

**REVIEW OF A CERTIFICATE OF NEED APPLICATION TO
EXPAND AMBULATORY SURGERY IN ANCHORAGE**

January 6, 2006

**Frank H. Murkowski
Governor**

**Karleen Jackson
Commissioner**

**Anthony Lombardo
Deputy Commissioner**



**State of Alaska/DHSS
Office of the Commissioner
Health Planning & Systems Development Unit
Certificate of Need Program**

EXECUTIVE SUMMARY

Providence Alaska Medical Center (PAMC) and Advanced Pain Centers of Alaska (APCA) submitted a Certificate of Need application for operation of a non-profit joint venture Ambulatory Surgery Center.¹ Advanced Pain Centers of Alaska and its physician owners will have a 49 percent ownership and Providence will own 51 percent. The ambulatory surgery center (ASC) would lease 20,100 sq. ft. of space² in a new medical office building in South Anchorage currently being built by APCA, and if approved, would build 6 operating suites (4 operating suites initially and 2 suites shelled in). One of the specialties to be offered is pain management. APCA will perform all of their pain management outpatient procedures at this facility. The cost of the lease is estimated to be about \$723,600 per year for 10 years and the cost to build out the space and purchase equipment is \$6.5 million. The estimated project completion date is winter of 2006.

There are currently 26 hospital-based surgery suites in the Anchorage/Mat-Su Valley region that serve both inpatients and outpatients.³ The capacity is expected to increase to 27 in 2006 as the one additional surgery suite approved in the Mat-Su Valley certificate of need application comes on line. The number of freestanding ambulatory surgery center (ASC) suites serving the region increased from 15 to 21 in 2004. Applying the methodology from Alaska Certificate of Need Review Standards and Methodologies filed December 9, 2005 to the data available indicates that there is already sufficient surgery capacity in the region. There are 8 surgery suites more than needed to meet the “target use rate” in 2004 for the region. Although population growth over the next five years is expected to result in more procedures and use some of the available capacity, the adopted standard methodology indicates that the available capacity is sufficient to meet increased demand for the next five years. A trend-based estimation procedure allowing for use rates to increase at the same rate as over the past four years suggests that existing suites would on average meet the “target use rate” in four years (2010). See Appendix C for calculations.

Recommendation: It is recommended that the application for a certificate of need for additional ambulatory surgery suite capacity be denied. Using current Review Standards (adopted November 21, 2005) or earlier measures referenced in the application, surgery activity did not exceed the target use levels in 2004 either regionally or specifically at PAMC. There is currently excess surgery

¹The Joint Venture CON Application was submitted May 2005. Two other projects (Doctors Surgery Center and a Joint Venture between Alaska Regional Hospital and Alaska Spine Institute) submitted proposals for concurrent review, but both proposals were subsequently withdrawn.

² At the public meeting December 21, 2005, the powerpoint presentation by PAMC referred to 24,100 square feet.

³ A licensed operating room dedicated to cystoscopy procedures at PAMC which could be used for general surgery (without an additional approved certificate of need) has not been included in this count. According to the PAMC, the procedures per year increased from 313 in 2000 to 687 in 2004. This is below the 900 procedures per year target use rate for general surgery suites, so its inclusion would increase the estimates of available capacity rather than support the argument that there is need for additional capacity. Also not included in the counts are open heart surgery suites (one at Alaska Regional Hospital and one at PAMC), unlicensed procedure rooms, and Lasik eye surgery suites.

capacity in the region based on target use rates for the existing facilities. Based on current data and recent trends, there will not be a need for additional suites before 2010.

CERTIFICATE OF NEED REVIEW STANDARDS MATRIX

Anchorage Joint Venture (Providence Alaska Medical Center and Advanced Pain Centers of Alaska) Ambulatory Surgery Center January 6, 2006		
GENERAL CON REVIEW STANDARDS	Standard Met?	COMMENTS
<p><u>General Review Standard #1 -- Documented Need:</u> 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.</p>	Not met	<p>The projected need using Alaska Certificate of Need Review Standards and Methodologies adopted November 21, 2005, filed December 9, 2005, with an effective date of January 11, 2006, is for no additional ambulatory surgery suites for the Anchorage/Mat-Su area through 2011, the five-year planning horizon. According to the methodology, there is excess capacity of 8 suites in 2004, and 7 suites (expected available capacity) as of 2011. Public testimony from three commenting surgery care providers state that there is currently excess capacity in the region and that their facilities are underutilized. See Appendix C for a detailed presentation of the need calculation. Appendix D provides description of criteria used previously by the State of Alaska for certificate of need application reviews.</p>
<p><u>General Review Standard #2 Relationship to Applicable Plans:</u> The applicant demonstrates that the project, including the applicant’s long-range development plans, augments and integrates</p>	Not Met/ Recommend Exception	<p>This standard has not been met. However, it is recommended that exception be granted in this case since there are no state,</p>

