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Strategic Planning
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June 1, 2009

Karen Lawfer
CON Coordinator
Dept of Health and Social Services
State of Alaska
P.O. Box 110611
Juneau AK 99811-0611

RE: Certificate of Need Application
Relocation and Expansion of Providence Sleep Disorders Center

Dear Karen;

The following information and attachments are in response to your request for additional information needed in the review of the Sleep Disorder Center certificate of need application. Information included addresses:

- General Review Standards
- Financial Data on Acquisitions
- Financial Section – Schedule I

Please let me know if the information is complete or if further clarification is needed. You can contact me at 907-212-3037 or by email at lwolf@provak.org.

Sincerely,

A handwritten signature in blue ink that reads "Lisa Wolf". The signature is written in a cursive, flowing style.

Lisa Wolf
Regulatory Analyst
Providence Health and Services, Alaska

I. General Review Standards Applicable to all Certificate of Need Applications

Review Standards

The department will apply the following general review standards, the applicable service-specific review standards set out in this document, the standards set out in AS 18.07.043, and the requirements of 7 AAC 07 in its evaluation of each certificate of need application:

1. The applicant documents need for the project by the population served, or to be served, including, but not limited to, the needs of rural populations in areas having distinct or unique geographic, socioeconomic, cultural, transportation, and other barriers to care.

National Trend in Sleep Disorders

A significant portion of the population is affected by sleep disorders and remains untreated. In the United States about 20% of the population is affected by sleep disorders and only about 23% of that group are diagnosed. That leaves 77% of the population or 46 million people affected but not diagnosed. The numbers of people undergoing sleep testing has been steadily rising as more people and more physicians learn about the affects that lack of sleep has on them and their conditions. As people learn about the symptoms and begin to recognize them in themselves or their patients, more are seeking testing.

Alaska Forecast

A national healthcare forecasting company, Thomson Healthcare, and their forecasting tool, Market Planner Plus, predicts that sleep studies in Alaska will increase 60% from 2008 volumes by 2013. This is beyond population increases and is due to the increased utilization of sleep studies in the care of patients in general and those with specific diseases or risk factors such as multiple sclerosis, stroke and Lou Gehrig 's disease. Treating a patient's sleep apnea can lead to improved treatments and outcomes with their other medical conditions.

Patient Origin

Sleep Disorder patients tend to be mostly from Anchorage (73%) or within the road system. They are more often white, male and over the age of 45. However, it should be noted that the Center is one of the only ones who treats children.

Table E
Providence Alaska Medical Center
Sleep Disorders Center
Patient Origin, 2008

Service Area	Sleep Patients
Anchorage	73%
Mat-Su Borough	7%
Kenai Peninsula Borough	5%
Fairbanks Region	4%
Other Alaska	8%
Outside Alaska	3%
Total	100%

Table F
 Providence Alaska Medical Center
 Sleep Disorders Center
 Race by Percentage, 2008

Race	Sleep Patients
Caucasian	77%
Native	12%
Black	5%
Pacific/Asian Islander	9%
Hispanic	3%
Unknown	2%
Total	100%

Table G
 Providence Alaska Medical Center
 Sleep Disorders Center
 Gender by Percentage, 2008

Gender	Sleep Patients
Female	42%
Male	58%
Total	100%

Table H
 Providence Alaska Medical Center
 Sleep Disorders Center
 Age by Percentage, 2008

Age	Sleep Patients
0-14	33%
15-44	9%
45-64	22%
65+	37%
Total	100%

Methodology Proposed by Providence Alaska Medical Center

PAMC proposes to use a population based use rate to project use in future years. This uses the existing 2008 population and the number of studies in 2008 including the seven week wait list to calculate the 2008 use rate. The 2008 use rate is used for 2013 along with the 2013 projected population to calculate the number of projected studies for 2013. (This is a conservative projection as the technological trends for Sleep Studies suggest a 60% increase in volume over 2008 volumes. This has not been captured in using a 2008 use rate)

<u>Year</u>	<u>Population</u>	<u>Studies</u>	<u>Use Rate</u>
2008	693,018	3340	.004820
2013	776,488	3742	.004820

Given the projected volume of 3,742 studies in 2013 and that one bed can do 265 studies a year based on (1 bed x 6 nights/week x 52 weeks x 85% occupancy), this is a demand for 14 beds in 2013.

