



CERTIFICATE OF NEED APPLICATION

APPLICANT IDENTIFICATION AND CERTIFICATION OF ACCURACY

1. Applicant Identification

Facility Name Mat-Su Valley Surgery Center, LLC	Medicaid Provider Number Not applicable
Facility Address (<i>Street/City/State/Zip Code</i>) Not Yet Finalized	Medicare Provider Number Not applicable
Name and mailing address of organization that operates the facility (if different from above) Surgical Care Affiliates 3000 Riverchase Galleria #500 Hoover, AL 35244	
Facility Administrator (<i>Name, title, mailing address, including City/State/Zip Code</i>) To be determined	Telephone Facsimile E-mail
Applicant (<i>Name, title, mailing address, including City/State/Zip Code</i>) Mat-Su Valley Surgery Center, LLC To be determined	Telephone Facsimile E-mail
Principal Contact Person (<i>Name, title, physical address, mailing address, including City/State/Zip Code</i>) Matt A. Heilala, DPM Alaska Foot and Ankle Specialists 950 E. Bogard Rd., Suite 238 Wasilla, Alaska 99654	Telephone: (907) 373-3338 Mobile Phone: (907) 250-9823 Facsimile: (907) 569-3669 E-mail: mheilala@gmail.com

2. Ownership Information

A. Type of Ownership (*check applicable category*)

- | | |
|---|--|
| <input type="checkbox"/> For profit: individual | <input type="checkbox"/> Not for profit: government |
| <input checked="" type="checkbox"/> For profit: partnership | <input type="checkbox"/> Not for profit: corporation |
| <input type="checkbox"/> For profit: corporation | <input type="checkbox"/> Other (specify): _____ |

B. List of all Owners (*Page 2 of application*)

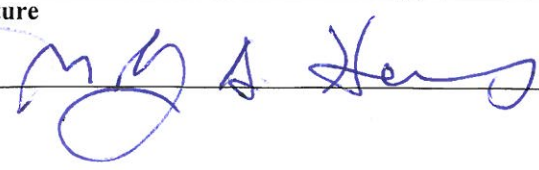
C. Accreditation Information (*Page 2 of application*)

3. Agreement to participate in the Uniform Statewide Reporting System

I hereby agree to participate in the uniform statewide reporting system required under AS 18.07.101 when requested to do so under 7 AAC 07.105(c).

4. Certification of Accuracy by Certifying Officer of the Organization

I hereby certify that the information contained in this application, including all documents that form any part of it, is true, to the best of my knowledge and belief. I agree to provide, within 60 days from receipt of a request from the department under 7 AAC 07.050(b), any additional information needed by the department to make a decision.

Name Matt A. Heilala, DPM	Title Member
Signature 	Date: February 5, 2013

APPLICATION FEE – DETERMINATION AND CERTIFICATION OF AMOUNT

How to Determine the Amount of the Application Fee Required Under 7 AAC 07.079

(1) For a project that does not include a lease of a facility or equipment, the value of the project is:

A. the amount listed on page 20 of this packet under Section VIIIA, Financial Data – Acquisitions, subsection (2), item “a” (total acquisition cost of land and buildings): \$9,901,627

plus

B. the amount listed on page 21 of this packet under Section VIIIB, Financial Data – Construction Only, item “g” (total project cost, which is the sum of items d, e, and f): \$5,616,883

Estimated Value of the Activity for (1)
(sum of A & B above) \$5,616,883

(2) For a project that has a component that is leased, the fair market value of the leased equipment, facility, or land must be considered in addition to the acquisition cost. See the form on page 31 of this packet for how to determine fair market value.

Estimated Fair Market Value for (2): included in ‘a’ above

Estimated Value for (1) from above: \$5,616,883

Total Estimated Value of the Activity
(sum of (1) and (2): \$15,518,510

Amount of Application Fee submitted with this application
(see 7 AAC 07.079 to calculate amount due): \$15,518.51

Certification of Individual Determining Application Fee

I certify that, to the best of my knowledge, as of this date, the estimated value and fee for this certificate of need activity are accurate.

Date: February 5, 2013

Facility Name and Address: Mat-Su Valley Surgery Center, LLC

Name and Title of Person Determining Application Fee: Matt A. Heilala, DPM, member


Signature of Certifying Officer of the Organization

Mat-Su Valley Surgery Center, LLC

**Certificate of Need Application
Establishment of an Ambulatory Surgery Center
in
Wasilla**

February 2013

SECTION I

General Applicant Information

B. List of all Owners

The Managing Member of Mat-Su Valley Surgery Center, LLC is Surgery Center Holding, LLC (SCH, LLC). In addition to SCH, LLC, there are three local physician owners: Matt Heilala, DPM, Brion Beerle, MD and David McGuire, MD.

SCH, LLC is owned 100% by Surgical Care Affiliates, LLC (SCA). SCA operates over 150 surgical facilities, including surgery centers, surgical hospitals, and hospital surgery departments, in 32 states. More than 6,000 physicians perform procedures in SCA facilities each year. SCA provides expertise in ASC clinical systems (e.g., clinical toolkits and checklists, clinical training, and detailed clinical variance analyses), ASC operating systems (e.g., schedule efficiency, supply chain management, benchmarking) and ASC financial systems (e.g., precise case costing and analytics).

Surgery Center Holding, LLC owns 40% of Mat-Su Valley Surgery Center, LLC (Mat-Su Valley ASC) and three local physicians each own 20%.

