

CERTIFICATE OF NEED
APPLICATION FOR THE OPERATION
OF AN AMBULATORY SURGERY CENTER
ANCHORAGE, ALASKA

ADVANCED PAIN CENTERS OF ALASKA
&
PROVIDENCE HEALTH SYSTEM IN ALASKA

MAY 2005

APPLICATION TO OPERATE AN AMBULATORY SURGERY CENTER

APPLICATION SUMMARY

Providence Alaska Medical Center (APCA) and Advanced Pain Centers of Alaska (APCA) are requesting a Certificate of Need for the operation of an ambulatory surgery center, which will be owned by a non-profit Joint Venture LLC between Advanced Pain Centers of Alaska and Providence Health System in Alaska. This project will lease approximately 20,100 square feet, for 6 operating suites (opening with 4 ORs and 2 ORs shelled in) and 18 pre- and post-operative bays for ambulatory patients. This proposed project would be operational last quarter of 2006.

Advanced Pain Centers of Alaska is constructing a new medical office building in South Anchorage. The Joint Venture will lease 20,100 square feet in this building for the operation of an ambulatory surgery center. The cost of the lease is estimated at about \$723,600 per year.

The 4 operating rooms are expected to operate at 65 percent capacity upon opening with the other two ORs being built out as volume increases. Projected volumes, based on historic growth rates from 2000-2004, show all 6 ORs to be open by 2009 at 65 percent capacity.

Opening this proposed ambulatory surgery center will ease the current PAMC capacity issues at the hospital's OR. PAMC has 14 combination (inpatient and outpatient) ORs, which are operating at 90 percent capacity. Six surgeons are on a waiting list for "block time" on the surgery schedule. Twelve surgeons have asked the hospital to develop a freestanding outpatient surgery center to increase efficiency for these shorter procedures.

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SECTION I

GENERAL APPLICANT INFORMATION

FACILITY NAME	Joint Venture Ambulatory Surgery Center
STREET ADDRESS	88 th and Abbott Rd; Independence Lot 1A-8
CITY, STATE	Anchorage, Alaska
APPLICANT NAME	Joint Venture between Advanced Pain Centers of Alaska and Providence Health System in Alaska
APPLICANT ADDRESS (if different)	1917 Abbott Rd, Anchorage, AK 99516
FACILITY ADMINISTRATOR	Not yet available
MEDICAID PROVIDER NUMBER	Not yet available

PERSON AUTHORIZED TO ANSWER QUESTIONS, ACT AND RECEIVE SERVICE ON BEHALF OF THE APPLICANT		
NAME Lisa Wolf	PHONE 907-261-3037	FAX 907-261-2884
TITLE Director of Planning	FIRM Providence Health System in Alaska	
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CERTIFICATION OF ACCURACY	
I certify that the information in this application, including all documents, which are a part of it, is true, to the best of my knowledge and belief.	
NAME Lisa Wolf	
TITLE Director of Planning, Providence Health System in Alaska	
SIGNATURE	DATE

NAME AND ADDRESS OF FACILITY OWNER	Joint Venture between Advanced Pain Centers of Alaska and Providence Health System in Alaska 1917 Abbott Road Anchorage, AK 99516
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Table A
**Joint Venture between
Advanced Pain Centers of Alaska and
Providence Health System in Alaska**

Owners
E. Al Parrish, Vice President/Chief Executive Alaska Region - Providence Health System
Lawrence Stinson, M.D. Advanced Pain Centers of Alaska
Grant Roderer, M.D. Advanced Pain Centers of Alaska

SECTION II

DESCRIPTIVE DATA ON FACILITIES AND SERVICES

Section II is divided into four sections:

- A. Proposed Changes in Bed Capacity, by Service
- B. Distribution of Beds, by Unit by Size
- C. History of Facility and Changes over the Last Five years
- D. Description of Services and Equipment to be provided

A. Proposed Changes in Bed Capacity, by Service

There will be no changes in bed license for any facilities due to the operation of this facility. This proposal is for 6 operating suites and 9 recovery bays, which are not a classification of health care beds.

Table B
Ambulatory Surgery Center
Proposed Changes in Bed Capacity by Service

Bed Type	Currently Licensed	To be added	Proposed Total
Acute Care	0	0	0
Rehab	0	0	0
SNF	0	0	0
Total	0	0	0

B. Distribution of Beds, by Unit by Size

This does not apply.

C. History of Applicant and Changes over the Last Five years

Proposed Ambulatory Surgery Center – Advanced Pain Centers of Alaska and Providence Health System in Alaska are forming a non-profit joint venture to operate an ambulatory surgery center. Advanced Pain Centers of Alaska will have a 49 percent ownership and Providence will own 51 percent. This joint venture will be formed in 2005.

Advanced Pain Centers of Alaska – APCA is a physician-owned private practice formed in 2000 by Lawrence Stinson, M.D., and Grant Roderer, M.D. The practice has eight physicians that specialize in anesthesiology and chronic pain management. The staff also includes a psychologist and a physical medicine and rehabilitation physician. APCA will own the building where the proposed ambulatory surgery center will be located. APCA plans to use the center for their pain management surgery procedures.

Providence Health System in Alaska – The Sisters of Providence began providing health care to Alaskans in 1902. Now, in 2005, the Providence Health System in Alaska consists of four facilities:

- Providence Alaska Medical Center, a 364-bed, acute-care hospital and medical referral center;
- Providence Extended Care Center, a 224-bed, long-term care facility;
- Mary Conrad Center, a 90-bed skilled care facility; and
- Providence Horizon House, an assisted living facility that consists of 80 studio apartments and was opened in July 1995.

Additionally, Providence has developed partnerships with other communities and their health care facilities:

- Providence Seward and Wesley Care Center, a 6-bed critical access hospital, a 66-bed skilled nursing facility and clinic in Seward Alaska (1996);
- Providence Kodiak Island Medical Center, a 25-bed hospital and 19-bed nursing home in Kodiak, Alaska (1997); and
- Providence Valdez Medical Center, a 10-bed critical access hospital with a 10-bed skilled nursing facility in Valdez, Alaska (2005).

