents and children. The number of RPTC beds that North Star projected is more consistent with the Departmental method than BGHA.

***30-bed Acute Psych Hospital:*** The North Star Behavioral Health Systems application (p. 37) assumes that 10% of Fairbanks service area children and adolescents will require services at

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<sup>11</sup> DHSS estimates are based on an 85% occupancy rate using the RPTC bed need formula.

the rate of 28.9 days of care per year. There is no basis presented to justify this calculation. Indeed the application presents data for bed days for the entire state, consistent with DHSS data for 2002 for the entire state that shows 185 days per 1000 children and youth 5-19.

As shown below, the three-year calculations indicate that the entire state caseload averaged 82 per day for 2002-2004 for the entire state.

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

Projected bed need for 2010 is 104 beds using 80% occupancy rate for acute inpatient adolescent psychiatric beds, and the state has 100 beds (the North Star application indicates there are 102).

Fairbanks and the Interior account for 15 percent of the state's population ages 0-19, and other areas that might be served by Fairbanks facilities account for 2-5% more, so a regional facility designed for 16 to 21 beds for inpatient acute child and adolescent psychiatric services (for 2010) would be appropriate to meet the projected need within the region. However with existing beds in Anchorage meeting the statewide need, it would be contrary to the Certificate of Need standards to build such a regional facility without reducing the

number of beds dedicated to the same use in Anchorage. The North Star application is for 30 beds in Fairbanks with no adjustment proposed for beds in other locations

***Finding #1:*** General Review Standard #1 has not been met by either applicant. BGHA overestimated the need for RPTC beds, and North Star overestimated the need for acute psychiatric hospital beds and underestimated the need for RPTC beds. North Star did use the Department's bed need methodology and was more conservative in their estimate of RPTC need than BGHA. There is a need, however, for a maximum of 44 RPTC beds in Fairbanks. Although there is a need for only 4 acute psychiatric hospital beds statewide for adolescents and children, the existing beds are not appropriately distributed geographically. If the geographic distribution could be adjusted without increasing the number of beds statewide, Fairbanks could support 21 acute inpatient psychiatric beds for adolescents and children.

***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.*

The principal behavioral health planning documents that relate to these two projects are: 1) *The Children and Youth Needs Assessment (CAYNA)*;<sup>12</sup> 2) *A Shared Vision II, A Strategic Plan for Mental Health Services in Alaska, 1999-2003*;<sup>13</sup> 3) *In Step - Comprehensive Integrated Mental Health Plan, 2001-2006*;<sup>14</sup> 4) *the Alaska Rural Behavioral Health Needs Assessment*;<sup>15</sup> 5) *Health Infrastructure Need, Standards and Guidelines: Information Insights*;<sup>16</sup> and 6) *the Bring The Kids Home Initiative Master Planning Document*.<sup>17</sup>

***Finding #2:*** Both projects substantially meet this general standard. They appear to be familiar with the contents of these plans and their projects will increase access to RPT services, which are a main goal of nearly all of the plans. How well the individual projects met specific components of the plan are as follows:

- Continuum of care – North Star better meets the higher end of the continuum of care by offering acute psychiatric hospital care;
- Secure Beds – BGHA offers one unit of secure beds, North Star does not offer any;
- Age Range – BGHA offers a broader age range that they will serve than North Star; and
- Specialized Services – Neither offered specialized services for difficult diagnoses.<sup>18</sup>

Both projects have the potential to help decrease the number of children being referred out-of-state especially if they offer the right services. The most important services that need to be in place to accomplish this are difficult to treat diagnoses and secure beds. Neither BGHA nor

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<sup>12</sup> Children and Youth Needs Assessment (CAYNA) final report. University of Alaska Anchorage. Alaska Comprehensive and Specialized Education Services & DHSS. March 2004.

<sup>13</sup> A Shared Vision II, A Strategic Plan for Mental Health Services in Alaska, 1999-2003. AK MH Board. 1998.

<sup>14</sup> In Step - Comprehensive Integrated Mental Health Plan, 2001-2006. DHSS. November 2001.

<sup>15</sup> AK Rural Behavioral Health Needs Assessment Interim Report. AK Native Tribal Health Consortium. July 2004

<sup>16</sup> Health Infrastructure Need, Standards and Guidelines, Information Insights. DHSS. July 2004

<sup>17</sup> Bring The Kids Home Initiative Master Planning Document. October 2004.

<sup>18</sup> BGHA initially offered some specialized services, eliminated them when they reduced the facility size to 60 beds.

North Star proposes to offer specialized RPTC services, but BGHA does propose to offer secure beds.