An organizational chart for Mat-Su Valley Surgery Center, LLC is included in Exhibit 1.

C. Accreditation Information

Mat-Su Valley Surgery Center will seek Medicare certification and State of Alaska licensure. Mat-Su Valley Surgery Center also intends to secure accreditation from the Accreditation Association for Ambulatory Health Care (AAAHC).

SECTION II

Summary Project Description

1. Summary of Proposed Project

Mat-Su Valley ASC proposes to establish a state of the art ambulatory surgery center (ASC) containing two Class-C operating rooms, one procedure room and support and ancillary spaces (pre-op, PACU, sterile processing and public and employee facilities) in a to be constructed building in Wasilla. The structure will be designed and constructed with considerations for local climatic conditions and to offer a long-lasting, weather tight and inviting medical facility. Mat-Su Valley ASC, as noted earlier, is a partnership between SCH, LLC (100% owned by SCA) and three local physicians. SCA is a leader in clinical quality and has specialized expertise in the development and operation of ASCs, surgical hospitals and hospital surgery departments. SCA has a proven history of strong partnerships with physicians, hospitals and health systems (including Catholic Health Initiatives, Sutter Health, Geisinger Health, Barnabas Health, University of California San Diego and Texas Health Resources).

SCA will manage the ASC on behalf of the LLC and will be responsible for the day-to-day operations. The costs associated with these management services are included in the pro forma financials contained in Exhibit 2.

This building will be a one story, steel frame, Type II A construction. Only the proposed Mat-Su Valley ASC will occupy the building. A listing of the equipment to be used for this project is contained in Table 2. The total cost of the construction (tenant improvements only) and the equipment is \$5,616,883. The project will be financed with 15% equity from the partners and 85% from two conventional loans. Mat-Su Valley ASC has assumed an interest rate of 7% and a term of 15 years for the tenant improvements and an interest rate of 7% and a term of 5 years for the equipment.

The Mat-Su Valley ASC anticipates providing the following types of surgical procedures: orthopedics, podiatry, ophthalmology, general surgery, gastroenterology, gynecology, and urology. The proposed ASC, which will be approximately 11,000 square feet, is expected to open in late fall 2014.

Section III
Description of Facilities and Capacity Indicators

- A. Proposed changes in service capacity. Provide either the number of beds, surgery suites, rooms, pieces of equipment, or other service.**

The project proposes a new ASC. Table 1 details the proposed capacity.

Table 1
Mat-Su Valley ASC Surgical Capacity.

SURGICAL CARE			
	Current Capacity	Additional Capacity	Total Proposed Capacity
Ambulatory Surgery or Dedicated OP Suites	0	2	2
Procedure Room	0	1	1

Source: Applicant

- B. Provide a detailed narrative description of each service identified in "A" above, including the type of change (addition, expansion, conversion, reduction, replacement, elimination). Include, as appropriate, detailed information relative to the scope and level of service.**

This project proposes the establishment of a new, free-standing ASC. The ASC will have two operating rooms (Type IIA, Class C), as well as a procedure room, and will have the ability to provide a full range of outpatient surgical services. However, initially, we anticipate offering the following specialties: orthopedics, podiatry, ophthalmology, general surgery, gastroenterology, gynecology, and urology.

- C. Provide in the following table information regarding equipment to be purchased.**

A listing of the equipment to be purchased is included in Table 2.

Table 2
Mat-Su Valley ASC
Proposed Equipment, Make, Model and Estimated Cost

Equipment Description, Including Make and Model	Cost
AUTO TOURNIQUENT ZIMMER ATS 3000	\$12,500
BLANKET WARMERS STERIS 24	\$12,300
C-ARMS GE-OEC 9900	\$137,500
C-ARM MINI HOLOGIC INSIGHT	\$72,500
STERILIZATION CONTAINERS AESCULAP NA	\$65,000
DEFIBULATOR ZOLL R SERIES	\$12,500
DIFFICULT INTUBATION OLYMPUS LF	\$12,500
EKG GE 1600	\$3,750
ELECTRO SURGICAL UNITS VALLEY LAB FX	\$26,250
EXTREMITY TABLE RYCOR 5500 HT	\$2,500
FILM ILLUMINATORS MAXANT TR202	\$1,575
GI SCOPE PROCESSOR MEDIVATORS DSD 201	\$37,500
ICEMAKER SCOTSMAN MDT14	\$6,565
INSTRUMENTS AESCULAP NA	\$220,000
LEG HOLDER STRYKER NA	\$2,500
MED RECORDS INT ELEMENTS	\$12,500
MICROSCOPE OPHTHALMOLOGY ZEISS OPMI VISU 200/S8	\$40,500
MICROSCOPE SURGICAL ZEISS OPMI PENTERO	\$75,000
NEPTUNE DOCKER STRYKER 0702-014-000	\$11,805
NEPTUNE ROVER STRYKER 0702-001-000	\$30,210
OR SURGICAL LIGHTS LED STERIS VLED	\$25,500
OR TABLES STERIS 3085	\$65,000
PATIENT STRETCHERS STRYKER	\$54,600
PHACO UNITS ALCON INFINITI	\$130,000
POWER EQUIPMENT STRYKER SYSTEM 7	\$90,000
STAINLESS STEEL FURNITURE PEDIGO STACK STOOL P-1015, KICK BUCKET P-1020, MAYO STAND P-1066-SS, IV POLE P-574, STOOL P-526, SINGLE BASIN P-78, 16X 20 PREP TABLE SB-80, 4' BACK TABLE SG-92-SS & 6' BACK TABLE SG-94-SS	\$15,500
GE COLONOSCOPE OLYMPUS CF-190	\$112,500
GI GASTROSCOPE OLYMPUS GF-190	\$ 67,800
GI PED COLONOSCOPE OLYMPUS PCF-190	\$37,500
SCOPE ORTHO STRYKER NA	\$ 90,000
SCOPES UROLOGY NA	\$75,000
STORAGE SHELVING ANESTHESIA (FLPROC1) CODE (FLCRP3), MALIGNANT HYPOTHERMIA FLBED), AIRWAY (FLBED) METRO	\$18,500
STERILIZATION EQUIPMENT STERIS RR0201110311	\$85,000
VIDEO TOWERS ORTHO STRYKER CROSSFIRE	\$95,000
VIDEO TOWERS GI OLYMPUS 190	\$55,000
VITAL SIGN MONITORS MINDRAY DPM 6	\$96,750
WASHER DECONTAM STERIS GENFORE	\$42,500