History of Ambulatory Surgery Centers – Most hospitals have provided outpatient surgery for many years. Some hospitals perform both inpatient surgeries and outpatient surgeries within the same setting, using the same ORs and pre-operative and post-operative recovery space. Other hospitals create a separate space for each type and run them independently of each other. Some do a combination of these models. Freestanding ambulatory surgery centers perform only outpatient surgeries and are not necessarily associated with a hospital.

Ambulatory surgery centers only perform surgeries that are of a short duration and allow the patient to go home the same day as the surgery. The average ambulatory surgery is about 1½ hours. With a pre-op of an hour and a recovery time of an hour, the patient is only there for half a day. The OR can be turned over in less than 20 minutes in order to perform the next surgery. Sometimes a surgery center may be designated for only one type of surgery, such as ENT, ophthalmology or orthopedic. This way the staff and equipment can be specialized and it helps make the process even more efficient for both the physician and the patient.

D. Description of Services and Equipment to be provided

- Operation of an ambulatory surgery center
- Six operating suites, two will remain shelled-in upon opening
- Eighteen pre- and post-operative bays
- Operational 4th quarter 2006
- Third party will construct a 60,000 square foot building
- Total cost of the new building is \$9,600,000
- Ambulatory surgery center's portion of new building is one-third
- Lease a 20,100 square foot space
- Lease of \$723,600 per year for 10 years
- Purchase \$1.5 million in equipment
- No additional build-out costs

SECTION III

STAFFING REQUIREMENTS

Section III consists of three sections:

- A. Medical Staff Profile**
- B. Health Care Facility Personnel**
- C. Manpower Training**

A. Medical Staff Profile

The Providence Alaska Medical Center has a total of 561 physicians and dentists on its medical staff. Table C details the number of medical staff members with privileges at PAMC by specialty. This proposed project does not require changes in the medical staff. The joint venture would credential physicians that perform surgery in the facility

Advanced Pain Centers of Alaska (APCA) has 8 physicians who specialize in pain management. They all expect to perform outpatient procedures in this proposed facility.

At this writing, twelve additional surgeons have expressed interest in performing surgery in this proposed facility.

B. Health Care Facility Personnel

The proposed facility will employ about 37 FTEs when all 6 operating rooms are running. About 9 of those will be RNs; 22 will be clinical OR staff; and 6 will be support personnel. Table D details the personnel by category.

C. Manpower Training

Ongoing education and training is provided to staff to keep skills up-to-date and maintain high quality of care and patient outcomes.

Table C
Providence Alaska Medical Center
Medical Staff by Specialty - April 2005

Specialty	Number	Employed	Contract
Allergy and Immunology	3		
Anesthesiology	35		35
Cardiovascular	19		
Clinical Genetics	4		4
Colon-rectal Surgery	2		
Critical Care Medicine	1		
Dental	11		
Dermatology	2		
Diagnostic Radiology	7		7
Electrodiagnostic Medicine	1		1
Emergency Medicine	28		28
Endocrinology	5		
Family Practice	66	9	
Gastroenterology	12		
General Surgery	19		
Geriatric Medicine	7		
Gynecologic Oncology	1		
Hand Surgery	4		
Hematology	1		
Infectious Diseases	4		
Internal Medicine	34		
Interventional Cardiology	3		
Maternal and Fetal Medicine	2		
Medical Oncology	10		
Neonatal Perinatal Medicine	6		6
Nephrology	6		
Neurodevelopmental Disabilities	2		2
Neurological Surgery	4		
Neurology	9		
Nuclear Medicine Radiology	2		2
OB/Gyn	39		
Occupational Medicine	1		
Ophthalmology	13		
Oral Surgery	7		
Orthopedic Surgery	33		
Otolaryngology (ENT)	14		
Pain Management/Pain Medicine	12		
Pathology	7		7
Pediatrics	42		
Pediatric Subspecialties	13		
Physical Medicine & Rehabilitation	10		
Plastic Surgery	4		
Preventive Medicine	2		
Podiatry	3		
Psychiatry	14	14	
Pulmonary Disease	9	1	
Radiation Oncology	3	1	
Rheumatology	2		
Sports Medicine	2		
Surgical Critical Care	1		1
Therapeutic Radiation	1		1
Thoracic Surgery/Cardiac Surgery	4		
Urology	13		
Vascular & Interventional Radiology	2		2
TOTAL	561	25	96

Table D
Ambulatory Surgery Center
Personnel by Category
With 6 ORs Operating

Category	FTEs
Director of Nursing	1.0
Registered Nurse	8.0
Certified Medical Assistant	8.0
OR Technicians	7.0
Radiology technician	7.0
Clerical Support	3.0
Registered Health Information Tech	1.0
Accounting/Bookkeeping	2.0
TOTAL	37.0

Other services will be contracted, including housekeeping, laundry, maintenance, and management.

SECTION IV

DEMONSTRATION OF NEED

Section IV is divided into six sections:

- A. Relationship to Applicable Plans
- B. Demonstration of Need –
 - 1. Problems addresses by the project,
 - 2. Population served,
 - 3. Anticipated utilization, and
 - 4. Letters of support
- C. Availability of Less Costly or More Effective Alternatives
- D. Relationship to existing Health Care system and to Ancillary or Support Services
- E. Availability of Resources
- F. Access to Service by the General Population and Underserved Groups

A. Relationship to Applicable Plans

Relationship to Providence Health System Plans – Providence Health System in Alaska has completed a 3-year Strategic Plan for 2004-2006. That process identified site and facility, equipment, staffing and program needs. Projects were identified and prioritized with the goal of improving care for patients. An offsite ambulatory surgery center had been identified as a way to expand to meet demand and reduce pressure at the on-campus facility.

Relationship to State, Regional and Local Plans – No published State, Region or Local Plans define the demand or need for specific operating rooms or freestanding ambulatory surgery centers. The *Summary and Recommendations for Health Infrastructure Need Standards and Guidelines* document suggests requirements for outpatient operating rooms to operate 68,850 minutes per year. All new operating room suites should be able to meet 65 percent utilization within 3 years.