<u>Year</u>	<u>Studies</u>	<u>Studies/Year</u> <u>Per Bed</u>	<u>Total</u> <u>Bed Demand</u>
2008	3340	265	12.6
2013	3742	265	14.1

With a projected demand of 14.1 beds in 2013 and existing beds being at 10, there is need for four additional beds.

2. 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.

There are no relevant local, State or Federal health plans that address the need for Sleep Disorder beds in a community and no known plans for Alaska or Anchorage. Providence Alaska Medical Center and the Neurosciences Service Line has a three year strategic plan that describes the future plans of the facility and notes the expansion of Sleep Disorders Center as part of a hospital wide project to address the needs of departments at full capacity. Excerpt of the Neurosciences Plan is attached.

3. The applicant demonstrates evidence of stakeholder participation in planning for the project and in the design and execution of services.

Beginning early in the project, a core team was formed to help in the selection of the EP equipment, location of the room, needed adjacencies, design of the room, and selection of additional instruments. The core team included physicians, nurses, and technicians. Patients were not involved as this is a very technical piece of equipment and expert knowledge is required.

4. 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 current two locations of the Sleep Disorders Center are planned for the development of another program requiring the Center to relocate. Several locations were considered:

- A. Do nothing – This option was not chosen. Patients will continue to wait several weeks for a study, or travel outside for the service. The demand continues to grow and the opportunity to be able to expand has now become available so other options were explored.
- B. Use space in an existing medical office building – Not enough space to house the entire Sleep Disorders Center was available in any one location. Campus vacancy is at only 4%. Other options were explored.
- C. Split the Center into two locations – The Center is currently split into two different buildings which has created many operational inefficiencies. The preference is to keep the Center all in one location for patient convenience and avoidance of redundancy in work processes. Other options for one location were explored.

- D. Lease space off campus - An off-campus location was identified. In order to maintain inpatient services, four existing beds on campus were planned to remain on campus. However, the cost structure of a two-site center was inefficient and would have caused the center to be operationally unsuccessful. Other options were explored.
- E. Lease space in a new medical office building on the PAMC campus – This option provides the opportunity to have all sleep services in one location and allows services to inpatients as well as outpatients. In addition it provides enough space to expand by two testing beds and then another two in the future.

5. 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.

Expansion of two Sleep Disorder beds at PAMC will provide additional competition to the local providers. These beds will be accredited beds which will be an advantage over the non-accredited providers. However, that advantage already exists and is not new with this expansion. Still, the demand for beds is still greater than what this expansion can provide as noted in IV.B.6. This expansion helps strengthen the statewide health care system by providing additional access to sleep beds that are accredited and serve infants, children, adults and seniors.

6. 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.

A. Transportation and travel time to the facility;

PAMC is located in Anchorage, Alaska's largest city with 42% of the State's population. Being in the center of Anchorage, Providence is easily within a half hour's drive for most residents and from the International Airport. PAMC is served by the city transit system. Providence provides care 24 hours a day/ seven days a week.

B. Special architectural provisions for the aged and persons with a disability;

PAMC complies with the Rules and Regulations of the Federal Register Nondiscrimination on the basis of Disability by Public Accommodations and in Commercial Facilities; the Joint Commission on Accreditation of Healthcare Organizations (JCAHO); and Alaska State Department of Health and Social Services, which oversees hospital licensing.

C. Hours of operation; and

Providence Alaska Medical Center provides care 24 hours a day/ seven days a week. The Sleep Disorders Center sees patients Monday-Friday, 9am- 5 pm. The testing beds are scheduled 6 nights a week, 7 pm – 7 am. Additional testing is offered during the day.

D. Policies for nondiscrimination in patient services.

Providence Alaska Medical Center maintains an open door philosophy consistent with the values of the Sisters of Providence and their mission to provide quality health care to all individuals regardless of their race, creed or ability to pay.

E. Relocation

The Sleep Disorders Center is moving from the main hospital building to a neighboring medical office building still within the Providence Alaska Medical Center Campus.

