

STATE OF ALASKA

DEPT. OF HEALTH AND SOCIAL SERVICES
OFFICE OF THE COMMISSIONER

SEAN PARNELL, GOVERNOR

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June 9, 2011

Certified, Return Receipt Requested

Noel Rea, CEO
Wrangell Medical Center
P.O. Box 1081
Wrangell, Alaska 99929

Dear Mr. Rea:

Review of the information presented as a result of the mediation between the Department and the Wrangell Medical Center (WMC) and the subsequent review by CON staff has led me to the following conclusions and my decision.

1. WMC was aware on the need to increase the square footage of the facility as early as April 8, 2010 with the release of the Space Allocation Program completed by America Health Facilities Development (AHFD) following planning and evaluation for a "right-sized" facility. This space allocation report resulted in the release of a request for proposals by WMC on May 3, 2010 for a 44,900 square foot project.
2. WMC was a participant in a thorough review of the health care system in Wrangell by the Denali Commission. This review was identified as the impetus for WMC to request a replacement facility. The review identified the need for a 34,900 square foot facility. The space allocation review by AHFD is 10,000 square feet larger, and justified through a breakdown of space need per department and services.
3. Both due to some initial miscalculations and WMC's decision to adopt a more cost-effective modular component construction method, the December 17, 2010 design plans for the replacement facility depict a facility of just under 52,000 square feet.
4. The original cost condition of the award (\$25.4M) and the subsequent amount requested as a result of the second mediation session (\$26.6M) are maximum expenditures allowed under the CON award. The Department through the CON review process reviews costs and the impact to Federal, State, and other Third-Party Payors. A decrease in costs associated with facility construction (conventional vs. component construction) will only prove to be beneficial to the community.
5. I have considered but rejected limiting the replacement facility to 45,000 square feet maximum as a condition of the modified CON. Such a limitation would be arbitrary and unnecessary to maintain the good health of the citizens of the state. But, in light of the

consideration in the space allocation report, the facility should be constructed at a minimum size of 44,900 square feet to effectively serve the activities of the facility.

Based on these facts and conclusions, I have decided to grant the modification of the CON for a replacement facility as requested by WMC. The conditions of the CON are:

Wrangell Medical Center is approved to construct a replacement hospital in Wrangell Alaska of at least 44,900 square feet in size.

The Wrangell Medical Center is approved to construct an eight bed acute care unit, of which four beds may be licensed as swing beds, a 20 bed long-term nursing care unit, a 1,150 square foot laboratory, a two room emergency room department, and one surgical suite.

The total approved cost is \$26,600,000.

The anticipated completion date is July 1, 2013.

This decision is subject to public notice and appeals to my decision are allowed as outlined in 7 AAC 07.082

Finally, terms of the agreements signed by WMC and Department following its two mediations remain in effect with this modification. I have attached them with this decision.

Sincerely,



William J. Streur
Commissioner

Attachment: Modified Certificate of Need
Agreement following mediation dated July 2010
Agreement following mediation dated April 5, 2011

AGREEMENT BETWEEN WRANGELL MEDICAL CENTER AND
DEPARTMENT OF HEALTH AND SOCIAL SERVICES

WHEREAS, Wrangell Medical Center (“WMC”) filed a certificate of need (“CON”) application in November 2009 for a new, expanded medical center, which application was approved in part by the Commissioner of the Department of Health and Social Services (“DHSS”) on April 1, 2010, and,

WHEREAS, WMC has filed an administrative appeal of that decision and, WHEREAS, WMC and DHSS (“the parties”) mutually desire to resolve this appeal without the necessity of an administrative hearing,

THEREFORE, the parties agree and undertake as follows:

1. A modified CON will be issued within 10 days of the execution of this Agreement authorizing construction and utilization of 28 beds, consisting of 20 nursing home and eight acute care beds, four of which maybe licensed as swing beds upon completion of the construction. Conversion of any of the remaining four acute care beds to swing beds must be authorized by DHSS.

2. Within five days of issuing the CON referenced in paragraph 1 above, WMC shall dismiss case OAH No. 10-0214-DHS.

3. At any time after construction, WMC may apply for conversion of one or more of the four non-swing beds to swing beds. Once the necessary information is received by DHSS, DHSS will respond promptly to that application, with a target of 15


working days. Approval or disapproval of any request for swing bed conversion will be governed by the formula set out in Appendix A to this Agreement.

4. Nothing in this Agreement is intended to either waive WMC's rights to seek approval of a new CON at any time, or to limit or otherwise interfere with DHSS's obligations to review any such application pursuant to the applicable regulations and methodologies.

5. WMC agrees that it will facilitate a community needs assessment to develop strategies to address the continuum of care for the aging population in Wrangell and will contribute not less than \$20,000 to that endeavor.

6. Each party to bear their own costs and fees associated with this appeal.

Date July 21, 2010



William Hogan, Commissioner
Department of Health & Social Services

Date July 22, 2010



Stacie Kraly
Chief Assistant Attorney General

Date July 26, 2010



Noel Rea, Chief Executive Officer
Wrangell Medical Center

Date July 29, 2010



Peter Gruenstein, Esq.
Attorney for Wrangell Medical Center

APPENDIX A

Methodology for Determining Request for Conversion to Swing Beds

After construction of the new facility, and prior to returning to all eight acute care beds:

1. LTC beds must be at least at 90 percent average occupancy (average daily census 18) over a consecutive six-month period prior to any request for conversion of swing beds, AND,
2. At least a 60 percent average occupancy of the four swing beds (average daily census of 2.4) over a consecutive three-month period*).

Data to be submitted:

Individual admission and discharge data is preferred, with age, admission source, and place of residence; however, if that is not possible, data on a per month basis will be accepted.

1. Bed days per month for each type of service: LTC, Swing, Acute.
2. Admissions by age group (0-64, 65-74, 75-84, 85+) and community of residence (30 days prior to admission), per month by type of service.
 - a. From other WMC by bed type
 - b. From home
 - c. Transfer other facility (outside of Wrangell)
 - d. Other -- specify
3. Discharges per month by type of service
 - a. Deceased
 - b. Transfer to another WMC bed/service
 - c. Transfer to another facility
 - d. Home

Only the submitted data necessary to make a determination with respect to the two criteria above will be considered by DHSS (specifically item #1-bed days per month), and consideration of a request to convert one or more of the beds to

* The six-month or three-month period used will be the most recent one for which data is reasonably available and accessible to WMC.

swing beds will not be delayed pending submission of data that are not necessary for determination of the requested conversion.

Absent extraordinary circumstances, DHSS agrees to act on a conversion request within 30 working days of a proper submission (i.e., one containing the critical data).

Upon denial of a request for conversion, WMC may ask the Commissioner to reconsider the denial. In that case, the Commissioner shall act promptly on the request for reconsideration within 30 days of receipt of the request. In the event that the Commissioner denies the reconsideration request, administrative remedy will be deemed exhausted, and WMC may file an action in Superior Court. In the event that such action is filed, neither party will oppose a request from the other for expedited consideration by the Superior Court.