B. Demonstration of Need

1. **Problems Addressed by the Project**

(a) **Increased Demand** – Providence Alaska Medical Center currently has 16 operating rooms and 22 post-anesthesia bays. Two of the operating rooms are dedicated; one is used only for cardiac surgery; and one is used only for cystoscopy. The other 14 operating rooms are used for all types of surgeries, both inpatient and outpatient. Volume has increased over 7 percent in the last 5 years. In 2004, these operating rooms ran at 90 percent capacity, based on 94,248 minutes per room. In addition there are 6 surgeons waiting for block time on the surgery schedule.

Table E
Providence Alaska Medical Center
Number of Operating Rooms by Type, 2004

Operating Room Type	Number of ORs
Dedicated ORs	2
Cardiac surgery	1
Cystoscopy	1
General ORs	14
Outpatient Only	0
Combination – In- and Outpatient	14
TOTAL	16

Table F
Providence Alaska Medical Center
Surgical Minutes of 14 ORs Without
Cardiac Surgery and Cystoscopy ORs
2000-2004

Year	Outpatient Minutes	Inpatient Minutes	Total Minutes
2000	504,832	535,395	1,040,227
2001	512,966	587,828	1,100,794
2002	538,819	622,738	1,161,557
2003	535,753	624,686	1,160,439
2004	551,508	630,234	1,181,742
% Change 00 – 04	7.51%	7.21%	7.35%

(b) ORs at Capacity – The draft State Guidelines suggest that an inpatient operating room is at capacity at 94,248 minutes per year. An operating room that does a combination of both inpatient and outpatient surgeries also reaches capacity at 94,248 minutes. An outpatient-only operating room is at capacity at 68,850 minutes per year. Using these guidelines, the 14 combination ORs are at 90 percent capacity. If a portion of the outpatient volume was redirected to the proposed ambulatory surgery center, both the existing inpatient combination ORs and the new proposed outpatient ORs would be operating within the 65 percent capacity guideline immediately. Given the 7.35 percent growth rate for the next 5 years (1.47 percent per year), the volume is such that 6 outpatient ORs could be justified by 2009.

Table G
Providence Alaska Medical Center
Number of ORs by Type Using Actual 2004 Minutes,
Existing Configuration vs. Proposed Configuration

ORs by Type	Minutes	% Capacity	Capacity standard
Existing ORs			
14 combo ORs	1,181,742	90%	94,248 min/OR
Proposed ORs			
4 outpt only	179,101	65%	68,850 min/OR
14 combo	1,002,730	76%	94,248 min/OR
18 Total	1,181,742	74%	

Table H
Providence Alaska Medical Center
Projected Surgical Minutes, 2009
Based on 2004 Minutes & Historic 5-Year Growth Rate

Minutes	Minutes in 2004 Base Year	Historic 5-Year Growth Rate, 2000-04	Projected Minutes in 5 Years, 2009
Outpatient	551,508	7.51%	529,926
Inpatient	630,234	7.21%	675,674
Total	1,181,742	7.35%	1,268,645

Table I
Providence Alaska Medical Center
Projected Capacity of Six Ambulatory Surgery ORs, 2009

ORs by Type	Minutes	% Capacity	Capacity Standard
6 outpatient only	268,518	65%	68,850 min/OR
14 combination	1,000,127	76%	94,248 min/OR
Total of 20 ORs	1,268,645	73%	

(c) **Waiting List of Surgeons** – There is a waiting list for physicians who want a block of time every week to do their surgeries. Table J below shows that there is a current physician need of 1.6 ORs per week for the 6 physicians on the waiting list. The addition of the ambulatory surgery center would allow room on the current in-house surgery schedule for these physicians.

Table J
Providence Alaska Medical Center
Physician Requests for Blocks of Surgical Time, 2004

Number of Physicians	Requested OR Time Per Week	Computed OR Days per Week	Computed ORs Per Week
3	½ day	1.5	0.30
1	1 day	1.0	0.50
2	2 days	4.0	0.80
Total		6.5	1.60

(d) Increased Efficiency – Providence Alaska Medical Center has run the operating room with both inpatient and outpatient surgeries being performed within the same rooms. Physicians have requested this arrangement so they can perform all of their surgeries in one setting, one after another. They do not have to stop and travel to another facility to perform outpatient surgeries. This is much more efficient for them.

Technology has improved so much that many procedures, which formerly required an overnight hospital stay, are now being done on an outpatient basis. There are a number of surgeons who find themselves performing only outpatient procedures. With this shift come the increased efficiencies of just doing outpatient procedures.

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.

Creating an off-campus ambulatory surgery center is another way to become more efficient. Having a separate center eliminates the need to deal with a large hospital campus, which has complexities from parking to registration to locating the surgical area. A separate facility situated away from the hospital allows for easy parking and simplified registration at one location. The success of other freestanding facilities throughout the country attests to the convenience for patients.

(e) Pain Management Procedures – APCA pain management procedures accounted for over 81,000 minutes in their procedure rooms in 2004. This was a 22 percent increase over 2003 volumes. This volume, which will also be shifted to the ambulatory surgery center, is equal to 1.2 outpatient surgery ORs.

Table K
Advanced Pain Centers of Alaska
Minutes, 2000–2004

Year	Minutes
2000*	14,985
2001*	56,700
2002*	60,285
2003	66,435
2004	81,045
% change 00-04	441%

*Minutes for 2000-2003 are estimates due to a change in computer systems. The year 2000 is a half-year, as the company started in July of that year.

APCA anticipates that its volume will increase as additional staff is added to the practice.

2. Population to be Served

(a) Providence Alaska Medical Center provides tertiary health care to residents statewide. It has three service areas:

- For the Municipality of Anchorage, its primary service area, Providence is a major acute-care hospital that provides general acute-care services, tertiary care and emergency care, as well as outpatient diagnostic, treatment and surgical services;
- For the Gulf Coast and Mat-Su regions, its secondary service area, Providence provides acute and tertiary care, as well as outpatient services; and
- For the rest of the State of Alaska, its tertiary service area, Providence Alaska Medical center is the major referral center providing specialized care including trauma care, emergency transport services, tertiary surgical services, day surgery, radiation and medical cancer therapy, cardiovascular and cerebralvascular services, neonatal intensive care, pediatric intensive care, thermal injury and wound treatment, rehabilitation inpatient unit, high-risk prenatal care, magnetic resonance imaging and other special diagnostic and treatment services, as well as general medical and surgical services.