<p>with relevant community, regional, state, and federal health planning, and incorporates or reflects evidence-based planning and service delivery.</p>		<p>local, or regional plans that relate to ambulatory surgery centers. The applicant notes the consistency of the proposal with the Providence Health Systems Strategic Plan.</p>
<p><u>General Review Standard #3 – Stakeholder Participation:</u> The applicant demonstrates effective formal mechanisms for stakeholder participation in planning for the project and in the design and execution of service.</p>	<p>Met</p>	<p>Stakeholders involved were staff, physicians, and the joint venture partners. Patient participation in planning was not included and not deemed necessary for this project.</p>
<p><u>General Review Standard #4 – Alternatives Considered:</u> 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.</p>	<p>Met</p>	<p>Five alternatives were considered by the applicant, however, all alternatives were internal to the joint venture partners only. Remedies that would access other surgery capacity in the region were not described.</p>
<p><u>General Review Standard #5 – Impact on the Existing System:</u> 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.</p>	<p>Not Met</p>	<p>The impact on existing facilities was not addressed, however, three surgery providers in the service area presented comments in writing and at the public meeting indicating that this facility was not needed and that it would have a negative impact upon their services.</p>
<p><u>General Review Standard #6 – Access:</u> 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.</p>	<p>Met</p>	<p>The applicant describes how the project is accessible to patients and physicians and is close to the hospitals in Anchorage.</p>

TABLE OF CONTENTS

EXECUTIVE SUMMARY ii

REVIEW STANDARDS MATRIX iii

BACKGROUND AND PROJECT DESCRIPTION 1

REVIEW STANDARDS

 General Review Standards Applicable to All CON Applications

 #1 Documented Need 2

 #2 Relationship to Plans 4

 #3 Stakeholder Participation 4

 #4 Alternatives Considered 5

 #5 Impact on Existing System 5

 #6 Access 6

DETERMINATION OF NEED SUMMARY 6

PUBLIC COMMENT SUMMARY 7

FINANCIAL FEASIBILITY AND COST TO MEDICAID 7

APPENDICES

 Appendix A – Non-Military, Non-Native General Surgery Capacity in the Anchorage/Mat-Su Valley Region 8

 Appendix B -- General Surgery Review Methodology from ALASKA
 CERTIFICATE OF NEED REVIEW STANDARDS AND
 METHODOLOGIES 9

 Appendix C -- Determination of Need Detailed Calculations 10

 Appendix D -- Discussion of Review Criteria Used by State of Alaska Prior to 2005
 Regulations Adoption 14

REVIEW OF A CON APPLICATION TO EXPAND AMBULATORY SURGERY CAPACITY IN ANCHORAGE

BACKGROUND AND PROJECT DESCRIPTION

Three Certificate of Need Applications were received for the development of additional ambulatory surgery capacity in the Anchorage service area. Two applicants (Doctors Surgery Center LLC, and a joint venture between Alaska Regional Hospital and Alaska Spine Institute) withdrew their applications, so the only application reviewed in this document is a joint venture between Providence Alaska Medical Center and Advanced Pain Centers of Alaska. It was initially expected that a concurrent review would be required. However the sequence of events, including the application and withdrawal of the competing proposals, resulted in the review deadline for the initial application being postponed but no “concurrent” review being necessary.

The application under consideration is the Providence Alaska Medical Center (PAMC) and Advanced Pain Centers of Alaska (APCA) Certificate of Need application for operation of a non-profit joint venture ambulatory surgery center.⁴ Advanced Pain Centers of Alaska is a physician-owned private practice formed in 2000 by Lawrence Stinson, MD and Grant Roderer, MD. The practice consists of eight physicians who specialize in anesthesiology and pain management and includes a psychologist, physical medicine, and a rehabilitation physician with locations in Anchorage, the Mat-Su Valley, and Fairbanks.⁵ APCA will own 49 percent of the joint venture partnership and Providence will own 51 percent.

The ASC would lease 20,100 sq. ft. of space in a new medical office building in South Anchorage currently being built by APCA, and build out 6 operating suites (4 operating rooms initially and 2 operating rooms shelled in for future development).⁶ One of the specialties to be offered is pain management. APCA physicians will move all of their outpatient procedures from an adjacent building with procedure rooms that are not licensed and will perform all their pain procedures at this facility. The cost of the lease of the new space is estimated to be about \$723,600 per year for 10 years, and the estimated useful life of the equipment and building ranges from 5 to 40 years. The total cost to build out the surgery space and purchase equipment is \$6.5 million and the estimated project completion date is the fourth quarter 2006.

⁴ Not for profit status is not in place, as far as the reviewers can ascertain.

⁵ PAMC/APCA Joint Venture ASC Certificate of Need Application. May 2005. Page 3.

⁶ Note: PAMC presentation at the public hearing 12/21/2005 stated that 24,100 square feet would be leased for the ASC.

REVIEW STANDARDS

THE STANDARDS USED FOR THIS REVIEW ARE THE REVIEW STANDARDS ADOPTED BY REFERENCE WITH THE CERTIFICATE OF NEED REGULATIONS 7 AAC 07.025 ADOPTED BY THE COMMISSIONER OF HEALTH AND SOCIAL SERVICES ON NOVEMBER 21, 2005. THE LT. GOVERNOR FILED THE REGULATIONS AND STANDARDS DECEMBER 9, 2005. EFFECTIVE DATE IS 1/11/2006.