Section VIII.A. Financial Data - Acquisitions

1. Acquisition type: (Please check applicable boxes)

Lease Rent Donation Purchase Stock Transaction

2. Cost data

(Omit cents)

a. Total acquisition cost*	\$ 27,626,133
b. Amount to be financed	\$ 0
c. Difference between items (a) and (b) (list available resources to be used, e.g. available cash, investments, grants, etc.)	\$ 27,626,133
d. Anticipated interest rate ___% , term ___ years.	
e. Total anticipated interest amount	\$ 0
f. Total of (a) and (e)	\$ 27,626,133
g. Estimated annual debt service requirements	\$ 0

3. Describe how you expect to finance the project.

This project will be paid for through internal funds.

Note: Acquisition costs must include (as appropriate):

- Total purchase price of land and improvements (if donated, the fair market value**)
- "Goodwill" or "purchase of business" costs
- The net present value of the lease calculated on the total lease payments over the useful life of the asset as set out in the 2004 version of *Estimated Useful Lives of Depreciable Hospital Assets*, published by the American Hospital Association.
- Consultant or brokers fees paid by person acquiring the facility
- Other pre-development costs to date.

Section IX. Financial Data – Schedule I

Schedule I

INCREMENTAL SLEEP CENTER PROJECTED INCOME STATEMENT (in 000's)

GROSS PATIENT REVENUE:	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
INPATIENT	\$ 495	\$ 535	\$ 568	\$ 602	\$ 638
OUTPATIENT	\$ 5,542	\$ 6,005	\$ 6,365	\$ 6,747	\$ 7,152
LONG-TERM CARE					
SWING BEDS					
OTHER					
TOTAL PATIENT REVENUE	\$ 6,036	\$ 6,540	\$ 6,933	\$ 7,349	\$ 7,789
LESS DEDUCTIONS	\$ 3,750	\$ 4,163	\$ 4,473	\$ 4,803	\$ 5,154
CHARITY CARE					
CONTRACTUAL ALLOWANCES					
BAD DEBT					
TOTAL DEDUCTIONS	\$ 3,750	\$ 4,163	\$ 4,473	\$ 4,803	\$ 5,154
NET OPERATING REVENUES	\$ 2,286	\$ 2,377	\$ 2,460	\$ 2,546	\$ 2,636
ALL OTHER REVENUES	\$ -	\$ -	\$ -	\$ -	\$ -
EXPENSES:					
SALARIES	\$ 504	\$ 564	\$ 586	\$ 610	\$ 634
BENEFITS	\$ 151	\$ 169	\$ 176	\$ 183	\$ 190
SUPPLIES	\$ 81	\$ 84	\$ 87	\$ 89	\$ 92
UTILITIES					
PURCHASED SERVICE					
PROFESSIONAL FEES					
LEASE					
OTHER EXPENSES	\$ 315	\$ 302	\$ 311	\$ 320	\$ 330
DEPRECIATION	\$ 395	\$ 398	\$ 401	\$ 404	\$ 407
INTEREST					
TOTAL EXPENSES	\$ 1,447	\$ 1,516	\$ 1,560	\$ 1,606	\$ 1,653
NET INCOME	\$ 840	\$ 861	\$ 900	\$ 940	\$ 983