(b) **Anchorage & Alaska Population** – According to the Department of Labor, Alaska’s population is over 625,000 people. The Municipality of Anchorage is the largest city in Alaska with 42 percent of the State’s population. Anchorage’s population by age and sex closely follows the State’s distribution. Anchorage’s population has a higher percentage of Caucasian people with more of the Native population living in the rural areas.

Table L
Alaska Population by Service Areas, 2000

Service Areas	Number	Percentage
Anchorage	260,283	42%
Gulf Coast & Mat-Su Regions	133,121	21%
Other Alaska Regions	233,528	37%
Total Alaska	626,932	100%

Table M
**Anchorage and Alaska's Population by Age,
 by Percentage 2000**

Age	Anchorage	Alaska
0-14	26%	26%
15-44	45%	45%
45-64	23%	23%
65+	6%	6%
Total	100%	100%

Table N
**Anchorage and Alaska's Population
 By Race, by Percentage, 2000**

Race	Anchorage	Alaska
Caucasian	78%	74%
Native American	8%	17%
African American	7%	4%
Asian Pacific Islander	7%	5%
Total	100%	100%

Table O
**Anchorage and Alaska's Population
 By Gender, by Percentage, 2000**

Gender	Anchorage	Alaska
Male	51%	52%
Female	49%	48%
Total	100%	100%

Department of Labor population projections for the State of Alaska show the State growing at a rate of about one percent per year over the next five years.

Table P
State of Alaska Population,
Historic 2000-2004 and Projected
2009, 2015, 2020

Year	Population	% Growth
2000	625,504	0.56%
2001	632,389	1.09%
2002	640,841	1.33%
2003	648,280	1.15%
2004	655,435	1.10%
2009	692,001	4.77%
2015	733,637	6.02%
2020	763,730	4.10%

(c) Providence Alaska Medical Center Patient Population - At Providence Alaska Medical Center, an average of 24 percent of inpatients and 14 percent of outpatients live outside of the Anchorage area. Providence's patient demographics by race and age closely follow Anchorage's demographics. Hospital utilization by females and by seniors is greater than the overall population distribution.

Volumes at Providence Alaska Medical Center have remained level over the last three years. No major volume changes are expected, as population growth for the State remains fairly conservative. See Section VII for historical and projected volumes for the PAMC.

Table Q
Providence Alaska Medical Center
Patient Origin, 2004

Service Area	Inpatient	Outpatient	Total
Anchorage	76%	86%	85%
Gulf Coast & Mat-Su Regions	14%	9%	10%
Other Alaska	8%	4%	5%
Outside Alaska	2%	1%	<1%
Total	100%	100%	100%

Table R
Providence Alaska Medical Center
Patients by Race by Percentage, 2004

Race	Inpatient	Outpatient	Total
Caucasian	76%	78%	78%
Native	4%	4%	4%
Black	6%	6%	6%
Pacific/Asian Islander	9%	7%	7%
Hispanic	4%	4%	4%
Unknown	1%	1%	1%
Total	100%	100%	100%

Table S
Providence Alaska Medical Center
Patients by Gender, by Percentage, 2004

Gender	Inpatients	Outpatients	Total
Female	59%	63%	63%
Male	41%	37%	37%
Total	100%	100%	100%

Table T
Providence Alaska Medical Center
Patients by Age by Percentage, 2004

Age	Inpatient	Outpatient	Total
0-14	21%	11%	11%
15-44	33%	33%	33%
45-64	25%	35%	35%
65+	21%	21%	21%
Total	100%	100%	100%

(d) Population Served by Ambulatory Surgery Center – Surgical utilization at Providence reflects the use of tertiary services with 27 percent of the patients coming from outside of Anchorage. Ambulatory surgery has a slightly higher utilization of the local Anchorage population with 24 percent coming from outside of Anchorage. Outpatient surgery has a slightly different utilization by age groups than inpatient surgery. Outpatients tend to be in the 15 - 64 age category, which makes up 70 percent of patients.

Table U
Providence Alaska Medical Center
Surgical Patients – Patient Origin, 2004

Service Area	Inpatient	Outpatient	Total
Anchorage	75%	76%	73%
Gulf Coast & Mat-Su Regions	14%	16%	17%
Other Alaska	9%	8%	9%
Outside Alaska	2%	<1%	1%
Total	100%	100%	100%

Table V
Providence Alaska Medical Center
Surgical Patients Patients by Race by Percentage, 2004

Race	Inpatient	Outpatient	Total
Caucasian	76%	84%	84%
Native	4%	4%	4%
Black	5%	4%	4%
Pacific/Asian Islander	8%	5%	5%
Hispanic	4%	3%	3%
Unknown	3%	<1%	<1%
Total	100%	100%	100%

Table W
Providence Alaska Medical Center
Surgical Patients, by Gender, by Percentage, 2004

Gender	Inpatients	Outpatients	Total
Female	59%	53%	53%
Male	41%	47%	47%
Total	100%	100%	100%

Table X
Providence Alaska Medical Center
Surgical Patients, by Age, by Percentage, 2004

Age	Inpatient	Outpatient	Total
0-14	22%	14%	11%
15-44	33%	34%	32%
45-64	24%	36%	38%
65+	21%	16%	19%
Total	100%	100%	100%

3. **Anticipated Utilization** – This proposal is for six outpatient surgical suites. Four ORs will be available upon opening, and two additional suites will be shelled-in for future use as patient demand increases. All six ORs are expected to be operational in 2009. The majority of the volume will come from Advanced Pain Centers of Alaska and outpatient surgical cases that are currently being done at Providence Alaska Medical Center.

Table Y
Ambulatory Surgery Center
Proposed Volumes by Minutes, 2007-2009

	2007	2008	2009
Minutes	243,628	268,276	274,714
ORs in use	4	5	6
% capacity of 4 ORs*	88%	97%	100%
% capacity of 6 ORs*	59%	65%	66%

*100% capacity defined as 68,850 minutes per OR

4. **Letters of Support** – With the publishing and distribution of this application for Certificate of Need, public review and support of this project will be requested. All comments will be forwarded to the State of Alaska, Department of Health and Social Services, Certificate of Need Coordinator.