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 states that opening the proposed ambulatory surgery center will ease current PAMC surgery scheduling problems that are due to high utilization. PAMC has 14 combination (inpatient and outpatient) surgery suites, which they state are operating at 90 percent capacity using the measure 94,248 minutes per year per suite as 100% capacity. Twelve surgeons have asked the hospital to develop a freestanding outpatient surgery center to increase efficiency for shorter outpatient procedures.⁷ Some physicians only perform outpatient procedures, and the applicant indicates that a dedicated outpatient facility would provide more convenient access for patients and these physicians.

The Advanced Pain Centers of Alaska physicians group wants to move their procedures out of an existing office facility and into a new adjacent facility. According to the application, this physicians group performed 81,045 minutes of surgery in 2004 which is less than the 94,248 standard target use rate in the former Alaska standards for an inpatient (combination) surgery suite.⁸ The group currently performs surgeries in procedure rooms that are not licensed operating rooms. These types of minor surgeries do not require the use of a licensed operating room, but by making the proposed move from physicians' offices to an ambulatory surgery center with licensed surgery suites, fees for use of the operating room can be charged.

Another reason given for the need to build additional surgery suites is for increased efficiency. PAMC states that physicians request to perform inpatient and outpatient procedures in the same operating rooms so that they can perform all of their surgeries in

⁷ PAMC/APCA Certificate of Need Application May 2005. Page ii.

⁸ Application refers to 68,850 as the "capacity" for an outpatient-only operating room per "draft State Guidelines" (Ibid, Page 9). The minutes-based methodology was utilized in Alaska certificate of need reviews 1993-2004, prior to development of the review standards based on procedures per year, adopted November 11, 2005, filed December 9, 2005, with effective date January 11, 2006.

one setting, one after another (referred to as using “block time”). This is more efficient for the physicians since they do not have to stop and wait or travel back and forth between facilities to perform inpatient and outpatient surgeries. Six surgeons are on a waiting list for “block time” on the Providence surgery schedule. The applicant estimates that these physicians could fully use 1.6 operating rooms.

The applicant indicates that the proposed location is convenient and accessible to the user population. The applicant states that the South Anchorage location was chosen for its favorable access, traffic flow and demographics, and would be about a 15-minute drive from the three Anchorage hospital facilities. The new facility would also be located close to the existing APCA facility on Abbott Road. All payment sources will be accepted and all requirements for accessibility for the disabled will be met.⁹

The measures of capacity in adopted regulations are for target levels of use rather than “100% of capacity”. They are 900 procedures per year expected for each “combination” (hospital-based combined inpatient and outpatient) suite per year.¹⁰ and 1200 procedures as the new review standard for outpatient suites. In fact, the application states:

"Most outpatient procedures last less than 2 hours and require less equipment, less set-up time and less clean up time. Operating rooms can be turned over much more quickly than when inpatient procedures are mixed in. Approximately 6 procedures can be done in an 8-hour day in one outpatient OR."¹¹

This means that 30 surgeries could be done in a 5 day week, and if a total of two weeks are taken out due to holidays, there would be 50 weeks of actual work each year, which equates to a capacity of 1,500 surgeries annually in an outpatient surgery suite. The new review standard for outpatient dedicated operating rooms is set at 1,200 surgeries annually, so it is clear additional surgeries can be performed above and beyond the minimal “target” set in regulations.

PAMC was operating its 11 surgery suites at levels over 100% of the “target use levels” (using either measure) in 2001 and 2002; the addition of three new PAMC suites in 2003 brought the use level to below 100% of the target. Capacity serving the region is expected to increase by one hospital-based suite in 2006 as allowed in the approved certificate of need for the new Valley Hospital facility in the Mat-Su Valley. The number of free-standing ASC suites serving the region increased in 2004 from 15 to 21. Applying the new need methodology from review standards filed December 9, 2005 to the data available indicates that there are eight surgery suites more than needed to meet the “target use rate” in 2005. Although population growth over the next five years is expected to result in more procedures, and to use some of that available capacity, the adopted standard methodology indicates that the available capacity is sufficient to meet increased demand for the next five years. See Appendix C for calculations.

⁹ PAMC/APCA Certificate of Need Application May 2005, pp 18-19.

¹⁰ 94,248 minutes per year per suite was the criterion used for inpatient operating rooms for Alaska CON application reviews up to 2004.

¹¹ PAMC/APCA Certificate of Need Application May 2005, page 11.

To consider the trends in the last five years and aging of the population which may increase population-based surgery use rates, an alternative methodology was also applied to determine whether a trend-based forecasting method would in fact predict need for additional capacity at an earlier time. The trend-based methodology would suggest that demand will reach the “target use rate” in 2010, after which time additional surgery suite capacity may be justifiable.¹²

Finding #1: Demonstration of the need for additional surgery suite capacity is not met. Use of current review standards (adopted on November 21, 2005) do not show that surgery activity will exceed the target use levels by 2011.

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.

