REVIEW OF THE SOUTH CENTRAL FOUNDATION CERTIFICATE OF NEED APPLICATION FOR THE EKLUTNA RESIDENTIAL PSYCHIATRIC TREATMENT CENTER (RPTC)

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Sarah Palin
Governor

Karleen K. Jackson, Ph.D.
Commissioner/DHSS

Jay C. Butler, M.D
Chief Medical Officer

State of Alaska
Department of Health & Social Services
Division of Public Health
Health Planning and Systems Development
Certificate of Need Program

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REVIEW OF THE SOUTH CENTRAL FOUNDATION EKLUTNA RESIDENTIAL PSYCHIATRIC TREATMENT CENTER (RPTC) CON APPLICATION

BACKGROUND

Southcentral Foundation (SCF) is an Alaska Native-owned non-profit healthcare organization serving 46,800 Alaska Native and American Indian people living in Anchorage, the Mat-Su Valley, and 60 rural villages in the Anchorage Service Unit. SCF incorporated in 1982 under the tribal authority of Cook Inlet Region, Inc. (CIRI). CIRI is one of the twelve Alaska regional corporations established by Congress under the Alaska Native Claims Settlement Act of 1971.

In 1998, SCF assumed ownership and management of all primary care services of the Alaska Native Medical Center (most are located in the 100,000 sq. ft. Anchorage Native Primary Care Center), and in 1999 became co-manager of the Alaska Native Medical Center in Anchorage along with the Alaska Native Tribal Health Consortium (ANTHC). The ANTHC represents 226 Native tribes in Alaska and operates the 150-bed Alaska Native Medical Center, a hospital that serves as a resource and specialty center for all Alaska Natives.

SCF is currently one of the largest providers of lower levels of behavioral health services within the state and continues to develop a continuum of care that includes outpatient care, residential care and wraparound services. SCF offers several culturally based client-centered behavioral health care programs that use a model of care that combines contemporary clinical practices with the strength of traditional beliefs. SCF serves both Native and Non-Native children, adolescents, adults, and families. This project would complement programs that they already have in place including:

- **The Pathway Home** – A 30-bed Level III residential facility for male youth;
- **Three Group Homes** – An 8-bed Level II program serving both female and male seriously emotionally disturbed (SED) youth, with two five-bed homes to become operational in June 2008. This program meets the needs of youth with FAS, substance abuse, and other specific SED problems;
- **Tribal Youth Diversion Effort (TYDE)** – A program that provides culturally-relevant counseling, work service, and case management for Alaska Native youth offenders;
- **The Trails Program** – This program for emotionally disturbed adolescents addresses their overall behavioral health and substance abuse related issues;
- **Dena A Coy** – Although not primarily a youth program, pregnant youth who have substance abuse problems are accepted and some minors receive FAS prevention services; and
- **Other Programs Not Specific to Youth** – Other behavioral health programs that are not specifically for youth include the Fireweed Community Mental Health Center, the Tribal mental health clinic and the Quyana Clubhouse treatment program for the chronically mentally ill.

The proposed program will add Level IV and Level V residential programs for youth and add to the continuum of care that is being developed.

PROJECT DESCRIPTION

SCF has submitted a Certificate of Need application to build a 12-bed (six beds for boys, six for girls) secure Level V Residential Psychiatric Treatment (RPT) unit co-located with a 32-bed Level IV RPT facility in Eklutna. The 32-bed Level IV section of the facility is not subject to the CON process. The total cost of the 44-bed facility is $24,581,791 with $6,637,084 projected to be the cost of the 12-bed Level V RPT unit. The facility will be located half-way between Anchorage and the Mat-Su Valley on 20.5 acres of forested land near the Native village of Eklutna, two buildings will be built specifically for RPT resident use as follows:

1. A 10,263 net square foot Observation/Evaluation building that houses the Level V residents and services including intake, exam, medication, bedrooms, restrooms, showers, activity/recreation, dining, living rooms, counseling, staff offices and lounge, conference, group therapy, and support (such as laundry and janitorial space); and

2. A 13,083 net square foot area for food service facilities, classrooms, educational, gymnasium and exercise area, locker room, and recreational space.