C. Availability of Less Costly or More Effective Alternatives

A total of 5 different alternatives were explored before deciding on an off-campus ambulatory surgery center:

1. **Rework the processes between the operating rooms, post-anesthesia care unit and the nursing units to improve efficiency.**

Significant work was done with the staff of the OR, PACU, surgeons, anesthesiologists and clinical staff to understand how current standard operating procedures affect the flow of patients through the surgical and recovery process.

Processes were changed and efficiency improved to allow need for more ORs and PACU bays to be delayed two years. However, volumes are now up to a point where space is the limiting factor, and additional efficiencies could be gained in a separate outpatient facility.

2. **Develop a separate outpatient surgical center on PAMC campus.**

PAMC has looked at the development of a separate outpatient surgical center on campus for several years. Redesigns of the existing surgical department that were explored include:

- Separate pre- and post-operative recovery suites for outpatients;
- Separate OR suite for outpatients;
- Separate but adjacent outpatient surgical department; and
- Separate off-campus outpatient surgical center.

In the first three options, there insufficient available square footage to develop the concept at the existing location or adjacent space, let alone have additional space for future expansion. Although a separate center would mean purchasing additional duplicative equipment that is currently shared, the off-campus center allows for the needed square footage and space for future expansion.

D. Relationship to Existing Health Care System & Ancillary or Support Services

Existing Working Relationship With Other Providers – Providence has a history of working cooperatively with the other health care institutions, agencies and individuals in helping to provide a full continuum of quality health care for the community. This process will continue with the joint venture.

E. Availability of Resources

1. **Changes in Medical Staff or Facility Personnel & Training** – This project does not require any additional physicians. It is anticipated that between eight and twenty currently active surgeons will shift some of their outpatient surgeries to the new ambulatory surgery center. Their other inpatient and more complex outpatient surgeries will continue to be done at one of the existing hospitals. Training will be provided on the particular cases that will be done at the center and in how to efficiently run an ambulatory surgery center.
2. **Availability of Necessary Ancillary & Support Services** – Surgical nurses and OR techs will be needed and some recruitment will be necessary. As the joint venture is formed, necessary agreements with other health providers will be made to assure appropriate care and services are provided. Contract agreements for bio-medical repair, laundry, and housekeeping will be executed. Transfer agreements with other providers will so be developed.

F. Access to Services by the General Population & Underserved Groups

1. **Location** – The ambulatory surgery center will be located within the Municipality of Anchorage, the State’s largest city with 42 percent of the its population. The center will be located in South Anchorage, which was chosen for its favorable access, traffic flow and demographics. The location is about a 15-minute drive from Providence Alaska Medical Center, Alaska Regional Hospital or Alaska Native Medical Center.
2. **Payor Mix** – The ASC will provide care to all payor types including self-pay. Table Z shows the expected reimbursement distribution.

Table Z
Ambulatory Surgery Center
Expected Reimbursement by Payor

Payor	Percentage
Medicare	11%
Medicaid	16%
Commercial Insurance	54%
Workers Compensation	16%
Other	2%
Self-Pay	1%
Total	100%

3. **Architectural Provisions for the Disabled** – Requirements for people with special needs are addressed via code compliance with the following:
- Joint Commission of Accreditation of Health care Organizations;
 - Alaska State Department of Health & Social Services (which oversees hospital licensing);
 - National Electrical Code Published Standards; and
 - Rules & Regulations of the Federal Register Nondiscrimination on the Basis of Disability of Public Accommodations and in Commercial Facilities.

SECTION V

CONSIDERATION OF QUALITY, EFFECTIVENESS, EFFICIENCY & BENEFITS OF SERVICES

Section V consists of nine different questions.

1. **The applicant's application and licensure status, indicating source; date; length; etc. and information to certification for Medicare.**

The proposed project will apply for licensure by the Department of Health and Social Services of the State of Alaska as an ambulatory surgery center. The center will also apply for Medicare and Medicaid certification.

2. **How the applicant plans to conduct quality control programs to insure high quality service.**

The quality control program is outlined below:

(a) Equipment

All equipment meets quality and safety standards required of all manufacturers by the federal government. Preventive maintenance is performed on equipment, and consists of a thorough inspection for any defects that may affect patient care or safety.

(b) Personnel

- Physicians – Physicians' education, training and skills are evaluated through a credentialing process, and only qualified physicians are recommended for privileges. Members of the medical staff, through training and continuing education, stay current with new developments in their respective specialties.
- Clinical and Non-Clinical Personnel – All personnel must meet professionally accepted job requirements.
- Continuing Education – The ambulatory surgery center will provide continuing education and ensure that all personnel receive training provided by equipment vendors, professional societies and attend selected special educational meetings both in and out of state.

(c) Quality Assurance

Objectives of the Providence Alaska Medical Center Quality Improvement Program include the following:

- Provide optimal patient care within available resources;
- Manage resources in the most appropriate manner;
- Minimize risk and injury;
- Identify and act upon opportunities to improve patient care; and
- Trend, benchmark and maximize patient outcomes with advanced databases.

These objectives are met through the activities identified in the 10-step process, *Plan, Do, Check, Assess* (PDCA), which include identifying problems, establishing criteria, assessing, recommending action, monitoring and evaluating. Written plans define the manner in which personnel and medical staff members will accomplish quality improvement functions. The program is in compliance with JCAHO requirements and is evaluated annually.

3. Plans for optimum utilization and appropriate ratios of professionals, subprofessionals and ancillary personnel.

It is anticipated that the proposed ambulatory surgery center would require 37 FTEs. Staffing will be adjusted to fit volume demands, and personnel will be cross-trained to increase efficiency and staff availability for specific services.

4. Development of ambulatory care, home health services and preventive health care programs to eliminate or reduce inappropriate use of inpatient services.

The proposed ambulatory surgery center is being developed to support the shift in procedures from the inpatient to the outpatient setting. The shift to the outpatient setting will continue to grow as technology makes advances. Surgeries that are higher risk will not be done within this proposed facility.