Schedule I**INCOME STATEMENTS PAMC (in 000's)**

GROSS PATIENT REVENUE:	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
INPATIENT	\$ 485,929	\$ 540,260	\$ 606,096	\$ 684,827	\$ 741,222
OUTPATIENT	\$ 220,132	\$ 231,949	\$ 256,288	\$ 293,642	\$ 335,422
LONG-TERM CARE SWING BEDS					
OTHER	\$ 9,291	\$ 9,806	\$ 12,375	\$ 14,857	\$ 16,098
TOTAL PATIENT REVENUE	\$ 715,352	\$ 782,015	\$ 874,759	\$ 993,326	\$ 1,092,742
LESS DEDUCTIONS					
CHARITY CARE	\$ 32,087	\$ 36,507	\$ 38,065	\$ 46,118	\$ 58,202
CONTRACTUAL ALLOWANCES	\$ 309,854	\$ 341,319	\$ 394,569	\$ 447,401	\$ 503,675
BAD DEBT	\$ 43,712	\$ 36,818	\$ 30,628	\$ 51,812	\$ 42,180
TOTAL DEDUCTIONS	\$ 385,653	\$ 414,644	\$ 463,262	\$ 545,331	\$ 604,057
NET OPERATING REVENUES	\$ 329,699	\$ 367,371	\$ 411,497	\$ 447,995	\$ 488,685
ALL OTHER REVENUES	\$ 25,642	\$ 18,668	\$ 26,849	\$ 17,609	\$ 27,295
EXPENSES:					
SALARIES	\$ 130,264	\$ 141,697	\$ 156,677	\$ 160,111	\$ 166,624
BENEFITS	\$ 34,763	\$ 37,059	\$ 40,743	\$ 42,674	\$ 48,122
SUPPLIES	\$ 62,370	\$ 70,941	\$ 76,223	\$ 79,350	\$ 85,523
PURCHASED SERVICE	\$ 56,879	\$ 63,349	\$ 79,179	\$ 82,796	\$ 92,642
PROFESSIONAL FEES	\$ 11,161	\$ 7,230	\$ 7,092	\$ 6,953	\$ 7,186
OTHER EXPENSES	\$ 14,943	\$ 18,689	\$ 19,233	\$ 19,509	\$ 20,680
DEPRECIATION	\$ 24,815	\$ 24,216	\$ 26,313	\$ 30,508	\$ 36,013
INTEREST	\$ 668	\$ 1,231	\$ 2,654	\$ 6,408	\$ 8,010
TOTAL EXPENSES	\$ 335,863	\$ 364,412	\$ 408,114	\$ 428,309	\$ 464,800
NET OPERATING INCOME	\$ 19,478	\$ 21,627	\$ 30,232	\$ 37,295	\$ 51,180

Schedule I**SLEEP CENTER INCOME STATEMENT (in 000's)**

GROSS PATIENT REVENUE:	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
INPATIENT	\$ 153	\$ 152	\$ 168	\$ 158	\$ 216
OUTPATIENT	\$ 2,261	\$ 2,710	\$ 3,138	\$ 3,383	\$ 3,842
LONG-TERM CARE					
SWING BEDS					
OTHER			\$ 2		
TOTAL PATIENT REVENUE	\$ 2,414	\$ 2,862	\$ 3,308	\$ 3,541	\$ 4,058
LESS DEDUCTIONS	\$ -	\$ -	\$ -	\$ -	\$ -
CHARITY CARE					
CONTRACTUAL ALLOWANCES					
BAD DEBT					
TOTAL DEDUCTIONS	\$ -	\$ -	\$ -	\$ -	\$ -
NET OPERATING REVENUES	\$ 2,414	\$ 2,862	\$ 3,308	\$ 3,541	\$ 4,058
ALL OTHER REVENUES	\$ -	\$ -	\$ -	\$ -	\$ -
EXPENSES:					
SALARIES	\$ 462	\$ 481	\$ 557	\$ 559	\$ 654
BENEFITS	\$ 25	\$ 42	\$ 50	\$ 46	\$ 56
SUPPLIES	\$ 42	\$ 47	\$ 59	\$ 42	\$ 72
UTILITIES					
PURCHASED SERVICE	\$ 31	\$ 18	\$ 21	\$ 9	\$ 9
PROFESSIONAL FEES	\$ 45	\$ 18	\$ 48	\$ 66	\$ 34
LEASE					
OTHER EXPENSES	\$ 21	\$ 36	\$ 16	\$ 7	\$ 20
DEPRECIATION	\$ -	\$ -	\$ 3	\$ 3	\$ 3
INTEREST					
TOTAL EXPENSES	\$ 626	\$ 642	\$ 754	\$ 732	\$ 848
NET INCOME	\$ 1,788	\$ 2,220	\$ 2,554	\$ 2,809	\$ 3,210

Note: Deductions from revenue are not available at the department level.

Neurosciences Service Line

Strategic Goals:			
2009 – 2012 Priority Objectives			
			<ul style="list-style-type: none">• Increase sleep center capacity from 6-12 beds