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January 14, 2014

Commissioner William Streur  
State of Alaska  
Department of Health and Social Services  
350 Main Street, Room 404  
PO Box 110601  
Juneau, Alaska 99811-0601

Dear Commissioner Streur,

Providence Health & Services Alaska (Providence) respectfully requests that the completion date for the Providence Transitional Care Center (TCC) Certificate of Need (CON) be amended to January 31, 2015. This is the same completion date requested previously in a letter dated October 10, 2012. At that time Providence requested a two year extension of the CON completion date from January 31, 2013 to January 31, 2015, as provided under 7 AAC 07.095. In your letter dated March 8, 2013 you provided a 13.5 month extension of the CON completion date to March 15, 2014. Providence sent you a letter dated April 2, 2013 outlining why the March 15, 2014 completion date would not be sufficient. That letter included a project schedule from Davis Constructors & Engineers, Inc. (Davis Constructors), which indicated that the facility would be ready to open on or around April 29, 2014 and final completion of site finishes would continue until August 15, 2014. After discussions with Jared Kosin on April 26, 2013 and May 1, 2013, Providence decided not to appeal the decision to set the completion date at March 15, 2014. During those discussions I indicated to Jared that Providence still anticipated needing a further extension to complete the project and would revisit the request closer to the completion date provided.

Since that time Providence has made clear and demonstrable progress on the TCC project as indicated in our most recent January 2014 CON Progress Report. After securing the necessary building permits in early 2013 the TCC groundbreaking took place in July 2013. As of the end of 2013, the project is 60 percent completed and continuing to make progress. You and your staff are welcome to visit the construction location if you wish to verify such progress. The scope of the project has not changed and the expenditures remain within the amount allowed by the CON. The new TCC facility is anticipated to become operational in May 2014 in alignment with the previous estimate provided on April 2, 2013. It has been Providence's experience that large construction projects require a significant amount of time post operational date to complete all construction activities and expenditures. As the facility becomes operational, Providence will purchase and install fixtures, furniture and equipment that are not part of the contract with

Davis Constructors. Most, if not all, of these project costs should be incurred and paid by within six to nine months following the operational date. These dates are estimates and could be impacted by weather, supply availability, staffing and other factors that can impact construction projects in Alaska. When requesting a project completion date, Providence typically makes an allowance for such occurrences. Final completion of construction activities, punch-lists and expenditures related to the project are anticipated to be completed no later than January 31, 2015.

Jared and I discussed this proposed TCC completion date on December 16, 2013, and I indicated that Providence would provide an extension request to you no later than January 15, 2014, allowing two months for review of the request. At this time Providence formally requests that the CON completion date be amended to January 31, 2015, as originally requested in our letter dated October 10, 2012.

During my discussion with Jared he requested additional information about the transition from the former Providence Extended Care Center (PECC) location at 4900 Eagle Street, Anchorage to the new TCC facility location at 910 Compassion Circle, Anchorage; projected date for closure of the former PECC location; and the plan/timeline for licensure and certification of the TCC. The following information is intended to be responsive to those requests.

- (1) Summary of Old Location and New Locations: As you know, Providence has operated a long term facility located at 4900 Eagle Street, Anchorage, Alaska for over 40 years, which was formerly known as PECC (and operated under LTC License LTC-006 and Medicare CCN 02-5018). As that facility became increasingly outdated and no longer reflected care needs in the Anchorage community, Providence submitted two CON requests seeking State approval to build two separate long term care facilities, offering two different care models, at a shared new campus location. The first CON request (unrelated to this CON extension request), was submitted in December 2010, and sought CON approval to develop a new 96-bed skilled nursing facility intended to promote a home-like or "cottages" living experience for persons requiring extended long-term care throughout the duration of their lives, which was to be operated under a separate license and Medicare/Medicaid certification number from the former PECC. This new location was originally referred to as "Providence Alaska Cottages" but is now named Providence Extended Care ("PEC") and has been in operation at 920 Compassion Circle since January 8, 2013. PEC received its conditional license from the State of Alaska (LTC-016) on December 18, 2012 and its Medicare provider number (CCN 02-5036) and certification from CMS on February 13, 2013.

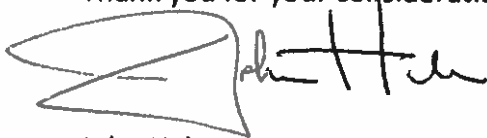
The second CON request, which relates to this extension request, was submitted in November 2011 and sought to build a replacement facility for the former PECC, to be named TCC (but continuing to operate under the existing license, LTC-006 and CCN 02-5018). Providence obtained the CON approval for this replacement 50-bed TCC facility dated April 24, 2012 and modified on March 8, 2013, with an anticipated

completion date of originally January 31, 2013, but later extended to March 15, 2014. This replacement TCC facility is located on the same campus as the new PEC facility, and will purchase administrative and support services housed in the commons building of the PEC, but offers only transitional care to persons not expected to require extended long-term care services (which are now available through PEC, instead).

- (2) Transition Plan – Movement of patients from former PECC facility to new TCC facility: Based on information provided by Davis Constructors, Providence currently anticipates receiving a conditional certificate of occupancy for the new TCC facility on or around April 15, 2014. Once the conditional certificate of occupancy has been obtained, Providence will begin staff orientation and training on-site. It is anticipated the move of patients from the former PECC facility to the new TCC facility will occur on or around May 2, 2014. These dates are estimates and could shift if any delays are encountered. As noted earlier, the final project completion will occur six to nine months after TCC operations ensue.
- (3) Projected Date for Closure of former PECC facility: The facility formerly known as PECC, located at 4900 Eagle Street, Anchorage, Alaska, is projected to close as of May 31, 2014, subject to all regulatory approvals being obtained as needed to ensure an orderly transition of all patients currently served by that facility to the new TCC location. Future use or disposition of the building/property has not been determined at this time.
- (4) Plan and Timeline for Licensure and Certification of New TCC Facility: As noted above, the replacement TCC facility will operate at its new location under the existing long term care license (LTC-006) and Medicare CCN (02-5018) of the former PECC facility. We anticipate that any survey or certification timelines for the new location will be driven by CMS's and/or State licensing life and safety code requirements. We have remained in communications with the State Survey Agency regarding the anticipated timelines for the opening of the new TCC facility.

Providence respectfully requests the completion date for the TCC project be amended to the originally requested date of January 31, 2015. Please contact me if you need additional information or would like to discuss this request.

Thank you for your consideration.

A handwritten signature in black ink, appearing to read "John Hale", written over a large, stylized, handwritten "Z" or "S" shape.

John Hale  
Program Manager – Business Development  
Providence Health & Services Alaska

E –mail cc:    Alex Hicks, CON Coordinator  
                      Jared Kosin, Executive Director – Office of Rate Review