5. Planned use of modern diagnostic and treatment devices to enhance the accuracy and reliability of diagnostic and treatment procedures.

The proposed program will be designed for the outpatient and the surgeon performing the outpatient procedure. Added efficiencies will be built into the physical space and into the processes used to operate the center.

6. Employment of labor-saving equipment and programs to provide operating economies.

The concept of a freestanding ambulatory surgery center is based on the use of laborsaving equipment and processes to achieve the best operating economies, while maintaining high-quality care. This project will not be successful without shorter turnaround times and efficiency in the OR with less surgical operating minutes per procedure. This takes good teamwork between the surgeon, anesthesiologist and the OR staff.

7. Plans for future evaluation of the proposed activity to ensure that it fulfills present expectations and benefits.

As part of the quality improvement plan, the goals or expectations will be clearly identified by the joint venture board and targets with measurable outcomes will be set. Identified targets will be monitored at least quarterly and will have a national benchmark for comparison.

8. Describe your facility organizational structure including major position qualifications.

A proposed organizational chart and manager job description can be found in the appendices.

9. Describe your board representation including representation from community economic and ethnic groups.

The Joint Venture has yet to be finalized; however, it will be member-managed. A list of the currently known members is found in Table A, Section I.

SECTION VI

CONSTRUCTION DATA

Section VI consists of 4 sections:

- A. Project Description**
- B. Project Development Schedule**
- C. Facility Site Data**
- D. Disruption Plan**

A. Project Description

The building is being constructed by a third party. The proposed project will lease approximately 20,100 square feet for this program. The space will include 6 operating rooms, 9 pre-operative and 9 post-operative stations, locker room, staff lounge, administrative space, waiting area, children's play area and public toilets.

B. Project Development Schedule

Project construction is estimated to begin by the autumn of 2005 with completion estimated late in 2006.

C. Facility Site Data

The ambulatory surgery center will lease space in a medical office building to be constructed by a third party. The plat for the location is shown as Figure 1 on page 24.

The master facility plan will be completed following approval of the Certificate of Need. The schematic drawings will be based on the conceptual drawings of the building. An example of the proposed ambulatory surgery center is shown on page 25.

D. Disruption Plan

As this is a new, unoccupied building, there will be no disruption to health care services either during construction or tenant improvements.

Figure 2
Ambulatory Surgery Center Drawing

SECTION VII

FINANCIAL DATA FOR ALL PROPOSED ACTIVITIES

Land

The land is owned by a third party.

Construction

A third party will construct a new medical office building. The projected construction cost of the 60,000 square foot building is \$9.6 million.

Lease

This project will lease 20,100 square feet, and construction costs for the space is estimated at approximately \$5 million. The length of the lease is 10 years at a cost of \$723,600 per year. There will be no additional build-out costs outside of the lease.

Equipment

Equipment costs are estimated at \$1.5 million.

Expected Reimbursement

Commercial Insurance	54%
Workers Compensation	16%
Medicaid	16%
Medicare	11%
Self-pay	1%
Other	2%

Financial Documents

A 4-year pro forma for the proposed facility is shown on page 27.

Audited 2003 financials for Providence Alaska Medical Center are located on pages 28-29.

Table AA
Ambulatory Surgery Center – 4-Year Pro Forma

	1st Qtr.	2nd Qtr.	3 rd Qtr.	4th Qtr.	Year Two	Year Three	Year Four
Revenues							
Cases	913	913	913	913	3,965	4,064	4,167
Minutes	60,907	60,907	60,907	60,907	268,276	274,714	281,320
Minutes/Case	67	67	67	67	68	68	68
Days	91.25	91.25	91.25	91.25	365	365	365
Global Charge/Pt	2,619	2,619	2,619	2,619	2,898	3,030	3,167
Total Billed	2,389,500	2,389,500	2,389,500	2,389,500	11,489,000	12,313,000	13,197,000
Contractual Allowance	1,072,750	1,072,750	1,072,750	1,072,750	5,198,000	5,659,000	6,158,000
Charity	35,750	35,750	35,750	35,750	172,000	185,000	198,000
Collection/Pt. Avg.	1,404	1,404	1,404	1,404	1,543	1,592	1,642
Net Revenue	1,281,000	1,281,000	1,281,000	1,281,000	6,119,000	6,469,000	6,841,000
Expenses							
Management (1)	10,750	10,750	10,750	10,750	45,000	46,000	48,000
RNs (8-10.5)	140,000	140,000	140,000	140,000	667,000	708,000	751,000
Other Clinical (2.2-2.6)	25,750	25,750	25,750	25,750	122,000	130,000	138,000
Other Staff (8.8-10.1)	84,250	84,250	84,250	84,250	389,000	412,000	435,000
Total Sal & Wages	260,750	260,750	260,750	260,750	1,223,000	1,296,000	1,372,000
Benefits @28.5%	74,314	74,314	74,314	74,314	348,555	369,360	391,020
Total SW&B	335,064	335,064	335,064	335,064	1,571,555	1,665,360	1,763,020
100% Variable Expenses							
Medical Supplies	148,250	148,250	148,250	148,250	713,000	764,000	819,000
Other Expenses	12,000	12,000	12,000	12,000	57,000	60,000	64,000
Supplies Non-medical	5,250	5,250	5,250	5,250	26,000	28,000	30,000
IT Supplies	12,000	12,000	12,000	12,000	58,000	62,000	66,000
Minor equipment	13,250	13,250	13,250	13,250	64,000	69,000	74,000
Liability Ins.	3,500	3,500	3,500	3,500	18,000	20,000	22,000
Professional Fees	3,250	3,250	3,250	3,250	16,000	17,000	18,000
Total 100% Variable Exp.	197,500	197,500	197,500	197,500	952,000	1,020,000	1,093,000
Variable Cost / Case	216.44	216.44	216.44	216.44	240.10	250.98	262.30
Fixed and Semi-Variable Exp							
Utilities	61,500	61,500	61,500	61,500	272,000	300,000	330,000
Building Lease	181,000	181,000	181,000	181,000	739,000	753,000	768,000
Other Ins	1,750	1,750	1,750	1,750	8,000	9,000	10,000
Management Fees	62,500	62,500	62,500	62,500	260,000	270,000	281,000
Marketing	750	750	750	750	3,000	3,000	4,000
Maintenance Fees	6,250	6,250	6,250	6,250	29,000	31,000	32,000
Communications	8,250	8,250	8,250	8,250	35,000	36,000	38,000
Travel & Misc.	2,750	2,750	2,750	2,750	12,000	12,000	13,000
Bad Debt	167,250	167,250	167,250	167,250	804,000	862,000	924,000
Depreciation	37,750	37,750	37,750	37,750	348,000	400,000	452,000
Total Other Expenses	529,750	529,750	529,750	529,750	2,510,000	2,676,000	2,852,000
Fixed Non-labor Exp/Case	581	581	581	581	633	658	684
Total Expenses	1,062,314	1,062,314	1,062,314	1,062,314	5,033,555	5,361,360	5,708,020
Net Income (Loss)	218,686	218,686	218,686	218,686	1,085,445	1,107,640	1,132,980