Source: Applicant

D. Provide in the following table information regarding equipment to be replaced or retired.

No equipment will be replaced or retired. This question is not applicable.

E. Describe replacement or upgrading of utilities including the electrical, heating, ventilation, and air conditioning systems.

Mat-Su Valley ASC will be located in a newly constructed building. As such, no replacement or upgrading of utilities is required.

F. Describe the structural framing, floor system, and number of floors (including the basement).

As noted in response to earlier questions, the facility will be one story, steel frame, Type II A construction.

G. Total square footage in current facility/project.

Not applicable.

H. Total square footage of proposed facility/project.

The facility is expected to include approximately 11,000 square feet.

I. Area per bed, service unit, or surgery suite (if applicable).

The estimated square footage per surgical suite is 400 NSF and the procedure room is estimated to contain 200 NSF.

J. Percentage of total floor area used for direct service (non-bed activity).

The entire floor area will be used for either patient care or support services.

K. Additional volume of service (non-bed activity) expected.

This project proposes to establish a free-standing ASC with two operating rooms and one procedure room. No beds are proposed with this project.

L. Provide a brief history of expansion and construction for the past five years, including new equipment purchases, additional beds, and new services. Describe how this project fits into the facility's long-range plans, including potential projects planned for development within the next five years.

Mat-Su Valley ASC will be a new facility. That said, SCA, has extensive experience in the development and operation of free-standing ASCs that offer choice, high-quality and a lower-cost delivery model in similar communities throughout the US. On an annual basis, SCA is involved in the development or major remodel/renovation of anywhere from 5 to 10 ASCs. These projects are typically completed on time and within budget. In addition, SCA has its own construction and design team, which, by virtue of its focused expertise is able to create state-of-the-art, patient-centered facilities.

By virtue of its supply chain strength and expertise, SCA has the ability to complete and operationalize these new facilities at very competitive capital costs, which, to date, in other markets has positioned SCA sponsored ASC facilities well for payment reform. For example, SCA is currently involved in a payment bundling model with Blue Cross of Idaho. SCA expects to bring the same expertise to Mat-Su and to provide local payers and patients with an efficient and lower cost option. This would be consistent with the recent focus of reducing health care costs in Alaska; particularly as it relates to state employees and retirees.

The establishment of the Mat-Su Valley ASC is consistent with the physician members' intent to offer choice, enhance quality and, by reducing cost, prepare for health care and payment reform.

Section IV Narrative Review Questions

A. RELATIONSHIP TO APPLICABLE PLANS AND NATIONAL TRENDS

Indicate how the application relates to any relevant plans, including the applicant's long-range plans, appropriate local, regional, or state government plans, the current *Alaska Certificate of Need Review Standards and Methodologies*, adopted by reference in 7 AAC 07.025, and current planning guidelines of recognized national medical and health care groups. If the proposal is at variance with any of these documents, explain why. (See the department's website for state planning processes and materials and links to federal websites.)

As a starting place, Mat-Su Valley ASC reviewed the State's CN standards and methodologies used to determine need for additional outpatient surgical capacity in the Mat-Su Borough. A strict application of the CN methodology found a slight excess surplus of outpatient operating rooms through 2020, the first five years of the project. However, and as will be discussed in later sections of this application, Mat-Su Valley ASC believes that the application of the methodology understates the need because it:

- calculates a use rate based on where the procedure occurred rather than needs of the residents of a given service area and
- is based on an average of the three most recent years of data. The average is very often lower than the most recent year of data; especially in a market growing as rapidly as Mat-Su, and therefore, understates future demand.

B. DEMONSTRATION OF NEED

- 1. Identify the problems being addressed by the project. For example, identify whether this project is for (a) a new service; (b) an expanded service; or (c) an upgrade of an existing service.**

This project proposes to add a new service. This project will address unmet community need, offer residents of the service area with a new provider of outpatient surgical services, assist in meeting the growing demand for outpatient surgical services, and will offer patients and payers a high quality, lower cost and more efficient service. Currently, the only existing free-standing provider of surgical services is Surgery Center of Wasilla. This facility, which became licensed in late 2012, operates a single room (Class B) ASC limited in use to minimally invasive spine/interventional pain procedures and phlebology procedures. This facility, by virtue of the class of its operating rooms and its limited scope, does not provide the same breadth and array of services that Mat-Su Valley ASC proposes to offer.

