

**REVIEW OF BARTLETT REGIONAL HOSPITAL CERTIFICATE
OF NEED APPLICATION FOR RENOVATION OF THE SAME DAY
CARE AND MEDICAL/SURGICAL UNITS**

November 28, 2008



**Sarah Palin
Governor**

**William H. Hogan
Commissioner**

**Jay C. Butler, M.D
Chief Medical Officer**

**State of Alaska/DHSS
Division of Public Health
Section of Health Planning and Systems Development
Certificate of Need Program**

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BACKGROUND

Bartlett Regional Hospital (BRH) was built in 1971 at its current site. Although the City and Borough of Juneau own the land and assets of the hospital, the hospital is an enterprise fund with a Board responsible for the economic viability and management oversight of medical operational issues.

As a community owned and operated facility, services are provided regardless of ability to pay, or cultural or socioeconomic background.

BRH identifies its service area as northern Southeast Alaska. The service area contains a population of 45,378.¹ Services, for patients outside of the Juneau road system, are readily accessible via commercial air transport and state operated ferry system.

The hospital is currently in the midst of a \$25.2 million construction project, known as Project 2005, which began in August 2004 and is expected to be completed in May 2009. Project 2005 is expanding the critical care, obstetrics, and emergency care units of the hospital

The hospital is currently licensed by the State of Alaska for 71 inpatient beds. 12 of these beds are designated as acute psychiatric beds and another 16 beds are for substance abuse residential treatment.² Critical care and Obstetrics are located on the second floor of the hospital. The psychiatric unit and medical/surgical beds are on the third floor of the facility. The 16 beds for substance abuse residential treatment are located in a separate building on the BRH campus.

¹ Bartlett Regional Hospital, Certificate of Need application September 2008, pg 38

² Bartlett Regional Hospital, Certificate of Need application September 2008, license through 6/30/2010, pg 103

PROJECT DESCRIPTION

This Certificate of Need application is to expand and upgrade orthopedic services in two areas of the hospital:

1. Renovate 14 beds in seven semi-private rooms in the Medical/Surgical (MS) unit to eight or nine beds in private rooms, for a total of 58 inpatient beds. This would be a decrease of five to six MS beds for the hospital. There is no plan to increase the number of beds in any other part of the facility. This renovation would include installation of new handicapped accessible bathrooms with showers as well as updating the finishes and quality of the building systems. It is the hospital's intention to operate these rooms as an orthopedic unit but they could be made available for patient overflow from the adjacent MS unit.
2. Renovate and expand the Same Day Care (SDC) unit of the hospital to increase the number of rooms from 13 to 18. This renovation will also include a new patient entry area, a larger waiting area, new Operating Room lounge, new staff sleep room, and new staff education/meeting space. The SDC unit is designed to treat patients whose condition or treatment does not require overnight hospital care. While this area is commonly referred to as a same day surgery unit, it also provides services to patients who require such treatments as: biopsy procedures, blood product infusions, chemotherapy, endoscopic procedures, as well as outpatient surgical procedures. This renovation will not increase in the number of surgical suites for the hospital.

This project will include complete demolition and asbestos abatement for both renovated space. The renovation will also allow BRH to replace all heating, ventilation, air conditioning, plumbing, medical gas, electrical, and communication systems in both areas.³

Construction is planned to take 12-18 months with an anticipated completion date of January 2011. Estimated cost of this project is \$8.0 million. It will be funded out of current operating funds and will commence when Project 2005 is completed.

This application for renovation of the MS and SDC units, while it does affect hospital services and surgical care, does not increase bed capacity or number of surgical suites in the facility. Because of this fact, service specific standards and methodologies were not used in the review of this application.

³ Bartlett Regional Hospital, Certificate of Need application September 2008, pg 14

REVIEW STANDARDS

General Review Standards Applicable to All CON Applications

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.*

The application outlined the needs that would be met as a result of this project:

- The need to treat more orthopedic patients in the community – In calendar year 2006, 107 orthopedic patients traveled to Seattle for care.⁴
- The need to better serve the orthopedic needs of an aging population – In calendar year 2006 BRH served 50% of the orthopedic Medicare patients originating from Juneau. The remaining 50% traveled out of state (33%) or to Anchorage (17%) for procedures.⁵ It is anticipated that the demand for orthopedic services for older patients in the BRH area will increase.⁶
- The need to accommodate additional staff and incorporate technological innovations – Additional staff, especially surgeons, that have recently begun practice in the Juneau area has created an increased demand for BRH facilities.