***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.*

Neither applicant demonstrated stakeholder participation in planning, design or execution of the service. Both applications are, however, designed around concepts in State Behavioral Health plans that stakeholders helped develop. BGHA demonstrated some stakeholder participation through their affiliation with Family Services of Alaska, a local Fairbanks organization. Participants at the public meeting and written comments showed that both facilities had contacted community members to gain support for their projects. Although BGHA seemed to have more support at the public meeting 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 Fairbanks.

***Finding #3:*** This standard was not met by either applicant. Neither application contained information about stakeholder participation in planning or in the design and execution of the project. There is evidence that both applicants visited Fairbanks and met with some of the stakeholders to involve them in the project and gain their support. BGHA had more local stakeholder support for their project in letters of support and at the public meeting public testimony. A majority of the public testimony supported the BGHA/FCSA collaboration.

***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.*

Neither applicant discussed this standard in detail in their application, most likely because the need for RPT services is well documented and the services are not currently offered in Fairbanks. The two goals of eliminating out-of-state placements and serving clients as close to home as possible are well recognized and well documented in many behavioral health plans and studies. Both applicants show that they have looked at some alternatives. North Star states that the status quo (which is an alternative) is unacceptable and chose the alternative of providing RPTC beds and acute psych hospital beds rather than providing RPTC beds only. They also appear to have considered the alternative of offering secure beds since they state they are building the facility to secure standards, but did not offer them. BGHA appears to have considered and chosen the alternative to offer a secure bed unit and to serve a broader age population than North Star. Neither addressed the potential for offering the services in more home-like facilities.

***Finding #4:*** This standard was not met by either applicant. However, this standard should be waived since the types of service offered are known to be needed in Fairbanks, although alternatives such as lower levels of service are needed as well. It is evident that both applicants considered some alternatives such as acute care and secure beds by the way both applications were developed and the types of services offered.

***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.*

Neither applicant demonstrated the impact of their project on existing health care systems in the projects local service area, partially because there are no 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 facilities.

***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.

***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.*

North Star states that they are committed to establishing regional “hubs” statewide to gain a closer relationship with families and communities and will provide some telemedicine. BGHA states that their facility will be located “within interior Alaska, thereby, assisting to meet the transportation issues.” Both applicants plan to locate their facilities within the North Star Borough, which will be reasonably accessible for the family and community.

***Finding #6:*** This standard was met by both applicants.

## ***RPTC SPECIFIC REVIEW STANDARDS***

In addition to the general review standards, the department has applied the following service-specific review standards in the evaluation of these CON applications for RPTC beds.

***RPTC- Specific Review Standard #1 – Cost Impact:*** *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.*

Medicaid is the primary funding source for nearly 100% of children and adolescents receiving residential psychiatric treatment (RPTC) care, because after 30 days out of home, all children and adolescents become Medicaid eligible. Medicaid sets the per diem rate that is paid, which is currently \$325 per day or \$118,625 per bed annually. If 45 RPTC beds are approved, and are operated at 85% occupancy, the cost to Medicaid would be approximately \$4.5 million annually. If only 30 beds are built, then the cost to Medicaid would be \$3.2 million.

***Finding #7:*** This standard is waived since nearly 100% of the clients served will be funded through Medicaid.

***RPTC Review Standard #2 – Financial 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.*

BGHA is a non-profit corporation and would finance their project through a Community Provider Bond. They stated that these bonds are offered primarily to investment brokers. BGHA states they would pay interest on the bonds, which would pay periodically to the investors with the principle returned to them on a maturity schedule. BGHA reports that the financial institution has been in contact with local authorities in Alaska and Iowa and the local authorities are willing to sponsor these bonds.<sup>19</sup> Their bonds salesperson has apparently discussed the project with governmental authorities and both have agreed to be the conduit for the bonds. Resources from the bond process would become available 90-120 days after CON approval.<sup>20</sup>

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 from FY 2007 to FY 2010 with no excess revenues and no losses.<sup>21</sup> North Star is a for-profit company that would finance their facility through cash reserves. 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 FY 2010.<sup>22</sup>

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 projections because they had reduced the number of RPTC beds requested from 120 to 60. The

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<sup>19</sup> CON Completeness Check Response from BGHFS. 9/26/05.

<sup>20</sup> Bob Sheehan email. 10/20/05.

<sup>21</sup> BGHA CON Application. Schedule 1: Facility Income Statement. 3/2005. Page 72.

<sup>22</sup> North Star CON application Pro Forma Income Statement. 7/2005. Page 57.

budget they submitted does not appear to be valid, because it looks like level 4 RPTC 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. Also, the numbers for the level 4 services are based on inaccurate per diem rate estimates. The per diem rate of \$325 per day used is when it is actually \$272. 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 no research. In addition, this project will have a very 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 \$14.75 million, which is considerably more than the cost of the North Star project (\$10.15 million), and will require over \$2 million annually in debt service.