The local hospital also provides outpatient surgical services. While providing high quality outpatient ambulatory surgery services, Mat-Su Regional Medical Center is a full-service hospital. Services provided in the hospital setting are typically more costly (available data indicates that ASCs cost as much as 50% less than hospital outpatient departments). This is significant as consumers and payers look to ways to reduce costs in preparation for health care reform.

In addition, data collected by the Department in preparation for these ASC Certificate of Need (CN) applications, suggests that there is significant out-migration for surgery from the Mat-Su Valley. This application seeks to reduce that outmigration, thereby improving access, reducing cost, and improving patient's care experience.

- 2. Describe whether (and how) this project (a) addresses an unmet community need; (b) satisfies an increasing demand for services; (c) follows a national trend in providing this type of service; or (d) meets a higher quality or efficiency standard.**

Direct application of the general surgery need methodology, per 7 AAC 07.025, demonstrates a small surplus of outpatient operating rooms through 2020 (five years following the first full year of operation). However, the methodology understates need because it calculates a "*place-based*" rather than a "*population-based*": use rate. In other words, instead of evaluating need for *residents* in a given service area, the methodology calculates a use rate based on the volumes of existing providers physically located in the service area. In addition, this "place based" use rate is assumed to remain constant into the future. The Mat-Su use rate is low (due to the residents traveling to Anchorage for service) and the methodology does not have a provision to allow an applicant to reassign the volume that leaves back to Mat-Su, and hence the methodology understates actual need.

In addition, the methodology has no provision to adjust for trends in care delivery. A recent report published in the American Journal of Gastroenterology discussed the significant savings to Medicare resulting from the trend of growth in the number of ASCs nationally. The Report attributes the growth and savings to several factors including:

- 1) *Changing technology*: Due to changes in technology, more procedures can now be performed safely in an ASC.
- 2) *Cost*: the ability for ASCs to provide services at a lower cost (in 2011, for Medicare, ASC payments were approximately 56% of those paid to hospital outpatient departments)¹.
- 3) *Patient satisfaction*: patients report high satisfaction (reports indicate a 92% satisfaction rate with ASCs²) and this is due to quality of service, ease of scheduling, greater personal attention and lower costs.

3. Describe any internal deficiencies of the facility that will be corrected, and document which of these deficiencies have been noted by regulatory authorities. Note any deficiencies that will not be corrected by this project, what efforts have been taken to correct the deficiencies, and how this project will affect the deficiencies. Attach any pertinent inspection records and other relevant reports as an appendix to the application.

This project proposes the establishment of a new facility. This question is not applicable.

¹ Growth of Ambulatory Surgical Centers, Surgery Volume, and Savings to Medicare, The American Journal of Gastroenterology, January 2013, p. 10-15.

² Care Plus Anesthesia Management, "Ambulatory Surgery Centers, A Positive Trend in Health Care", December 2012.

- 4. Identify the target population to be served by this project. The "target population" is the population that is or may reasonably be expected to be served by a specific service at a particular site. Explain whether this is a local program, or a program that serves a population outside of the proposed service area. Use the most recent Alaska Department of Labor and Workforce Development statistics for population data and projections. Explain and document any variances from those projections. The population may be defined in one or more ways:**
 - a. Document the service area by means of a patient origin analysis.**
 - b. Justify the customary geographical area served by the facility using trade and travel pattern information. Indicate the number and location of individuals using services who live out of the primary service area.**

This project proposes the establishment of a new ASC in Wasilla to serve the Mat-Su Borough, and as such, no facility patient origin study exists. Past Department decisions confirm that Mat-Su is a logical service area and data from the three physician members and SCA's existing Anchorage-based ASC further supports the reasonableness of Mat-Su as the planning area: in 2012 alone, there were approximately 1,300 outpatient surgical cases referred or performed in Anchorage on patients that either resided in Wasilla or Palmer or lived in communities that were equidistant from Wasilla and Anchorage.

- c. Use Alaska Department of Labor and Workforce Development information, including current census data on cities, municipalities, census areas, or census sub-areas, to describe trends, age/sex breakdowns, and other characteristics pertinent to the determination of need.**

The historical, current and projected Mat-Su population, as estimates by the Department of Labor and WorkForce Development is included as Table 3.

Table 3
Matanuska-Susitna Borough Population by Age, 2000, 2010, 2015 and 2020

	2000 Census	2010 Estimate	Pct Chg 2000- 2010	2015 Est	Pct of Tot Pop	Pct Chg 2010- 2015	2020 Proj	Pct of Tot Pop	Pct Chg 2015- 2020
Tot. Pop.	59,322	89,721	51.2%	103,070	100.0%	14.9%	117,222	100.0%	13.7%
Pop. By Age									
0-17	18,042	24,861	37.8%	28,043	27.2%	12.8%	31,854	27.2%	13.6%
18-44	23,923	32,535	36.0%	37,112	36.0%	14.1%	41,956	35.8%	13.1%
45-64	13,858	25,197	81.8%	27,799	27.0%	10.3%	28,852	24.6%	3.8%
65-74	2,351	4,663	98.3%	6,861	6.7%	47.1%	9,920	8.5%	44.6%
75-84	951	1,936	103.6%	2,508	2.4%	29.5%	3,644	3.1%	45.3%
85+	198	530	167.7%	748	0.7%	41.1%	997	0.9%	33.3%
Tot. - 65 +	3,500	7,129	103.7%	10,117	9.8%	41.9%	14,561	12.4%	43.9%

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

As noted in Table 3 above, the Mat-Su population increased by more than 50% in the 2000-2010 timeframe (in comparison the State of Alaska grew by 14% during the same time period) and is projected to grow by nearly another 30% by 2020. The population is also aging, with the population 65+ nearly doubling in the 2010-2020 timeframe (double the statewide rate).