The primary target population served will be Seriously Emotionally Disturbed (SED) adolescent boys and girls ages 13-17, both Native and Non-Native, primarily residing in the Anchorage and Mat-Su Valley communities. A secondary population served will be the same age SED youth in other regions of the state that do not have a Level V RPT facility in their home community. Although open to non-Natives, it is expected that due to the nature of the program there will be a certain amount of self-selection and between 70-95% of the youth who enter the program will be Natives.[1] The target population will include, but not be limited to, major depressive disorders, post traumatic stress disorder, personality disorders, bipolar disorder, attention hyperactivity disorder and fetal alcohol spectrum disorder. A secondary diagnosis of oppositional defiant and conduct disorder may also be displayed in many of the youth to be served. Due to the high incidence of trauma related problems expected in most residents, the program will reflect a strong "Trauma Model" influence.

SCF plans to develop a secure environment and offer a comprehensive continuum of behavioral health care that addresses serious emotional disorders, mental disorders, and co-occurring mental and substance abuse dependency disorders. Services will include observation, evaluation, treatment, and stabilization. The program is intended to provide residential assessment, stabilization, short-term crisis placement, and structured short-term intense treatment.

REVIEW STANDARDS

General Review Standards Applicable to All CON Applications

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

[1] Certificate of Need application. Page 74.

SCF conducted needs assessments for the Native population in the Anchorage and Mat-Su areas in 1995, 2001, and 2003. Assessments included key respondent surveys, focus groups, client questionnaires, and testimony provided by Native residents at a Healthcare Listening Conference. Out of 35 general health problems identified in the assessments, behavioral health problems were consistently perceived as the most serious and ranked among the top 10 issues.

Outcome information was received from First Mental Health, family experiences, Juvenile Justice, and clinical opinions that suggested the need for Level V services for youth who SCF currently serves. In 2005, SCF completed a study entitled "A Framework and Guiding Document to Improve Access to a Continuum of Care of Services for Native Youth." SCF also quotes the "Children and Youth Needs Assessment" (CAYNA) report that identifies the need for additional residential care beds in Alaska so youth will not be sent out of state for treatment. SCF also provides data that shows that 350-400 Alaskan children are receiving services out-of-state at any given time (49% of these are Native) and state that by 2010 there will be a need for 72 culturally relevant Level V Native beds needed in the Anchorage and Mat-Su area."[2] Other data also was provided showing the need for these services and additional beds. The applicant has met General Review Standard #1.

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.

A large majority of the relevant planning documents were generated by State of Alaska Division of Behavioral Health, and the Alaska Mental Health Trust. References are made to planning activities and documents including the "Bring the Kids Home" (BTKH) initiative and reports, the CAYNA report, and participation in various meetings relating to youth behavioral health issues. These references and the type of program that is planned show that the project will integrate well with the current system. The applicant has checked with the department regarding appropriate plans and states that the proposed services reflect the general and specific recommendations found in the "*Bring the Kids Home Initiative.*"

SCF plans to develop a comprehensive continuum of behavioral health care for youth, from least intensive outpatient care to the more intensive levels of residential care."[3] Three specific areas that show that this program will augment the current system are the provision of culturally relevant treatment, the construction of cottages that provide a more home-like environment, and the fact they will have locked rooms for residents who might otherwise run away.

The applicant has met General Review Standard #2, and this project integrates well with existing state services and fits well with planning activities.

[2] Certificate of Need Application. Page 42.
[3] Certificate of Need Application. Page 8.

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.***

Needs assessments completed for the Anchorage and Mat-Su Native populations in 1995, 2001, and 2003 included key respondents, focus groups, client questionnaires, and testimony by Native residents. Health care providers were also included in the planning proposed services. Based on this information, the applicant has met the requirement that stakeholders be involved in planning for the design and execution of services.