PAMC states that their Strategic Plan identified operation of an offsite ambulatory surgery center as a way to expand to meet demand and reduce pressure at the on-campus surgery center.¹³ The applicants report that there are no state, regional or local government plans that specifically address Ambulatory Surgery Center growth or development.

Finding #2: This standard has not been met. However, the standard should be waived since there are no state, local, or regional plans that relate to this type of project.

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.

Stakeholders include patients who will receive surgical care, surgery staff, and physicians who provide the service. The applicant states that “Significant work was done with staff of the OR, PACU, surgeons, anesthesiologists and clinical staff to understand how current standard operating procedures affect the flow of patients...”¹⁴ There was no indication that patients were contacted or participated in the planning, design, or execution of the project. Although use of a consumer focus group or satisfaction survey might have strengthened the design and the CON application, patient comments would

¹² The trend of the last four years is strongly affected by the 2003-2004 jump in “use rate” from 105.7 to 117.8 per thousand population, concomitant with the increase in ambulatory surgery suites from 15 to 21. Whether the recent trend will continue in future years is uncertain, depending on what is contributing to the increase.

¹³ PAMC/APCA Certificate of Need Application, May 2005, Page 8.

¹⁴ PAMC/APCA Joint Venture ASC Certificate of Need Application, May 2005, Page 17.

provide limited input or recommendations regarding the planning or design of an ASC. Primarily, their input may have been helpful in providing information on access and scheduling. As a result, the involvement of the internal providers as stakeholder participation is deemed to meet the requirement for stakeholder participation.

Finding #3. This standard has been met. Staff of the joint venture partners were significantly involved as stakeholders in the planning and design of the facility.

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 explored five different alternatives including:

- An option to rework the processes between the existing operating rooms, post-anesthesia care unit, and nursing units to improve efficiency;
- Three different options for developing a separate outpatient unit on the PAMC campus; and
- An option to develop an ambulatory surgery center off-campus.

The applicant states that the first option was actually done and that significant work was completed to change processes and efficiency and that this delayed the need to add more ORS and PACU bays for 2 years. However, they concluded that volumes are up and additional efficiencies require additional space in a separate facility.

PAMC also looked at three options for the development of a separate outpatient surgery center on-campus for several years. None of these three options were chosen because there was insufficient available square footage to develop additional space for this project and there would be no room for future expansion.

The development of an off-campus site was chosen because it allows for the desired square footage and will have space for future expansion.

No information was given about whether the applicants contacted any other existing providers to see whether surgeries could be performed in under-utilized facilities or in facilities that were formerly used as surgery centers that might cost less to develop.

Finding #4: This standard was met. The applicants looked at five different alternatives, although these were only related to space owned by the joint venture partners.¹⁵

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

¹⁵ It can be noted that the applicants did not look at all possible alternatives, including use of existing space in other ambulatory surgery facilities that may be underused, or facilities that previously were surgery centers that might cost less to develop.

service area that serve the target population in the service area, and the anticipated impact on the statewide health care system.

The application does not address this review standard except for noting that Providence has a history of working cooperatively with other health care institutions and others to provide a full continuum of quality health care for the community, and the process will continue with the joint venture.

Although the applicants reported a history of working cooperatively with other institutions, several participants in the CON public meeting December 21, 2005 and public comment period November 21 – December 21, 2005, including the Alaska Surgery Center (HealthSouth), Alaska Regional Hospital, and the Alaska Spine Institute testified that their facilities are under-utilized, and that approval of this facility would have a negative effect on maintaining appropriate utilization of their facilities.

Finding #5: General Review Standard #5 has not been 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.*

The applicant states that the South Anchorage location was chosen for its favorable access, traffic flow and demographics, and would be about a 15-minute drive from the three Anchorage hospital facilities. All payment sources will be accepted and all requirements for accessibility for the disabled will be met.¹⁶ The applicant states that a dedicated off-campus outpatient facility would provide more convenient access for patients and physicians since there would be better parking, simplified registration, and a less complex environment for receiving treatment.

Finding #6: This standard was met. Since this is a new facility it will not affect ongoing services, although it is implied that at least a portion of Advanced Pain Centers' procedures currently being done in office-based procedure rooms will be scheduled for the ASC suites when such facilities come online.

Surgery Specific Review Standards

There are no surgery specific review standards besides the need methodology.

DETERMINATION OF NEED SUMMARY

¹⁶ Ibid., pp 18-19.

The projected need using Alaska Certificate of Need Review Standards and Methodologies adopted November 21, 2005, filed December 9, 2005, with an effective date of January 11, 2006, is for no additional ambulatory surgery suites for the Anchorage/Mat-Su area through 2011, the five-year planning horizon. According to the methodology, there is excess capacity of 8 suites in 2004, and 7 suites as of 2011. Public testimony from three commenting surgery care providers state that there is currently excess capacity in the region and that their facilities are underutilized.

See Appendix C for a detailed presentation of the need calculation. Appendix D provides description of criteria used previously by the State of Alaska for certificate of need application reviews.