Staff identified the following reasons for renovating the Medical Surgical (MS) Unit:

- Inadequacy of current double occupancy rooms – Currently there are seven double occupancy rooms in the proposed project with congested bathrooms, without showers, and not ADA compliant. These rooms are inadequate for providing privacy, safety, and patient comfort.
- Lack of space for rehabilitation – The current semi-private rooms limit space available to accommodate supportive or rehabilitative equipment needed by orthopedic patients.
- Efficiency of services - By grouping orthopedic patients together in a unit this would enable physicians and staff to provide more efficient care.
- Management of patients for infection control – Board members and staff have expressed a desire to be able to segregate patients for infection control purposes.

⁴ Bartlett Regional Hospital Certificate of Need application September 2008, pg 26

⁵ Bartlett Regional Hospital Certificate of Need application September 2008, pg 25

⁶ Bartlett Regional Hospital Certificate of Need application September 2008, pg 25

- Increased accessibility/availability – Currently patients travel to Anchorage or Seattle for procedures. Most common are total hip or total knee replacements. There now exists medical expertise in Juneau for these services. The orthopedic unit will allow patients to receive these services locally, in a more timely manner, which is expected to decrease the length of stay and shorten rehabilitation times for those who would otherwise travel out of the area for care.

The Same Day Care (SDC) unit has experienced an 18.7% increase in procedures in the last five years.⁷ Staff has identified a number of inadequacies and inefficiencies in the unit as a result of this increase:

- Access - Patients have trouble locating the SDC unit from the parking lot.
- Patient privacy – It is difficult to discuss confidential information due to constraints in the reception area and the patient rooms.
- Inadequate waiting area – Currently there is no SDC waiting area. Patients and family members must wait in the hall.
- Patient flow – Currently there is only one exam room which can cause a backlog for preoperative visits and consults.
- Inadequate nursing station – Nursing staff cannot fully visualize some patient recovery rooms.
- Infection control – Currently there is no isolation room.
- Increased volumes – Two new surgeons are providing general as well as breast surgeries on an outpatient basis.
- Physician convenience – Physicians will be able to fully utilize the current surgical suites due to the increased SDC unit spaces.⁸

BRH has experienced a decrease in inpatient surgeries while outpatient surgeries have increased. The hospital has also made technical and care innovations that enable more orthopedic procedures on an outpatient basis. This trend reflects national trends as identified by the Advisory Board Company, a consulting firm based in Washington DC, which provided strategic planning services to BRH Board and staff.

The goal in the renovation of the SDC unit is to better utilize space and streamline patient flow. These efficiencies will allow the hospital to increase their outpatient surgeries which are currently hampered by the pre-operative and post-operative areas of the SDC unit.

This standard is met. The applicant documented need for services and current barriers to care.

⁷ Bartlett Regional Hospital Certificate of Need application September 2008, pg 63

⁸ Bartlett Regional Hospital Certificate of Need application September 2008, pg 27

General Review Standard #2 – Relationship to Applicable Plans: The applicant demonstrates that the project, including the applicant’s long-range development plans, augments and integrates with relevant community, regional, state, and federal health planning, and incorporates or reflects evidence-based planning and service delivery. A demonstration under this standard should show that the applicant has checked with the department regarding any relevant state plan, with appropriate federal agencies for relevant federal plans, and with appropriate communities regarding community or regional plans.

The applicant states they have reviewed the Alaska Commission on Aging State Plan 2008-2011, Faces of Public Health in Alaska: A Strategic Plan for 2004-2006, Alaska Economic Trends, February 2008, Alaska’s Health Care Industry and have found no statewide or federal plans applicable to this project.⁹

The hospital Board of Directors and City and Borough Assembly have developed a strategic plan to address service availability and expansion, medical staff development, community engagement, financial strength, cultural transformation and patient satisfaction. This renovation has been identified by this process and is a part of this strategic plan¹⁰.

This standard is not applicable as there are no appropriate plans pertaining to this project. The applicant does however address the fact that this project is addressed in the facility’s strategic plan.

General Review Standard #3 – Stakeholder Participation: The applicant demonstrates evidence of stakeholder participation in planning for the project and in the design and execution of services.