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 appears to have considered the outcome of doing nothing, offering Level V RPT care or expanding the capacity of lower levels of services. They chose to develop the Level V services and to increase the capacity of Level IV services for the following reasons:

- Doing nothing perpetuates the practice of sending Alaska youth out-of-state for services which is inferior treatment for the youth in many ways, but primarily because families are not able to be involved in the treatment except in minimal ways;
- If this project is not developed, SCF will have a needed part of their continuum of care missing, and a number of SED children will be admitted to more costly and inappropriate acute psychiatric hospitalization or less effective residential care out-of-state;
- Youth who are admitted to out-of-state facilities have longer lengths of stay, which will be reduced as more youth are served in local facilities; and
- 100% Medicaid reimbursement can be achieved for those youth who are Natives and receive their health care through a tribal provider, a savings of about $3 million annually. Savings will also be achieved for non-Native youth who will stay for fewer days in treatment.

The applicant has met General Review Standard #4 and has demonstrated that this is the most suitable approach to providing the needed care.

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

The impact on the system is expected to be positive since according to the state methodology, there is a need for additional beds. Also, SCF is proposing to serve some of the most hard to place and difficult to treat children (FASD/cognitive impairment, sexual offending youth, and the dually diagnosed). Creating secure beds for children who are at risk of running away, self-harm or other problems requiring additional security will allow some youth previously sent out-of-state to be served in-state. The number of youth served inappropriately in psychiatric hospitals

also will likely be reduced. In addition, the applicant states they will provide culturally appropriate and relevant services that are insufficiently available to Alaska Native youth.

One implication of the proposed project is that its operations will require approximately 60 mental health staff including health clinicians, social workers, caseworkers, psychiatric nurses and clinical associates. This will put competitive pressure on other providers and increase the cost of recruitment. General Review Standard #5, a discussion of the impact on the existing system, has been met by the applicant.

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.***

General Review Standard #6 has been met by the applicant. The applicant states that Alaska Natives are underserved because of their high representation in residential treatment and the lack of culturally relevant programs. Few residential beds are operated by Native/Tribal providers and this is considered the main reason why Native youth demonstrate poor outcomes when provided with residential care. This program will increase accessibility to culturally relevant programs and allow some youth to stay in Alaska be closer to their immediate and extended families during treatment rather than in another state. The location in Eklutna, is halfway between downtown Anchorage and the Mat-Su Valley and is accessible to a majority of the state population and easily accessed by plane and ground transport by residents living in other parts of Alaska.

REVIEW STANDARDS SPECIFIC TO RPTC FACILITIES

RPTC Specific Review Standard #1: ***The applicant identifies the probable impact on the cost to local consumers, and the cost to Medicaid and other medical assistance programs operated by the State of Alaska.***

The applicant does not anticipate any increase in cost to the consumer, community, or state, since these services are already being paid for through Medicaid funding to existing providers in and out-of-state. The impact on the state system may reduce some state general fund costs. Since Native youth will be able to stay in state and will be served by a Tribal Health organization, 100% federal Medicaid reimbursement will result in cost savings to the State general fund (which now pays about half of the cost of these clients), which is estimated by the applicant to be about $3 million annually. RPTC specific Review Standard #1 has been met by the applicant. In addition, North Star converted its 34-bed RPTC facility in Anchorage to an acute psychiatric hospital (February 29, 2008), so this project will make up for part of that loss. This standard has been met.

RPTC Specific Review Standard #2: ***The applicant demonstrates the immediate and long-term financial feasibility of the project, based on availability of federal or other funding to construct and operate the project***

The Denali Commission, the Alaska Department of Health and Social Services, and Southcentral Foundation will each fund one-third of the cost of the facility. The Denali Commission has already awarded SCF funding for the development of the architectural/engineering plans. A majority of the operating costs are expected to be paid for by Medicaid since almost all residents will be Medicaid recipients. It is expected that the Native residents of the facility will qualify for 100% federal Medicaid funding since the facility is operated by a Tribal Health Corporation. Co-location of the Level V program on the same campus as the Level IV program provides economies of scale that will allow more efficient staffing. SCF has also negotiated a Continuing Care Agreement with DHSS that provides funding for the difference in cost of providing services to Medicaid eligible youth and the funding received from Medicaid. This will provide some assurance of sustainability by reducing the risk related to cost increases or reimbursement shortfalls. This standard has been met.