PUBLIC COMMENT

A written public comment period was held from November 21 to December 21, 2005. Twenty-three people attended the public comment meeting held at the Frontier Building in Anchorage on December 21, 2005. Three individuals representing the project provided an overview of the need for the project and eight individuals commented, asked questions, or provided clarification. Three organizations provided written comments on the project and were opposed to it. Concerns were raised in the meeting about the validity of the applicants' data and argument about level of increased demand and need for additional capacity. The argument was made that the numbers do not support additional ASC capacity in Anchorage. Comments were made by three organizations providing surgery that this new facility would have a detrimental effect upon their operations and would lower utilization.

FINANCIAL FEASIBILITY AND COST TO MEDICAID

The application projects net revenue at \$6,841,000 and expenses at \$5,708,020 with a net income of 1,132,980 for the fourth year of operation. With anticipated 16% of revenue as reimbursement from Medicaid, this would amount to \$1,094,560 for the fourth year of operation. No estimate is provided regarding these claims being replacement for other claims that would be made anyway although it is possible that some procedures currently provided in an office-based procedure room at lower cost could be included in the anticipated surgery suite activities at a higher cost.

The project is financially feasible. It is not possible to determine definitively the cost to Medicaid.

APPENDIX A

Non-Military, Non-Native General Surgery Capacity in the Anchorage/Matanuska-Susitna Valley Region

For purpose of this review, surgery suites at the Alaska Native Medical Center and at Elmendorf Hospital on Elmendorf Air force Base are excluded because these facilities are not available to the general population. In order to approximate the population that might use the non-Native non-military services, the Department has used the Alaska Department of Labor population estimates for the area, subtracting the proportion of the population that is "Alaska Native only." Military population and dependents may use either military or private sector services, so they are not subtracted from the population. Changing the inclusions or exclusions in the population will not change the findings in the CON review, because within the periods of historical analysis and future projection, the proportions are expected to be quite stable, and if other populations are added in, the number of surgeries performed and the capacity of those surgery suites would also have to be included. Population of Valdez-Cordova Census Area as well as the Anchorage-Mat-Su area was included in this analysis since the small rural hospitals in Valdez and Cordova appear to be handling only emergency surgery and therefore, routine surgeries travel to Anchorage.

Licensed surgery facilities in the Anchorage area include suites at Providence Alaska Medical Center, Alaska Regional Hospital, Anchorage Surgery Center (HealthSouth), Geneva Woods, Alaska Spine Center, Alaska Spine Institute, Alaska Digestive Center, Alaska Native Medical Center, Anchorage Endoscopy Center, Alaska Women's Center, and the Pacific Cataract and Laser Institute. Because the population of the Matanuska-Susitna Borough may also be expected to use both Valley Hospital and Anchorage area facilities, the Valley Hospital facilities are included as available resources.

Alaska Women's Center averaged 1263 surgeries per year in two suites at last report (1994-1996); three suites are now licensed but no report has been made on actual volume of services. Both the suites and the surgery volume have been excluded from this CON review calculation. Historically, these suites have been utilized at less than target use rate for ambulatory surgery center suites. If the Center closes, it appears that volume would likely not exceed the capacity of one additional ASC suite in the region. Without additional information about the volume of service and prospects of the Center, it was decided to exclude the Center's suites.

Licensed suites and volume for Pacific Cataract and Laser Institute were excluded. Anchorage Endoscopy Center data were included because its services overlap with those provided in general surgery suites.

APPENDIX B

General Surgery Review Methodology from ALASKA CERTIFICATE OF NEED
REVIEW STANDARDS AND METHODOLOGIES, p. 30-31

Filed December 9, 2005 effective January 11, 2006 (available at

<http://www.hss.state.ak.us/publicnotice/PDF/133.pdf>)

VIII. Surgical Care: Review Standards and Methodology

A. General Surgery Services

Review Standards

After determining whether an applicant has met the general review standards in Section I of this document, the department will apply the following service-specific review standard in its evaluation of an application for a certificate of need for general surgery services: The applicant demonstrates need in accordance with the following review methodology.

These review standards for general surgery services do not apply to (1) open-heart surgery subject to the standards in B of this section; (2) surgery suites dedicated to C-sections and other birth-related surgeries; or (3) surgery suites dedicated to LASIK or other eye surgery.

Review Methodology

The department will use the following formula to determine need for general surgery capacity:

► **STEP ONE:** Determine the projected general surgery caseload using the formula:

$$C = P \times \text{GSUR}$$

C (caseload) = the number of general surgery cases projected for the fifth year from the project implementation date. Cases refer to patients who may have one or more surgical procedures during a particular visit to the operating room. If the patient returns at a later date for additional services, the next visit will count as an additional case.

P (projected population) = the official state projected population in the fifth year following implementation of the project

GSUR (general surgery use rate) = defined as the average number of general surgery cases provided over the preceding three years per 1,000 (persons)

► **STEP TWO:** Determine the projected number of operating rooms required to meet projected demand using the formula:

$$\text{GORR} = C / \text{TU}$$

GORR = general operating rooms required

C = projected general surgery cases

TU = target use rate for operating rooms, defined as 900 surgical cases per operating room for operating rooms serving both inpatients and outpatients and 1,200 surgical cases for operating rooms dedicated to outpatient surgery use.