Note: Start up costs are estimated to be \$500,000 prior to beginning operations.

Table BB
PAMC Audited Financials 2003

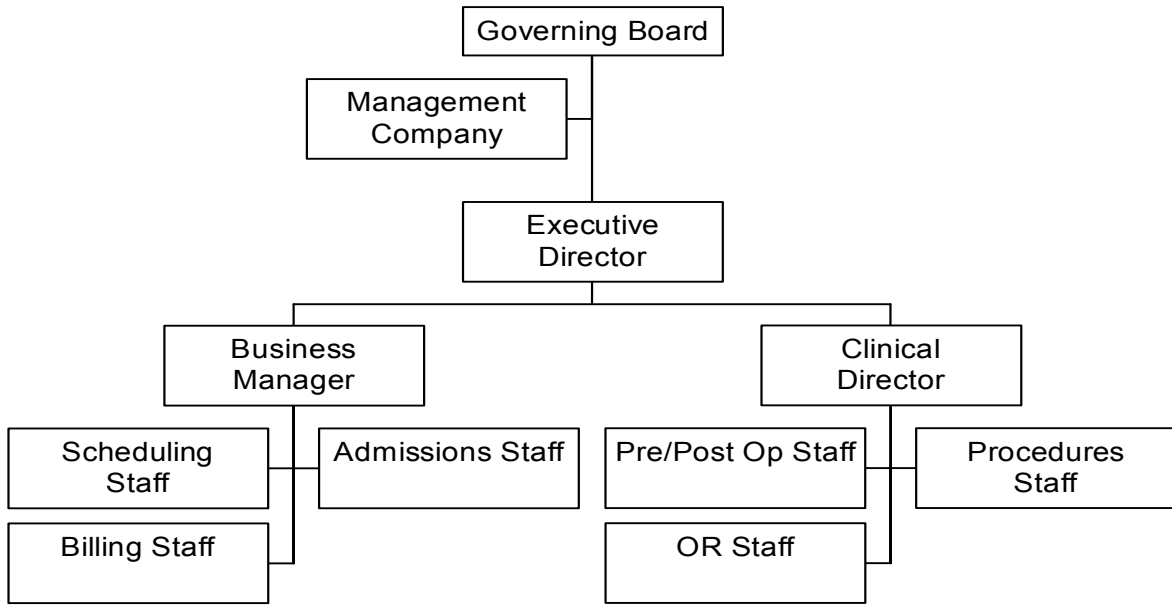
Statement of Revenue and Expenses							
REVENUES	2001	2002	2003	2004	2005	2006	2007
Gross Patient Revenue							
Inpatient Gross Revenue	\$ 345,670	\$ 381,817	\$ 420,636	\$ 456,914	\$ 489,172	\$ 523,707	\$ 560,681
Outpatient Gross Revenue	148,080	181,373	207,316	228,545	251,948	277,747	306,189
Total Gross Patient Revenue	493,750	563,190	627,952	685,459	741,120	801,455	866,870
Contractual Allowances							
Medicare	72,751	89,406	102,218	116,143	127,355	139,923	153,604
Medicaid	41,077	43,951	54,973	61,291	68,105	75,925	84,487
Commercial	47,407	54,206	69,907	79,577	88,289	97,894	108,489
Other Contractuals	22,075	24,407	30,155	30,250	33,810	37,740	42,077
Charity	18,299	20,411	26,517	23,991	30,386	34,783	36,409
Total Contractual Allowances	201,608	232,380	283,770	311,252	347,945	386,265	425,067
Net Patient Revenues	292,143	330,810	344,182	374,206	393,175	415,190	441,803
Other Operating Revenues	16,722	17,658	18,066	18,724	19,623	20,480	21,344
Net Revenues	\$ 308,864	\$ 348,468	\$ 362,248	\$ 392,930	\$ 412,797	\$ 435,670	\$ 463,147
EXPENSES							
Expenses							
Salaries and Wages	\$ 116,189	\$ 128,267	\$ 125,175	\$ 130,851	\$ 134,754	\$ 140,517	\$ 148,343
Benefits	26,020	29,794	36,528	39,766	42,650	46,314	48,894
Supplies	50,610	57,192	60,020	63,681	67,565	71,687	76,060
Professional Fees	4,311	5,101	6,666	6,919	7,182	7,455	7,738
Purchased Services	31,756	34,385	44,932	46,954	49,067	51,275	53,582
Utilities	3,572	4,173	4,271	4,441	4,619	4,804	4,996
Interest	1,860	1,391	845	413	343	15	-
Depreciation/Amortization	19,641	23,415	25,228	28,998	29,905	30,955	33,292
Bad Debt	15,717	19,380	15,496	22,277	24,086	26,448	28,173
Other Expenses	9,097	14,530	12,735	13,436	14,175	14,954	15,777
Non-Recurring Expense	-	-	-	-	-	-	-
Total Expenses	\$ 278,772	\$ 317,627	\$ 331,895	\$ 357,736	\$ 374,345	\$ 394,423	\$ 416,855
Net Operating Income	\$ 30,093	\$ 30,840	\$ 30,353	\$ 35,194	\$ 38,452	\$ 41,247	\$ 46,292
Non-Operating Rev/Exp.	7,955	(4,760)	2,430	6,424	7,972	9,651	11,794
Net Income Before Taxes	38,048	26,080	32,783	41,618	46,424	50,897	58,086
Taxes	-	-	-	-	-	-	-
Net Income Before Extraordinary Gain/(Loss)	38,048	26,080	32,783	41,618	46,424	50,897	58,086
Extraordinary Gain/(Loss)	-	-	-	-	-	-	-
Excess of Revenues Over Expenses	\$ 38,048	\$ 26,080	\$ 32,783	\$ 41,618	\$ 46,424	\$ 50,897	\$ 58,086