Mat-Su is expected to continue to grow faster than the State through 2020 with annual increases of almost 3% expected between 2010 and 2020 (the State is expected to have annual growth rates at less than half of the Mat-Su rate).

Importantly, during the 2000-2010 timeframe, while the population grew by 50%, the outpatient surgical capacity in the Planning Area has grown at a much lower rate.

- d. The population to be served can be defined according to the unique needs of patients requiring specialized or tertiary care (e.g. heart, cancer, kidney, alcoholism, etc.) or the needs of under-served groups.**

This project, while proposing to provide a much needed service, is not proposing to serve any special populations. However, it is proposing to meet the needs of an under-served community: as noted in response to other questions, residents of the service area have been leaving the community and seeking services in other communities (i.e., Anchorage) due to a lack of capacity and a lack of choice.

- 5. Describe the projected utilization of the proposed services and the method by which this projection was derived. Do not annualize utilization data. It must include the last complete year of operation (indicate if it is a calendar year or fiscal year) and as many prior years as is feasible to show trends. If graphs are used to depict this information, and they do not include the actual utilization numbers, numerical charts must be included. In providing this information:**

The projected utilization was developed based upon the experience of the three physician owners (who are expected to use the ASC) and the expertise and knowledge of SCA (in developing projects in similarly sized and demographically comparable communities, including Anchorage). As noted previously, this is a new facility and there is no existing utilization. Projected utilization is included in Exhibit 2.

- a. Include evidence of the number of persons from the target population who are currently using these services and who are expected to continue to use the service, including individuals served out of the service area or out of state;**

The proposed ASC is expected to serve the general population in need of ambulatory surgery. It is anticipated that the volume for the facility will come, in large part, from individuals who currently leave the service area, and travel, predominantly to Anchorage, for their procedure.

According to data collected by the Department, the current use rate for outpatient procedures performed within Mat-Su is 27.45 per 1,000. This is about 30% lower than the use rate for procedures performed within Anchorage; again, indicating that the residents of Mat-Su are likely to be under-served (and hence, travel further) for outpatient surgical services.

- b. Include evidence of the number of persons who will begin to use new services that are not now available, accessible, or acceptable to the target population.**

Mat-Su Valley ASC believes that the establishment of this new facility will decrease the number of residents leaving the area for outpatient surgical services. Specifically, as noted in response to other questions, in reviewing their records, the physician owners have found that during 2012 alone, there were at least 1,300 cases that were referred to Anchorage for outpatient surgery.

- c. Provide annual utilization data and demand trends for the five most recent years and monthly utilization data for the most recent incomplete year prior to the application for each existing facility offering a similar service in the service area. Provide projections for utilization for three years (or the appropriate planning horizon set out in the review standards related to this project) after construction, and show methodology used to determine use, including the math.**

Historical utilization data for the period of 2008 through 2012 was provided to Mat-Su Valley ASC by CN Program staff for the existing providers in the service area. No monthly data was provided. This data was used to apply the methodology outlined in 7 AAC 07.025 for surgery services. The results are depicted in Exhibit 3.

- d. If the project is an acquisition of a new piece of major equipment or a new service, provide utilization data for similar services, existing equipment, or older technology. Indicate whether similar existing equipment will continue to be used and the project's effect on utilization of similar services. If this service or equipment was not in place in the service area, compare the expected utilization with other similar communities in Alaska or in other states.**

Although equipment will be purchased for the ASC, this project is not for the acquisition of equipment or a service not already in the service area. Therefore, this question is not applicable.

- e. **If an increase in utilization is projected, list the factors that will affect the increase. Provide annual utilization projections for three to five years in the future, as applicable, for each specific service in the proposal (in general, equipment projections are for three years, and new beds and facility construction are for five years). Include each of the following data when applicable:**
- (1) number of admissions/discharges**
 - (2) number of patient days**
 - (3) average length of stay**
 - (4) percent occupancy**
 - (5) average daily census**
 - (6) number of licensed beds**
 - (7) number of beds set up**
 - (8) number of inpatient and outpatient surgeries and surgery minutes**
 - (9) number of existing surgery suites in the service area**
 - (10) number of procedures**
 - (11) number of treatment rooms**
 - (12) number of patients served**
 - (13) number of outpatient visits**
 - (14) number of laboratory tests**
 - (15) number of x-rays**
 - (16) number of ER visits**
 - (17) number of CT, MRI, PET or PET/CT scanners**

This project is expected to increase utilization of outpatient surgeries conducted in the service area predominantly due to two major factors: 1) population growth and aging, and 2) reduction in out-migration of current residents for outpatient surgery procedures. Each factor is discussed separately below:

Population Growth and Aging:

The population of the Mat-Su Borough is expected to increase by nearly 3% annually through 2020. Even with a constant use rate, significant new cases are projected. However, compounding the growth is the aging of the population. Data from the CDC's National Ambulatory Care Survey demonstrates that the two oldest age cohorts (65-74 and 75+) have use rates that are nearly three times higher than the total population³. The current Department methodology averages use rates from the timeframe of 2009-2011 and do not include adjustments for aging or increasing use rates.