RPTC Specific Review Standard #3: ***An RPTC facility must be accredited by the Joint Commission on Accreditation of Healthcare Organizations (JCAHO).***

This standard has been met since SCF has a corporate goal of having all of its eligible programs JCAHO accredited. In addition, lower levels of service are offered. Currently several SCF Medicaid programs are accredited and early this year an initial application for most of its behavioral health programs including Dena-A-Coy, The Pathway Home, Fireweed Community Mental Health Center, the Tribal mental health clinic and the Quyana Clubhouse treatment program for the chronically mentally ill will apply for accreditation by JCAHO.[4] JCAHO standards require that one full-year of operation be completed before the initial application is submitted. The applicant has met RPTC specific review standard #3 by providing information that indicates they will become JCAHO accredited.

RPTC Specific Review Standard #4: ***Projects larger than 29 beds will not be recommended for approval unless***

a. services will be provided in a campus-like, cottage setting, with smaller home-like units with 15 beds per unit or less [see 7 AAC 43.560(b)(4)(A)];

This standard has been met since the applicant plans to provide a campus-like, cottage setting with only 12 beds in the Level V unit, and 8 beds in each Level IV unit on campus.

b. there are secure and non-secure beds in the facility.

This standard has been met since the applicant plans to provide secure and non-secure beds. In addition, lower levels of service are offered. The non-secure beds appear to be Level IV beds and the Level V beds will be secure.

RPTC Specific Review Standard #5: ***The applicant demonstrates that the project augments the existing community system of care and facilitates transition to lower levels of care, to community-based settings, or to an adult service system at maturity, providing an effective***

[4] Certificate of Need application. Page 80.

interface with lower levels of care in the same community. In applying this standard, the department will also consider

> ***a. whether the project includes a plan for connecting children and families to appropriate levels of care, to engage families in their children's treatment;***

The applicant states that they recognize the fundamental and overriding importance of engaging and maintaining families in the treatment process and that a component of the program is to work with family members. The family treatment program includes counseling, crisis intervention, case management, skill building, mentoring, parenting education, and parenting training.

The program should be able to effectively interface and facilitate transition to lower levels of care because it will be a part of system that includes lower levels of care including a Level IV residential program will be developed in conjunction with this project and existing Level III and Level II services that are already in place and operational. The care coordination that is planned in conjunction with this project will be an important means of ensuring that each youth is placed in the proper level of care and is receiving appropriate treatment. The program will use utilization criteria for each level of care to assist in determining when a resident should be transferred and will hold frequent team meetings that include parents, staff and guardians to help ensure that informed decisions are made regarding placement. Considering all of these factors and the plans outlined in the application, this standard has been met by the applicant.

> ***b. the degree to which the proposed services assist in developing a Comprehensive, Continuous, Integrated System of Care (CCISC) for behavioral health as planned by the department.***

The applicant states that there is currently no comprehensive continuum of care for Native youth in the Anchorage and Mat-Su communities. This project creates both Level V and Level IV services to complement the Level III, Level II and other services offered by SCF. In effect, this creates a comprehensive continuum of care for Native youth. This standard has been met.

RPTC NEED METHODOLOGY

The Anchorage/Mat-Su metropolitan area will need 45 more RPTC beds by 2013 according to calculations of the need for RPTC beds using the department's methodology. These calculations take into account that 34 beds at the North Star Bragaw Street RPTC facility that were converted to acute psychiatric beds February 29, 2008. Without this conversion, only eleven beds would have been needed in the region.