The hospital is under the governance of the City and Borough of Juneau. A Board of Directors appointed by the Assembly of the City and Borough of Juneau governs Bartlett Regional Hospital. All Bartlett Board of Director meetings and CBJ Assembly meetings are posted and open to the public. Public comment is allowed during each meeting.

Planning of both segments of this project was detailed in the application. An Orthopedic Planning subcommittee comprised of Board members and orthopedic surgeons met to plan the MS orthopedic unit concept and improvements to the SDS unit. These meetings took place from September 2007 through February 2008. Bartlett’s Medical Staff were updated on this project

⁹ Bartlett Regional Hospital Certificate of Need application September 2008, pg 20

¹⁰ Bartlett Regional Hospital Certificate of Need application September 2008, pgs 107-109

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through the physician Board members, Joint Conference, and general Medical Staff meetings. The proposed plan was presented in May 2008 to the Assembly Finance Committee which is comprised of all elected Assembly members and approved by the CBJ Assembly through the hospital budget.¹¹

This review standard is met because physician and board stakeholders were involved in the design and implementation of the project. Public notice and participation was allowed throughout the process.

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.

The applicant states that no alternatives were considered as the Medical/Surgical unit renovation was a part of Project 2005 but was eliminated due to construction cost constraints. An alternative of minimal renovation of finishes to improve appearance was dismissed as it would not address the issue of private rooms, full bathrooms, ADA compliance or asbestos abatement.

With regard to the SDC unit no alternatives were discussed as the current floor plan did not allow for the current growth in requested services and did not address patient flow problems, inadequate infection control, surgical delays due to lack of bed space, and lack of privacy and confidentiality. Finally, no other alternatives could be considered that would address the need for asbestos abatement of the area.

This review standard is not met due to the fact that no alternatives were discussed, however, the applicant did describe the necessity to abate the asbestos in both units as a major determinant to the design of this project.¹² It is felt that asbestos abatement is a significant barrier to exploring other renovation or modification approaches.

General Review Standard #5 – Impact on the Existing System The applicant briefly describes the anticipated impact on existing health care systems within the project's service area that serve the target population in the service area, and the anticipated impact on the statewide health care system.

Currently, there are no similar facilities for Same Day Care and inpatient orthopedic rehabilitation in northern Southeast Alaska. There are Same Day Care units operated by the

¹¹ Bartlett Regional Hospital Certificate of Need Application September 2008, pg 20

¹² Bartlett Regional Hospital Certificate of Need Application September 2008, pg 65

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Southeast Alaska Regional Health Consortium and Sitka Community Hospital both located in Sitka Alaska, but orthopedic procedures are only performed on an infrequent basis by a Juneau physician. The Southeast Alaska Regional Health Consortium presented a letter of support for this project in the CON application.

The anticipated impact on the regional and statewide system is that local residents can receive services without traveling out of the region, especially as the population ages. This shift in surgeries from Anchorage or Seattle to Juneau would be accomplished by the increase in providers in the area who would be able to perform more procedures in their local facility.¹³ The applicant documented 107 orthopedic patients traveled out of the area for surgery in calendar year 2006.¹⁴

This review 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.

Bartlett Regional Hospital is open 24 hours per day throughout the year.

Travel time for 90% of Bartlett’s primary service area is approximately 30 minutes by automobile. Local residents are able to access the hospital every half hour on the local bus system which stops directly in front of the facility. There is also a local “Care-a-Van” system for seniors or disabled residents on an appointment schedule.

Services provided to northern Southeast Alaska residents are accessible via commercial air transport and state operated ferry system with short travel times from the airport and ferry terminal.

The hospital also offers Bartlett House which provides low cost lodging for family members accompanying a patient for services.

This review standard is met.

FINANCIAL FEASIBILITY AND COST TO MEDICAID

¹³ Bartlett Regional Hospital Certificate of Need Application September 2008, pg 66

¹⁴ Bartlett Regional Hospital Certificate of Need Application September 2008, pg 26

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Review of the application by the Department's Office of Rate Review indicates that over the life of this project the total capital cost to Medicaid is estimated to be \$960,000. This is a result of changes to Bartlett Regional Hospital's Medicaid inpatient per diem rate.

There will be no change to the Medicaid outpatient reimbursement rate for the 2011-2012 rate years, however, increased charges to the program can be expected from the newly available services offered.