³ National Health Statistics Report, Revised September 2009, "Ambulatory Surgery in the United States, 2006".

Reduction in Outmigration:

The “use rate” calculated by the methodology is rule is a “*place-based*” use rate, not a *population-based* use rate. In other words, instead of evaluating a use rate for **residents** in a given service area, the methodology calculates a use rate based on the volumes of existing providers physically located in the service area. The Mat-Su use rate is low (because residents travel to Anchorage for service) and the methodology does not have a provision to allow an applicant to reassign any portion of that volume back to Mat-Su. With expanded services in the area, Mat-Su Valley ASC would expect the use rate to rise as more residents are able to remain locally for services.

- f. If any services will be reduced, indicate how the proposed reduction will affect the service area needs and patient access.**

No services will be reduced as a result of this project.

- g. Provide any other information that may be pertinent to establishing the need for this project.**

All information relevant to establishing the ASC has been provided in response to other questions in this application.

- h. Attach letters of support from local and regional agencies, other health care facilities, individuals, governmental bodies, etc.**

Letters of support will be submitted during the public comment period.

- 6. Include your calculations of numerical need for each proposed activity for your service area. If the proposed project is expected to have a larger capacity than that projected by (and available from) the department, explain the rationale and provide documentation to support the larger capacity.**

Application of the methodology contained in 7 AAC 07.025 is included as Exhibit 3. Because we are confident that actual resident need is greater than that produced by strict application of the Department's methodology, we have also calculated the methodology by applying the Anchorage use rate and a use rate that is mid-point between the Mat-Su use rate and the Anchorage use rate. Under either of these use rates, need for additional OR capacity is predicted. Both are included as Exhibit 3.

In addition, data from the National Survey of Ambulatory Surgery (the most recent report was published in 2009 and was based on data from 2006) estimated an *ASC use rate* of 49.9⁴ (or nearly double the current Mat-Su use rate which includes both ASC and hospital outpatient department volume). Using this use rate to project need, which is likely conservative given the continued growth in outpatient surgical activity since 2006, would, of course, estimate need for additional outpatient operating rooms by 2020 (even including the existing hospital based supply).

C. AVAILABILITY OF LESS COSTLY OR MORE EFFECTIVE ALTERNATIVES

- 1. Describe the different alternatives considered in developing this project. Explain why the particular alternative for providing the services proposed by this application was selected. Include as an alternative a discussion of the effect of doing nothing.**

Mat-Su Valley ASC considered only the following options: 1) do nothing, 2) the physician owners establishing the project by themselves, and 3) undertaking the project contained in this application.

The first option, do nothing, was quickly rejected as both the physician members and SCA (upon review of data) concluded that the addition of freestanding outpatient surgical capacity was needed in the community due to the rapid growth and aging of the population, the lack of choice for outpatient surgery and the large percentage of residents leaving the area for outpatient surgical services. The second option, the physician owners establishing the ASC themselves was evaluated. However, early in the evaluation, the physicians recognized that they had neither the time nor the expertise to not only develop the facility but to also ensure that it is operated as efficiently and effectively as possible. Therefore, the decision was reached to undertake the project described in this application as a joint venture between the physicians and SCA.

⁴ National Health Statistics Report, Revised September 2009, "Ambulatory Surgery in the United States, 2006", Table 2.

- 2. Describe any special needs and circumstances. Special needs may include special training, research, Health Maintenance Organizations (HMOs), managed care, access issues, or other needs.**

There are no special needs or circumstances related to this project.

D. THE RELATIONSHIP OF THE PROPOSED PROJECT TO EXISTING HEALTH CARE SYSTEM AND TO ANCILLARY OR SUPPORT SERVICES

- 1. Identify any existing comparable services within the service area and describe any significant differences in population served or service delivery. If there are no existing comparable services in the area, describe the unmet need and how the target population currently accesses the services. Describe significant factors affecting utilization, including cost, accessibility, and acceptability.**

There are no truly comparable facilities located within the service area. As noted in response to previous questions, there are two other surgical providers: 1) Surgery Center of Wasilla and 2) Mat-Su Regional Medical Center. By programmatic design, Surgery Center of Wasilla's physical space and services are limited in scope. While Surgery Center of Wasilla provides minimally invasive spine/interventional pain procedures and phlebology procedures, Mat-Su Valley ASC anticipates providing provide orthopedics, podiatry, ophthalmology, general surgery, gastroenterology, gynecology and urology.

Mat-Su Regional Medical Center provides outpatient surgery both within a 2-OR facility located in a medical office building adjacent to the hospital and within the hospital surgery department. Anecdotal information from community physicians indicate that they have difficulty scheduling cases in the outpatient facility and therefore, schedule cases in the hospital. However, as is often the case with hospital ORs, the outpatient cases are frequently delayed or 'bumped' for emergencies, and costs, because the facility is hospital-based, is higher. This results in lower satisfaction for patients and their families.

With the availability of lower cost, dedicated outpatient services in the Mat-Su Borough, higher utilization will be realized in that community.

- 2. Describe the probable effect on other community resources, including any anticipated impact on existing facilities offering the same/similar services or alternatives locally or statewide if applicable. Describe how each proposed new or expanded service will:**
 - a. complement existing services**
 - b. provide an alternative or unique service**
 - c. provide a service for a specific target population**
 - d. provide needed competition**

Primary goals of this project include reducing out-migration for care, reducing costs and increasing patient satisfaction. To the extent that we are successful in reducing outmigration, we expect that there will be very limited impact on existing providers. In addition, and given that we do not propose to offer the same types of surgeries performed at Surgery Center of Wasilla, there should be no impact on them regardless.