The bed need estimate is based on three year average (2005-2007) use rates for children and adolescents aged 6-17. The use rate calculated is 7.51 per 1000 children/adolescents ages 6-17 and the average length of stay is 140 days per episode. The estimated bed need for 2013 at the estimated use rate is 334 for the state, with 220 existing. With 34 RPTC beds in Anchorage no longer in use (as they were converted to acute in-patient psychiatric beds) there are 137 RPTC

beds in the Anchorage-Mat-Su area with an estimated need for 182 total, or 45 in addition to those currently available.

It is expected that in-state placements will increase and out-of-state placements decrease, as the "Bring the Kids Home" program continues to be implemented. Average days of care in a calendar year are assumed to be held to 140, since it is not possible to predict how length of stay will be affected by changes in the population served and by increasing availability of programs for lower levels of care.

Existing & Need for RPT Beds in the Anchorage and Mat-Su Service Area- March 2008		
City	**Facility**	**No of Beds**
Anchorage	North Star DeBarr Road	60
Anchorage	Alaska Children's Services	58
Anchorage	Providence AK Medical Ctr	9
Wasilla	North Star Behavioral	10
	Total Existing Beds	137
	Total Beds Needed by 2013	182
	Total Net Need by 2013	45

Note: North Star Bragaw Street converted 34 beds to Acute Psych on 2/29/08

A copy of the need methodology is found in Appendix A and the calculations to determine need using the state methodology are found in Appendix B. The application meets the standard of approval using the State of Alaska need methodology for RPTC care.

FINANCIAL FEASIBILITY

Construction will be financed by grants from The Alaska Department of Health and Social Services, the Denali Commission, and the Southcentral Foundation. Each funding partner has agreed to provide one-third of the cost of the facility. The Denali Commission has already awarded SCF funding for the development of the architectural/engineering plans. Operation of the facility will be financed thorough revenues derived from third-party insurance of which Medicaid will be the largest segment.[5] The project appears to be financially feasible.

PUBLIC COMMENT

A public meeting was held on Thursday, March 13, 2008, at the Frontier Building, Suite 880, 3601 "C" Street, Anchorage, from 5:00 PM to 6:30 PM. Staff from Southcentral Foundation presented a PowerPoint presentation along with architectural drawings of the entire facility with emphasis on the twelve Level V RPTC beds that are subject to Certificate of Need review. No members of the public attended or provided comments during meeting, and there was no written correspondence received by staff in favor or in opposition to the facility.

[5] Certificate of Need application. Page 16.

RECOMMENDATION

It is recommended that Southcentral Foundation be approved to build a 12-bed, secure Level V residential psychiatric treatment facility (RPTC) at a cost of $6,637,084 that will be located in Eklutna, with an approved completion date of December 31, 2010.

APPENDIX A

(see following page)

Alaska Residential Psychiatric Treatment Center Bed Need Forecast based on Alaska Certificate of Need Methodology

Assumptions for 2013 RPTC Bed Need Forecasts:
(1) "use rate" per 1000 youth ages 6-17 kept steady; (2) level of out of state placement is reduced each year (assuming 80 fewer cases per year out of state), and (3) average length of stay in-state (in calendar year) = 140

	"Current" (2006 most recent data year)		Projection 5 years from Jan 2008 (application) 2013			
Pop = Population ages 6-17	130425		**Pop-p**	**133623**		
UR =Use Rate (users per 1000)=TC*1000/Pop	7.51		**UR (use current, 2005-2007)**	**7.51**		
TC = Total Caseload: avg cases 2005-2007	980		**TC = Pop-p * URc**	**1004**		
		STEP 1	**TC = (P x UR)/1000**	**1004.03**		
OSCc = Out of state caseload (reduce by 80 cases per year from 2005-2007 avg)	665		**OSCp=OSCc - 5*80)**	**265**	Target 90% reduction = 62 by 2012	
ISCc = In state caseload average 2005-2007	374	**STEP 2**	**ISCp = TCp - OSCp = 1004-265**	**739**		
		STEP 3	**CRF (caseload reduction factor) not applied because there is no basis yet for such an estimation**			
		STEP 4	**ISALOS (In State Average 1-yr LOS) assumption at current (2005-2007) level**	**140.0**	Target 2012:	89.7
Total Service Days avg 2005-2007	178928	**STEP 5**	Projected In state Service Days = ISALOS * ISC	103479		
	140.02	**STEP 6**	Avg daily census =Instate Days of Care/365	283.50		
		STEP 7	Bed Need assuming 85% occupancy =ADC/.85:	**334**		
		STEP 8	Net Need = Bed Need - (Actual and approved)	148		