► **STEP THREE:** Determine unmet need for general purpose operating rooms, if any, by subtracting number of existing and CON-approved operating rooms from the number projected to be needed.

APPENDIX C
Detailed Analysis for Need Determination

Anchorage Area Demand for Operating Suites Projected to 2011:

Assumptions:

1. Standard Method: average use rate for three most current years (2002-2004);
2. Alternative Method taking into account increasing trend (proposed by applicant, noted by Consultants to SOA);
3. Population growth: 1.6% per year increase in population; regression trend line on 2001-2004 used to project; assume new capacity if any will be in ASC suites.

Note: This is for Greater Anchorage Service Area since we do not yet have complete data for the state; also "capacity" in rural areas is not truly available to the greater Anchorage population when service may be needed.

A	B	C	D	E
		Use Rate per 1000 population (projected using regression trend on Use Rate)	STANDARD: Projected Surgeries using 3-year avg Use Rate (109.69)	<i>Projected Surgeries using regression line, and population projections for Anchorage, Mat-Su, and Valdez-Cordova increasing by about 1.6% per year</i>
Year	Population Projection			
2002-2004 avg	(non-Native, approx 1.6% increase/year)	109.69		
2001 actual	311006	103.33	32,137	32,137
2002 actual	318209	105.51	33,574	33,574
2003 actual	324110	105.73	34,268	34,268
2004 actual	328575	117.83	38,715	38,715
2005 proj	334651.5	119.0	36,707.46	39832.2
2006 proj	340319.9	123.4	37,329.21	41994.3
2007 proj	345902.0	127.8	37,941.51	44194.8
2008 proj	351878.6	132.1	38,597.07	46496.3
2009 proj	357815.8	136.5	39,248.31	48844.6
2010 proj	363845.5	140.9	39,909.70	51257.8
2011 proj	370031.1	145.2	40,588.19	53746.4

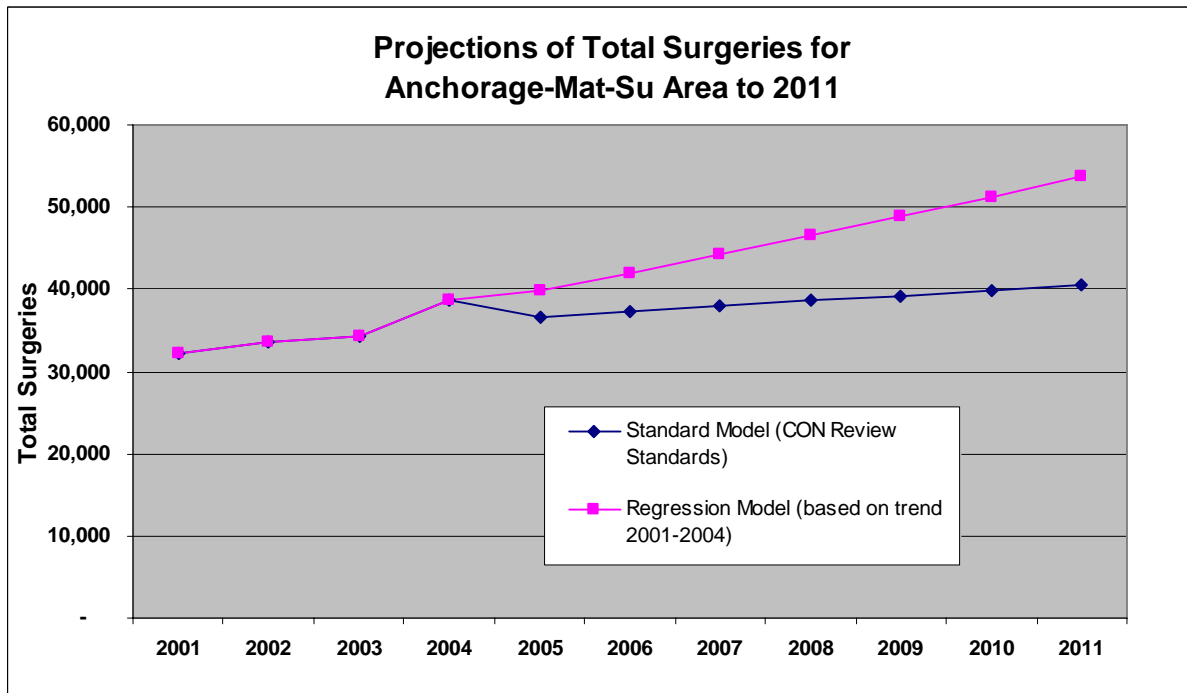
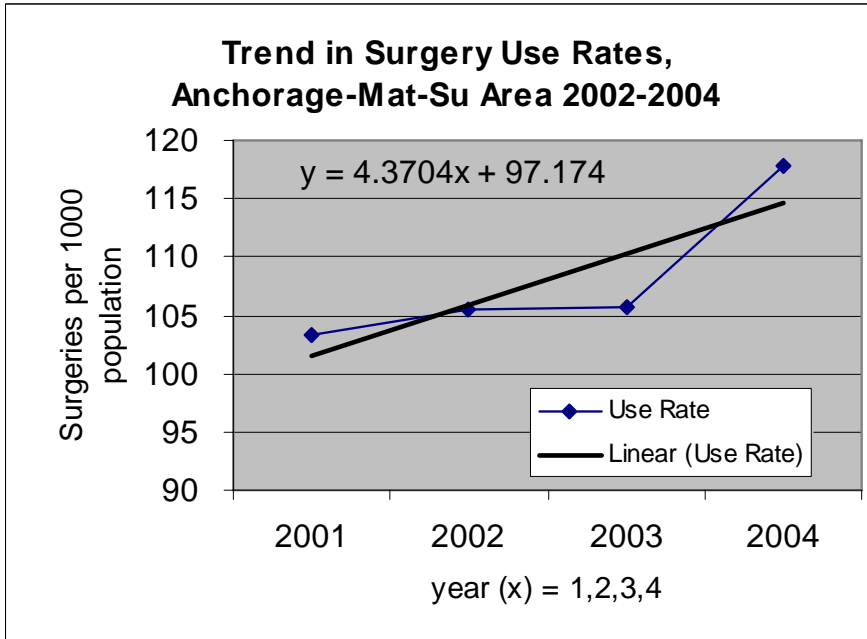
Target Use Levels for the Existing and CON-Approved Facilities:

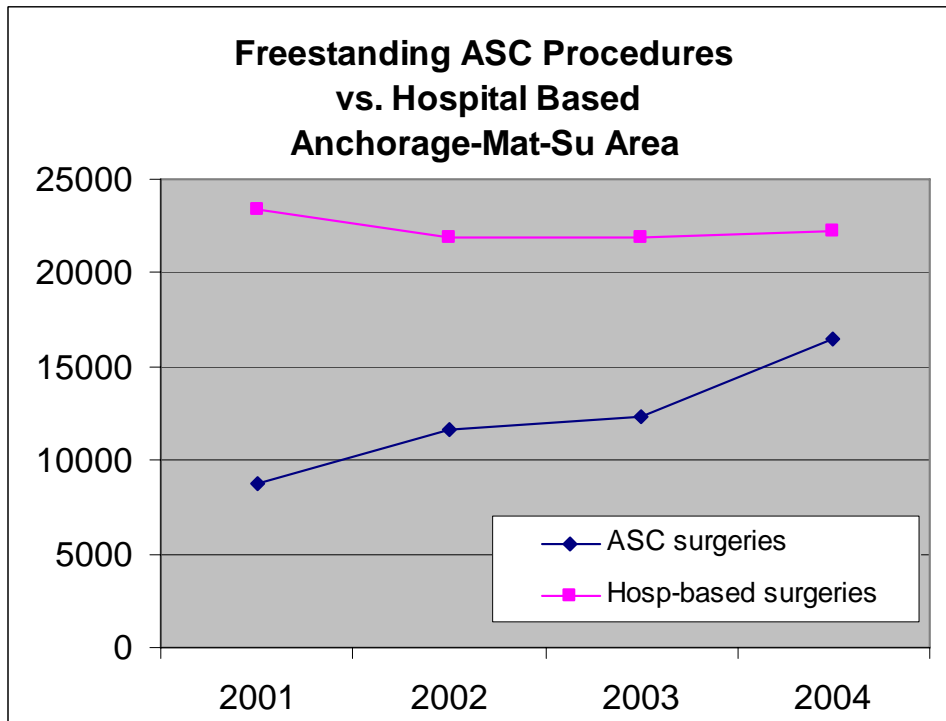
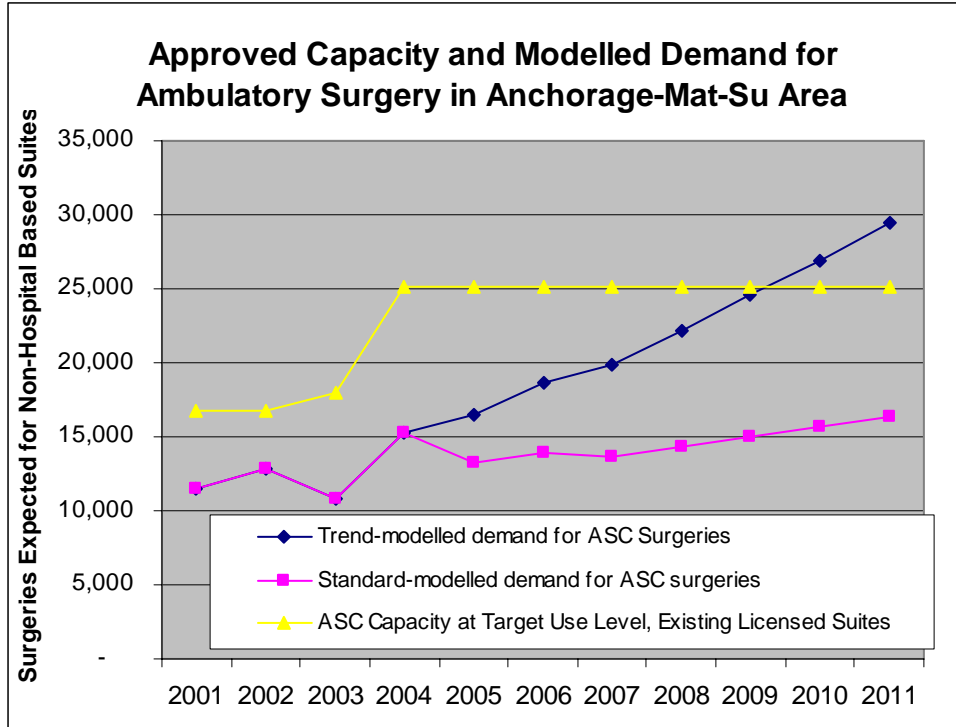
A	F	G	H	I	J
Year	Combo suites -- held constant 2005 to 2010	Combo Target Use @ 900/yr (target level of activity)	Combo Rooms Actual Surgeries 2001-2004	ASC suites (including Valley Hospital Free-standing)	ASC Target Use @ 1200/yr (target level of activity)
2001 actual	23	20700	24,356	14	16800
2002 actual	23	20700	23,036	14	16800
2003 actual	26	23400	22,680	15	18000
2004 actual	26	23400	23,003	21	25200
2005 proj	26	23400		21	25200
2006 proj	26	23400		21	25200
2007 proj	27	24300		21	25200
2008 proj	27	24300		21	25200
2009 proj	27	24300		21	25200
2010 proj	27	24300		21	25200
2011 proj	27	24300		21	25200