Table CC
PAMC Audited Financials 2003

Balance Sheet							
	2001	2002	2003	2004	2005	2006	2007
ASSETS							
Current Assets							
Operating Cash	\$ 25,166	\$ 19,248	\$ 24,037	\$ 24,537	\$ 25,037	\$ 25,537	\$ 26,037
Current Assets - Ltd Use	5	7	7	7	7	7	7
Accounts Receivable (Net)	55,259	61,578	54,692	56,387	59,246	62,563	66,573
Supplies Inventory, at cost	5,960	8,021	8,279	7,851	7,404	7,856	8,335
Other Current Assets	10,096	16,360	14,977	11,186	12,479	13,014	13,354
Total Current Assets	96,486	105,214	101,992	99,968	104,173	108,977	114,306
Assets Limited as to Use							
Board Designated Assets	85,893	79,137	96,067	124,655	153,377	187,048	233,131
Restricted Assets	3,188	3,185	3,185	3,185	3,185	3,185	3,185
Trustee-Held Assets	70	70	4	4	4	4	4
Total Assets - Ltd Use	89,151	82,392	99,256	127,844	156,566	190,237	236,320
Less Current Portion	(5)	(7)	(7)	(7)	(7)	(7)	(7)
Net Assets - Ltd Use	89,146	82,385	99,249	127,837	156,559	190,230	236,313
Property, Plant and Equipment							
Land	23	5,264	5,264	8,264	8,264	11,264	11,264
Depreciable Assets, Cost	396,426	420,181	459,621	496,321	532,821	572,321	611,821
Construction in Progress	11,729	8,343	7,883	8,246	8,246	8,246	8,246
Accumulated Depreciation	202,941	225,850	251,041	280,013	309,907	340,862	374,154
PP&E, Net	205,236	207,937	221,728	232,818	239,424	250,969	257,177
Other Assets							
Investment in Subsidiaries	-	-	-	-	-	-	-
Unamortized Financing Fees	124	74	36	11	-	-	-
Other Long Term Assets	11,934	25,575	21,664	20,564	19,414	18,206	16,934
Total Other Assets	12,058	25,649	21,700	20,575	19,414	18,206	16,934
TOTAL ASSETS	\$ 402,926	\$ 421,185	\$ 444,668	\$ 481,198	\$ 519,570	\$ 568,382	\$ 624,730
LIABILITIES AND NET ASSETS							
Current Liabilities							
A/P & Accrued Expenses	\$ 12,787	\$ 12,745	\$ 13,301	\$ 16,792	\$ 17,554	\$ 18,467	\$ 19,473
Third Party Payables	9,366	-	1,551	1,551	1,551	1,551	1,551
Line of Credit	-	-	-	-	-	-	-
Current Maturities of Debt	5,214	5,581	6,464	6,928	1,052	730	805
Other Current Liabilities	19,289	22,355	19,063	19,515	20,161	20,794	21,385
Total Current Liabilities	46,656	40,681	40,379	44,786	40,318	41,542	43,214
Total Other Liabilities	-	-	-	-	-	-	-
Total Long Term Debt	23,884	17,834	11,370	4,442	3,390	2,660	1,855
Net Assets							
Unrestricted	329,198	359,485	389,734	428,784	472,677	520,995	576,476
Temporarily Restricted	3,188	3,185	3,185	3,185	3,185	3,185	3,185
Permanently Restricted	-	-	-	-	-	-	-
Total Net Assets	332,386	362,670	392,919	431,969	475,862	524,180	579,661
TOTAL LIABILITIES AND NET ASSETS	\$ 402,926	\$ 421,185	\$ 444,668	\$ 481,198	\$ 519,570	\$ 568,382	\$ 624,730

Figure 3

ASC JV Organizational Chart



Ambulatory Surgery Center Draft JOB DESCRIPTION

JOB TITLE: **MANAGER, OPERATING ROOM**

SUPERVISES: **STAFF IN ASSIGNED AREA**

POSITION SUMMARY

Responsible for patient focused care management. Coordinates department team operations on a daily basis. Provides leadership in the planning, coordination, implementation, and evaluation of assigned area.

ESSENTIAL JOB FUNCTIONS: (Responsibilities, Accountabilities, and Competencies; May not include all duties of this job)

A. JOB DUTIES: (For performance review, assess competence for each essential function using “C” for competent and “NI” for needs improvement)

1. Assures that patient care is delivered in compliance to standards utilizing cost-effective methods.
2. Assists in preparation of monthly budget and capital requirements for assigned area.
3. Develops, modifies, and implements patient care standards, policies, procedures, and protocols.
4. Assists in the development, implementation, and modification of programs and services needed to meet patient care and staff development needs.
5. Implement care/services that recognize age/diversity specific needs/issues of customers served.
6. Performs other related duties as required.

B. IDENTIFIED COMPETENCIES

Completes initial and annual Competency Plan for assigned job and department.

C. ESSENTIAL JOB QUALIFICATIONS: (Any equivalent Combination of Knowledge, Skills, Abilities, Education, and Experience)

1. **Education:** Completion of a technical training program relevant to assigned field is required. Bachelor degree in technical area preferred.
2. **Experience:** Four years of recent clinical management or supervisory experience.
3. **Licensure/Certification:** Licensed in Alaska in area of expertise, if applicable.
4. **Other Qualifications:** N/A
5. **Attendance:** Regular attendance is a requirement of this position.
6. **English Language:** Must be able to read, write, and speak English.