Residential Psychiatric Treatment Facility Need Estimate with Regional Distribution, for 2010

Potential service areas:	(Beds distributed regionally using ages 5-19 2006 regional	Population ages 5-19, 2006 (CAAS06.xls)	Bed need 2013-- 85% occupancy		
	%		Total	Unmet	Existing / approved 1/08:
Northwest Alaska (Nome, North West Arctic Borough, North Slope Borough)	5%	7,383	15	15	0
Southwest Alaska (Wade Hampton, Bethel, Dillingham, Bristol Bay, Lake & Pen, Aleutians East, Aleutians West)	7%	11,455	24	19	5
Anchorage, Matanuska-Susitna Borough, plus Valdez-Cordova Census Area (34 beds converted to acute psych 3/2008)	55%	88,421	182	45	137
Southeast (Ketchikan, POW, Juneau, Wrangell-Petersburg, Haines, Skagway-Hoonah-Angoon, Yakutat)	9%	14,982	31	31	0
Interior (Fairbanks NSB, SE Fairbanks, Denali Borough, Yukon Koyukuk)	15%	24,482	50	6	44
Kenai, Kodiak	9%	15,307	32	32	0
Total:	**100%**	**162,030**	**334**	148	186

Per current regs: step 4 is to set expected ALOS; Step 5 est Days of Care; step six get avg daily census; step 7 calculate gross projected need (divide by .85 for occupancy rate); step 8 subtract existing and approved beds from total estimated statewide need.

APPENDIX B

STATE OF ALASKA REVIEW STANDARDS & METHODOLOGY

(SOURCE: DECEMBER 9, 2005 ALASKA CERTIFICATE OF NEED REVIEW STANDARDS AND METHODOLOGIES, P. 37-38 available at http://www.hss.state.ak.us/publicnotice/PDF/133.pdf**)**

IX. *B. Residential Psychiatric Treatment Centers (RPTC)*

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 standards in its evaluation of an application for a certificate of need for an RPTC:

1. The applicant identifies the probable impact on the cost to local consumers, and the cost to Medicaid and other medical assistance programs operated by the State of Alaska.

2. The applicant demonstrates the immediate and long-term financial feasibility of the project, based on availability of federal or other funding to construct and operate the project

3. An RPTC facility must be accredited by the Joint Commission on Accreditation of Healthcare Organizations (JCAHO).

4. Projects larger than 29 beds will not be recommended for approval unless

    a. services will be provided in a campus-like, cottage setting, with smaller home-like units with 15 beds per unit or less [see 7 AAC 43.560(b)(4)(A)];
    b. there are secure and non-secure beds in the facility.

5. The applicant demonstrates that the project augments the existing community system of care and facilitates transition to lower levels of care, to community-based settings, or to an adult service system at maturity, providing an effective interface with lower levels of care in the same community. In applying this standard, the department will also consider

    a. whether the project includes a plan for connecting children and families to appropriate levels of care, to engage families in their children's treatment;
    b. the degree to which the proposed services assist in developing a Comprehensive, Continuous, Integrated System of Care (CCISC) for behavioral health as planned by the department.