**Finding #8:** North Star has met the standard of demonstrating immediate and long-term financial feasibility. BGHA has not demonstrated financial feasibility.

**RPTC- Specific Review Standard #3 – JCAHO:** *An RPTC facility must be accredited by the Joint Commission on Accreditation of Healthcare Organizations (JCAHO).*

**Finding #9:** Both parent companies are JCAHO accredited and plan for the new facilities to be JCAHO accredited. Therefore, both applicants meet this standard.

**RPTC- Specific Review Standard #4 – Home-Like 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)].*

This standard does not apply to either 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 than 15) and is designed to operate and feel more like a "cottage setting". The BGHA facility design is very institutional and 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 for inappropriate mixing of age groups in the activity areas. Another advantage of the North Star 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.<sup>23</sup>

**Finding #10:** This standard is met by both facilities. Neither is over 60 beds in size, so the cottage-like settings do not apply. Both provide units that are 15 beds or less. BGHA offers a 15-bed secure unit and North Star does not.

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<sup>23</sup> Conversation with S. Toner, DBH/DHSS, 11/9/2005

**RPTC- Specific Review Standard #5 – Secure Beds:** *Preference will be given to projects that include secure and non-secure services in the facility.*

BGHA plans to have one 15-bed secure unit and both applicants plan to offer nonsecure units. Although North Star plans to build their facility to secure standards, they do not offer secure services in this application.

**Finding #11:** This standard is met by BGHA and is not met by North Star.

**RPTC- Specific Review Standard #6 – Native Health Facilities:** Preference will be given to facilities operated by Native organizations that are operating under a compact with the federal government to provide health services to IHS beneficiaries under P.L. 93-638.

Neither of the applicants is a Native organization and neither facility will be operated by a Native organization.

**Finding #12:** This standard is not met either applicant.

**RPTC- Specific Review Standard #7 – Continuum Fit:** *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*

- *whether the project includes a plan for connecting children and families to appropriate levels of care, to engage families in their children's treatment;*
- *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.*

The CCISC model is recognized by SAMHSA as a best practice for systems implementation for treatment of individuals with co-occurring psychiatric and substance disorders. One of the principles guiding the implementation of the CCISC is that that dual diagnosis is an expectation, not an exception, and systems must be designed to address it proactively. Level 5 RPT services are recognized as an important level of care to treat those with co-occurring psychiatric and substance disorders but lower levels of care must be available as patients improve. There needs to be an adequate continuum of care in Fairbanks and the ability for patients to be referred to higher and lower levels of care when needed. Both applications are for Level 5 RPT care and will address the needed lower levels of care only through referral. There is also a need for locked RPTC beds, which BGHA proposes to offer.

**Finding #13:** Both projects meet this standard since both complement 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 BGHA complements the system by adding a 15-bed secure unit.



Although neither applicant proposes to treat difficult diagnoses, BGHA would complement the system of care better by treating children as young as age 6 and offering secure RPT beds.<sup>24</sup>

### ***PUBLIC COMMENTS AND PUBLIC MEETING***

The Department published notice of the review in the Fairbanks Daily News Miner on September 11, 2005. The written public comment period was held from September 11, 2005 to October 11, 2005. A public meeting to receive comments on these projects was held on Tuesday, October 11th from 5:30 p.m. to 7:00 p.m. at the Noel Wien Library in Fairbanks. Fifty-one people attended the meeting and twenty-two testified in addition to the presenters. There were: mental health directors and practitioners, the Fairbanks North Star Borough school superintendent, the Fairbanks mayor, parents, business people, Samaritan Counseling Center, the Alaska Mental Health Board, Parents Incorporated, the Disability Law Center, legislators, and FCSA representatives.

All but two of those who testified were in favor of adding RPT services in Fairbanks. Most participants spoke in favor approving the BGHA project based on its relationship with Family Centered Services and a perception that this partnership with FCSA would allow for more local control and involvement. Many of those testifying in favor of BGHA were on the board, employed by, or in another way were connected with FCSA. Other testimony indicated that there was concern that if BGHA were approved, admission and discharge might be influenced by census needs in the BGHA and FCSA facilities rather than the needs of the client. Another issue expressed was that BGHA recruitment strategies did not make sense. A retired insurance agent expressed concern over non-profits' ability to manage real estate, and suggested that North Star own and manage the building, payroll, taxes, and recruitment, and FSA form an alliance with them to do the rest. One person said construction costs in Fairbanks might be more than the applicants realized, so this might influence ability to complete the project.

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<sup>24</sup> Although BGHA states that they will serve children as young as age 5, regulations do not allow anyone under age 6 to be treated in a residential facility.