A complete analysis from the Office of Rate Review is in Appendix A of this report.

SERVICE SPECIFIC STANDARDS AND METHODOLOGY

This application for renovation of the Medical/Surgical and Same Day Care units, while it does affect hospital services and surgical care, does not increase bed capacity or number of surgical suites in the facility. Because of this fact, service specific standards and methodologies were not used in the review of this application.

PUBLIC COMMENT SUMMARY

A written public comment period was held from October 2, 2008 to November 3, 2008. A public meeting was held in Juneau on October 22, 2008. Eight Bartlett Regional Hospital employees and board members attended and none spoke in opposition to the project. No members of the public attended. 12 letters for the project were received from various local physicians, medical facilities, and local businesses. All were supportive of the project.

RECOMMENDATION

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The applicant met the majority of the applicable General Review Standards, and while Standard #4 was not met, it was felt that the need for asbestos abatement was significant to the requested changes. There will be no increase in inpatient beds or surgical suites as a result of this renovation.

It is recommended that Bartlett Regional Hospital be granted a Certificate of Need, effective through January 31, 2011, totaling \$8,000,000 for:

- Renovation of 5,782 square feet in the Medical/Surgical unit to build a maximum of 9 private rooms that are ADA compliant.
- Renovation of 6,891 square feet in the Same Day Care unit to increase day use beds from 13 to 18 and to allow for a new unit entry, waiting areas, staff sleep room, and education/meeting space.
- Hazardous materials abatement is both the Medical/Surgical Unit and the Same Day Care Units.

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APPENDIX A

OFFICE OF RATE REVIEW ESTIMATED COST TO MEDICAID

STATE OF ALASKA

SARAH PALIN, GOVERNOR

3601 C Street, Suite 978
Anchorage, AK 99503
Phone: (907) 334-2464
FAX: (907) 334-2220

DEPT. OF HEALTH AND SOCIAL SERVICES

OFFICE OF RATE REVIEW

MEMORANDUM

Date: November 26, 2008

To: Karen Lawfer
CON Health & Social Services Planner

From: Jack Nielson
Executive Director

Subject: Certificate of Need Review for Bartlett Regional Hospital Facility Renovation – Medical/Surgical Unit East wing & Same Day Care Unit

Bartlett Regional Hospital wishes to renovate levels 2 and 3 of the east wing of their existing facility. This project is to expand and upgrade the facility to accommodate an orthopedic unit, to provide for overflow of Medical/Surgical patients, and to increase Same Day Care unit capacity and patient access.

The proposed project would renovate 12,323 existing square feet of the original hospital, provide for a new 350 square foot patient entrance, and would include hazardous material abatement on both floors. This project is submitted as the last stages of a complete renovation of the major areas of the original hospital. Total cost for this renovation project is estimated to be \$8,000,000. The proposed renovation for this CON is expected to be completed by January 2011.

Approval of this certificate of need would generate a Certificate of Need (CON) add-on to the Bartlett Regional Hospital Medicaid inpatient per-diem rate. This add-on would be for the facilities FY 2011-2012. Total cost of the project would be integrated into the FY 2011 base year for inclusion in the FY 2013 Medicaid rates. There will also be increased charges to the program for the newly available outpatient services generating increased Medicaid payments, but there would not be a change to the overall Medicaid outpatient reimbursement rate for the 2011-2012 rate years.

Over the life of the project, the total capital cost to Medicaid is estimated to be \$960,000. The increases in operating costs in the chart below are due to rebasing and expanded services for FY 2013 forward.

Estimated Medicaid Cost (using information available in CON)

	<u>2011</u>	<u>2012</u>	<u>2013</u>
Inpatient Capital	\$21,787	\$23,768	\$23,768
Inpatient Operating	-	-	\$132,083
Outpatient Capital	-	-	\$34,203
Outpatient Operating	-	-	\$190,071
Outpatient Payments (Charges) Increase **	<u>\$231,417</u>	<u>\$250,964</u>	
Total Cost to Medicaid (est. with CON available information)	<u>\$253,204</u>	<u>\$274,732</u>	<u>\$380,125</u>

**These amounts include Capital and Operating paid through increased charges for outpatient services.

Should you have any questions please contact Joyce Seekatz at 334-2466 or me at 334-2447.