Additional Considerations for Concurrent Review of More than one Application

In completing a concurrent review of two or more applications under 7 AAC 07.060, in addition to applying the standards set out above to each application, the department will approve an otherwise equivalent proposal if the applicant is a facility operated by a Native organization operating under a compact or contract with the federal government to provide health services to IHS beneficiaries under P.L. 93-638.

Review Methodology

The department will use the following formula to determine need for RPTC beds. When appropriate, the department may consider historical regional differences in utilization rates and the fact that a program is providing services to a small-specialized population of adolescents or youth with special needs.

►**STEP ONE:** Calculate total projected RPTC caseload (TC_p)

The first calculation yields the expected number of patients/clients to be served in all settings, within and outside of Alaska in the target year (five years from the date the application is submitted). Multiply the projected population at risk by the projected use rate to obtain the projected total RPTC caseload:

$$\mathbf{TC_5 = P_5 \times (UR)}$$

TC_5 (total projected caseload) **=** number of children and adolescents expected to need RPTC care in the target planning horizon of the project (five years from the date the application is submitted).

P_5 = projected population at risk is defined as the Department of Labor and Workforce Development's projected population ages 6-17 years of age at end of the five-year planning horizon.

UR (current use rate) = total cases/population, derived from historical admissions, and adjusted by the expected improvement over the planning horizon. For certificate of need program purposes, the current use rate is the average annual caseload for the most recent three years preceding the date the application is submitted, divided by the population of children aged 6 - 17 over the three-year period. The use rate is calculated by the department using Medicaid data to determine the number of children and adolescents served in-state and out-of-state. (Calendar year case data, and July 1 population estimates for each year, will be used for these calculations.)

►**STEP TWO:** Calculate projected in-state statewide RPTC caseload (ISC_p) and the adjusted projected in-state RPTC caseload (ISC_{pa}).

The projected in-state RPTC caseload (ISC_p) will be the projected total caseload minus the projected out-of-state caseload (OSC_p), reflecting the targeted reduction in children and adolescents placed in out-of-state settings:

$$\mathbf{ISC_p = TC_p - OSC_p}$$

ISC_p = projected in-state caseload

TC_p = total projected caseload

OSC_p = projected out-of-state caseload (to be forecast by the department)

Not all of the adolescents and children who return to Alaska will need to be served at the RPTC level of care. The development of lower levels of care will allow a reduction in projected in-state RPTC caseload (ISC_p). The department will estimate a caseload reduction factor (CRF) to reflect the percentage of children expected to be served in lower levels of care. The department will

calculate the adjusted statewide adolescent and child in-state caseload that is expected to be served at the RPTC level of care (ISC_{pa}):

$$\mathbf{ISC_{pa} = ISC_{p} \times CRF}$$

ISC_{p} = in-state projected caseload

ISC_{pa} = in-state projected caseload adjusted by the caseload reduction factor

CRF = caseload reduction factor set by the department to reflect expected reduction in RPTC admissions as lower levels of care are made available

►**STEP THREE:** The department projects the estimated in-state average length of stay ($ISALOS_{p}$) for the planning horizon.

The current ISALOS ($ISALOS_{c}$) is determined by the department based on an average of annual in-state Medicaid data for the most recent three-year period preceding the date the application is submitted, and includes all days of care regardless of whether they are associated with a single stay. The projected in-state average length of stay is calculated by multiplying the current in-state length of stay by a reduction adjustment factor (RAF):

$$\mathbf{ISALOS_{p} = ISALOS_{c} \times RAF}$$

$ISALOS_{p}$ = in-state average length of stay, projected

$ISALOS_{c}$ = in-state average length of stay, actual current

RAF = reduction adjustment factor will be set by the department and posted annually on the department's website. This adjustment factor targets reductions in length of stay.

►**STEP FOUR:** The department calculates the projected number of RPTC days of care (DOC). Multiply the caseload (ISC) by the projected in-state average length of stay ($ISALOS_{p}$):

$$\mathbf{DOC = ISC \times ISALOS_{p}}$$

DOC = days of care**:** the total number of in-state days of care expected in the target planning horizon year.