In the end, Mat-Su Valley ASC fully expects it will complement existing services. Several of the proposed physician users are expecting to bring back cases that are now referred to Anchorage. As such, the return of these cases will have no impact on the existing providers but will have a positive impact on patients who will have less travel (and costs) for services.

- 3. Identify existing working relationships the applicant has with hospitals, nursing homes, and other resources serving the target population in the service area. Include a discussion of cooperative planning activities, shared services (i.e. agreements assigning services such as emergency or obstetrics), and patient transfer agreements. If other organizations provide ancillary or support services to your facility, describe the relationship. Attach copies of relevant agreements in an appendix in the application. If a service requires support from another agency but does not have an agreement, explain why.**

Prior to opening, Mat-Su Valley ASC will develop agreements for the following support services: 1) laboratory (for unscheduled laboratory testing), 2) biomedical (for equipment maintenance), and 3) biomedical waste (for waste disposal). In addition, we propose to enter into a patient transfer agreement with Mat-Su Regional Medical Center.

E. FINANCIAL FEASIBILITY

- 1. Demonstrate how the project will ensure financial feasibility, including long-term viability, and what the financial effect will be on consumers and the state, region, or community served.**

This project is a joint venture between the three physician members and SCH, LLC (which is 100% owned by SCA). The joint venture has an exceptionally strong financial foundation (SCA has annual system-wide operating revenue in excess of \$1 billion). As noted in the pro forma financials contained in Exhibit 2, this project is expected to produce a positive contribution margin during each of the first five years of operation.

Consumers are expected to experience less costly services; as noted previously, ASCs payment rates (at least for Medicare) are 56% of those paid to hospital outpatient department. As a result, consumers can expect to have lower co-payments for services provided in an ASC. Again, this is consistent with recent concerns in the State of Alaska about health care costs.

- 2. Discuss how the project construction and operation is expected to be financed. Demonstrate access to sufficient financial resources and the financial stability to build and operate this project.**

This project is proposing to lease a to-be constructed facility. The equipment costs and tenant improvement costs will be financed through a local bank. Patient revenues are projected to contribute sufficient funds to finance the debt service.

- 3. Provide a description and estimate of:**
 - a. the probable impact of the proposal on the annual increase on the overall costs of the health services to the target population to be served;**

This project is not expected to result in any increase in the overall cost of health services and, in fact, is quite likely to result in lower costs for select surgical services. Surgical procedures are expected to increase in the service area but this will be due to the growing and aging of the population, and these cases will happen at a lower cost than if the patient travelled to Anchorage or had the surgery performed in a hospital-based setting.

- b. If applying to build a residential psychiatric treatment centers, nursing homes, or additional nursing home beds the annual increase to Medicaid required to support the new project, and the projected cost of and charges for providing the health care services in the first year of operation (per diem rate, scan, surgery etc);**

Not applicable.

- c. The immediate and long-term financial feasibility of continuing operations of the proposal.**

As noted in response to an earlier question, the pro forma financials contained in Exhibit 2 demonstrate a positive operating income beginning in the first full year of operation. Mat-Su Valley ASC does not anticipate any difficulty meeting the immediate and long-term financial requirements for this project.

F. ACCESS TO SERVICE BY THE GENERAL POPULATION AND UNDER-SERVED GROUPS

- 1. Provide information on service needs and access of under-served groups of people such as low-income persons, racial and ethnic minorities, women, and persons with a disability. Discuss any plans to overcome language and cultural barriers of groups to be served.**

Mat-Su Valley ASC proposes to serve all patients meeting clinical admission criteria, and we will not discriminate based on age, race, ethnicity, income, sex, etc. Mat-Su Valley ASC will make any necessary accommodations for patients experiencing disabilities or non-English speaking patients and their family members.

Mat-Su Valley ASC's commitment to supporting the needs of the low income is documented in our charity care policy (included as Exhibit 4).

- 2. Indicate the annual amount of charity care provided in each of the last five years with projections for the next three years. Include columns for revenue deductions, contractual allowances, and charity care.**

Mat-Su Valley ASC is proposing a new facility and has no operating history. Proposed charity care is detailed in the pro forma financials contained in Exhibit 2.

- 3. Address the following access issues:**

- a. transportation and travel time to the facility;**

For those residents that no longer have to travel to Anchorage for outpatient surgery, travel time and travel costs will decrease considerably. The travel time from Wasilla to downtown Anchorage is nearly an hour under ideal travel conditions. Inclement weather increases the travel time considerably. Public transportation options are limited and not a viable option for most patients post-surgery.

- b. special architectural provisions for the aged and persons with a disability;**

The proposed facility will meet all ADA requirements. There will be convenient patient drop off and pick up.

- c. hours of operation; and**

The hours of operation will be Monday through Friday from 6:00 AM to 5:00 PM.

- d. the institution's policies for nondiscrimination in patient services.**

As noted above, Mat-Su Valley ASC proposes to serve all patients meeting clinical admission criteria, and we will not discriminate on the basis of age, race, ethnicity, income, sex, etc.