Analysis of Residual “capacity” to see when demand will exceed “target use levels:”

A	K	L	M	N	O	P
Year	Residual (ASC) "expected demand" procedures (projected total demand minus combo capacity) Standard Method	<i>Residual (ASC) "expected demand" procedures (projected total demand minus combo capacity) - Alternative Method</i>	Need for ASC ORs -- Using CON Review Standard Method	Need (negative suggests excess capacity) using Standard Method	Need for ASC surgery suites allowing for upward trend	<i>Need (negative suggests excess capacity) using Alternative Method</i>
2001 actual	11,437	11,437	9.5	(4.5)	9.5	(4.5)
2002 actual	12,874	12,874	10.7	(3.3)	10.7	(3.3)
2003 actual	10,868	10,868	9.1	(5.9)	9.1	(5.9)
2004 actual	15,315	15,315	12.8	(8.2)	12.8	(8.2)
2005 proj	13,307	16,432	11.1	(9.9)	13.7	(7.3)
2006 proj	13,929	18,594	11.6	(9.4)	15.5	(5.5)
2007 proj	13,642	19,895	11.4	(9.6)	16.6	(4.4)
2008 proj	14,297	22,196	11.9	(9.1)	18.5	(2.5)
2009 proj	14,948	24,545	12.5	(8.5)	20.5	(0.5)
2010 proj	15,610	26,958	13.0	(8.0)	22.5	1.5
2011 proj	16,288	29,446	13.6	(7.4)	24.5	3.5

Regression/Trend Analysis:





APPENDIX D

Discussion of Review Criteria Used by State of Alaska Prior to 2005 Regulations Adoption

Estimation of the need for additional ambulatory surgery suites in the Anchorage region in the current (2005-2006) review process has been made using the need methodology adopted November 21 (filed December 9, 2005).¹⁷ This method of determining need differs from the method previously used since the basis for calculating use levels changed from minutes per year per suite (or “operating room”) to procedures per suite per year.

The previous review methodology for surgery need was based on, but was not entirely the same as, a methodology used in Washington State and is as follows:

One surgery suite performing inpatient surgery only or a combination of both inpatient and ambulatory (outpatient) surgery has the capacity of 94,248 minutes figured as follows:

$$\mathbf{60 \text{ Min/HR} \times 44 \text{ HR/WK} \times 51 \text{ WK/YR} \times 70\% \text{ Productive Time} = 94,248 \text{ IP/OP Minutes}^{18}}$$

One dedicated ambulatory surgery suite has a capacity of 68,850 minutes figured as follows:

$$\mathbf{60 \text{ Min/HR} \times 37.5 \text{ HRS/WK} \times 51 \text{ WK/YR} \times 60\% \text{ Productive Time} = 68,850 \text{ OP Minutes}^{19}}$$

Using this methodology, ambulatory (outpatient) surgery suites are considered to have less capacity in minutes than inpatient surgery suites because they are open 6.5 hours less per week and the percent of productive time is 10% less. Ambulatory surgery suites are open for fewer hours per day to ensure that patients recover sufficiently to go home before the facility closes each night.

The current methodology for figuring operating room need in the new adopted Review Standards document (see Appendix B) are 900 surgeries per year for surgery suites that serve both inpatients and outpatients, (an average of 3.6 procedures per day, 250 days per year). For dedicated “outpatient only” surgery suites the standard is 1200 procedures per year (4.8 per day, 250 days per year).

¹⁷ Draft review standards with the adopted methodology were published and had a 45-day public comment that began August 17, 2005 and ended October 3, 2005.

¹⁸ WAC 246-310-270 (9)(i)

¹⁹ WAC 246-310-270 (9)(ii)