►**STEP FIVE:** Calculate projected RPTC average daily census (ADC)
Divide the projected days of care by 365 (days per year):

$$\mathbf{ADC = DOC/365}$$

ADC (average daily census) = the average number of children and adolescents expected to be using the proposed RPTC facility at any given time during the target planning year.

►**STEP SIX:** Calculate the RPTC projected bed need (PBN):
The projected bed need (PBN) is calculated by dividing the expected RPTC average daily census (ADC) by the target occupancy (TO) factor of .85 (an 85 % occupancy rate).

$$\mathbf{PBN = ADC/TO}$$

ADC = average daily census
PBN = gross projected bed need
TO = target occupancy rate

Service area bed need is estimated by taking the statewide projected bed need times the service area share (SAS), which is the current proportion of the state's population at risk (youth 6-17) in the service area.

Areas with a population of 70,000 or more will have a target occupancy factor of .90 (90% occupancy rate). Areas with a population of less than 70,000 will have a target occupancy rate of 80% for the fifth year after implementation. The share of the statewide bed need allocated will thus be weighted toward proposals for smaller communities.

APPENDIX C

ESTIMATED COST TO MEDICAID
OFFICE OF RATE REVIEW
(see following pages)

STATE OF ALASKA

SARAH PALIN, GOVERNOR

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

DEPT. OF HEALTH AND SOCIAL SERVICES

OFFICE OF RATE REVIEW

MEMORANDUM

Date: April 14, 2008

To: Karen Lawfer
Health & Social Services Planner-CON

From: Jack Nielson
Executive Director

Subject: Certificate of Need Review for South Central Foundation Residential Psychiatric Treatment Center (RPTC)

South Central Foundation (SFC) proposes to build a new 44-bed residential treatment facility located between Anchorage and the Mat Su Valley near the native Village of Eklutna. Of the 44 beds, 12 will be for secure Level V Residential Psychiatric Treatment (RPT) and the remaining 32 beds will be designated for Level IV treatment. Total construction cost for the project is $24,581,789 with $6,637,084 projected to be the cost of the 12 bed Level V RPT unit. The certificate of need (CON) will cover the Level V section as the Level IV part of the project does not require a CON.

The construction of the project as a whole will be financed through a cost-sharing agreement with the State of Alaska Department of Health and Social Services, the Denali Commissions, and Southcentral Foundation. Each of the entities will contribute $7,000,000 towards the project for a total of $21,000,000. The State of Alaska, the Denali Commission, and Southcentral Foundation are exploring options to cover the remaining balance not covered by their initial contribution.

Services will primarily be provided to Medicaid eligible Alaska Native children. The federal government participates in state Medicaid expenditures at the 100% level for providing care under the circumstances described in this CON application. In theory, there should be minimal additional cost to the State of Alaska for operating the facility.

Operating costs for Level V services provided to Medicaid eligible recipients are projected to be $479 per day in 2010, $438 per day in 2011, and when the facility is fully operational, $425 per day.

Although not part of the CON process, operating costs for Level IV services provided to Medicaid eligible recipients are projected to be similar to Level V services.

Annual estimated expenses to the Medicaid program are broken down below:

	2010	2011	2012	2013	2014
Level V Cost per Patient Day	479	438	425	425	425
Patient Days	3,252	3,903	4,119	4,119	4,119
Total Cost for Level V Services to the Medicaid Program	1,557,708	1,709,514	1,750,575	1,750,575	1,750,575
Level IV Cost per Patient Day	479	438	425	425	425
Patient Days	8,793	10,551	11,138	11,138	11,138
Total Cost for Level IV Services To the Medicaid Program	4,211,847	4,621,338	4,733,650	4,733,650	4,733,650
Total Annual Cost for All Levels of Care (Federal Funds)	5,769,555	6,330,852	6,484,225	6,484,225	6,484,225

If you have any questions please contact Neal Kutchins at 334-2467 or me at 334-2447.