Section V
Consideration of Quality, Effectiveness, Efficiency, and Benefits of the Applicant's Services

Please discuss the following in narrative form:

1. ACCREDITATION AND LICENSURE: The current status, source, date, length, etc., of the applicant's license and certification. Include information on Medicaid and Medicare Certification.

Mat-Su Valley ASC will seek appropriate state licensure and will secure Medicare and Medicaid certification. In addition, we propose to be accredited by the Accreditation Association for Ambulatory Health Care (AAAHC).

2. QUALITY CONTROL: How the applicant plans to ensure high quality service.

Mat-Su Valley ASC will actively participate with, and conform to, or exceed, the licensure and certification requirements of the organizations named above, including CMS' new quality reporting system for ASCs which commenced in October 2012 which allows the public to view conformance on quality measures.

In addition, SCA, as operator, will adopt its existing, proven quality processes at the ASC. SCA has developed a variety of clinical toolkits and checklists and clinical training resources that will be available to Mat-Su Valley ASC and will be responsible for implementing a quality improvement/quality assurance process.

All of the proposed equipment will be new and will meet all required federal safety requirements.

3. PERSONNEL: Plans for optimum utilization and appropriate ratios of professional, sub-professional and ancillary personnel.

SCA, as Managing Member has expertise in staffing ASCs, and operating within AAAHC requirements. Specific staffing, by type, is summarized below:

Medical Staff: Mat-Su Valley ASC will adopt medical staff bylaws that outline the credentialing requirements for physicians interested in performing surgical procedures.

Clinical Staff: Job descriptions for all clinical staff will be in conformance with the requirements of all licensing and certification bodies. Mat-Su Valley ASC will provide clinical staff with continuing education opportunities to ensure that staff retains skills and remains current on evolving issues.

Non-Clinical Staff: As appropriate, non clinical staff will also be required to perform their jobs in conformance with the requirements of all licensing and certification bodies. Non-clinical staff will also be supported in continuing education opportunities if relevant to the job requirements.

All employees will be regularly evaluated on their job performance.

4. APPROPRIATE UTILIZATION: Development of programs such as ambulatory care, assisted living, home health services, and preventive health care that will eliminate or reduce inappropriate use of inpatient services.

As surgical services continue to shift to the outpatient setting due to changes in technology and payer mandates, there has been a flattening of inpatient surgery utilization. A 2009 report of the National Center for Health Statistics⁵ noted that between 1996 and 2006, hospital based use rates were flat while ASC use rates increased by 300%. This shift is expected to continue as additional procedures are deemed more appropriate to the outpatient setting (due to technological advances or changing practice patterns). The establishment of Mat-Su Valley ASC will enable residents to have access to locally based ASC services which is the standard of care in many communities.

5. NEW TECHNOLOGY AND TREATMENT MODES: Plans to use modern diagnostic and treatment devices to enhance the accuracy and reliability of diagnostic and treatment procedures.

The equipment and IT proposed for the ASC will be new and has been selected to support high quality, efficient care delivery.

⁵ National Health Statistics Report, Revised September 2009, "Ambulatory Surgery in the United States, 2006".

6. LABOR SAVING DEVICES AND EFFICIENCY: The employment of labor-saving equipment and programs to provide operating economies

Based on its proven expertise, SCA will bring value to the ASC in the form of operating economies. As noted above, SCA has developed analytics, clinical tool kits and checklists and staffing techniques and patterns that will be used to ensure high quality services are provided in the most efficient manner possible.

7. PROGRAM EVALUATION: Future plans for evaluation of the proposed activity to ensure that it fulfills present expectations and benefits.

Mat-Su Valley ASC's Quality Improvement process will be used to evaluate benefits and opportunities for continuous quality improvement.

8. ORGANIZATIONAL STRUCTURE: Include an organizational chart, descriptions of major position requirements and board representation; show representation from community economic and ethnic groups.

An organizational chart is included in Exhibit 1.

9. STAFF SKILLS: Provide descriptions of major position requirements, appropriate staff-to-patient ratios to maintain quality, and the minimal level of utilization that must be maintained to ensure that staff skills are maintained. Provide a source for the staffing standards.

Staff will be required to have relevant education, licenses, skills and experience. Staffing ratios will be determined by the Managing Member, and will be in conformance with industry standards and AAAHC guidelines. The main administrative positions will include Administrator, Clinical Coordinator/lead and Business Office Manager. Detailed position descriptions are provided in Exhibit 5.

10. ECONOMIES OF SCALE: The minimum and maximum size of facility or unit required to ensure optimum efficiency. If the planned project is significantly smaller or larger, explain the effect and why the size was chosen.

A two room/one procedure room ASC is an efficient size for the early years of the facility, based on anticipated volumes. The design allows for future expansion directly off of the sterile corridor, which will support efficient future expansion.

Section VI

Narrative Description of How Project Meets Applicable Review Standards

Describe in this section of the application how the proposed project meets each review standard applicable to all activities, and each specific review standard applicable to the proposed activity. *Some of this information will duplicate information required elsewhere in the application packet; that duplication is intentional.*

Describe how the proposed project meets each review standard applicable to all activities, and each specific review standard applicable to the proposed activity.

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

The population to be served includes all residents of the Mat-Su Borough in need of outpatient surgery. The total population for the year 2020 (approximately five years after the facility is complete) is estimated at 117,000. The population of Mat-Su increased by 50% in the past decade and is expected to grow by another 25% over the coming decade. The community is also aging rapidly, and the 65+ population is expected to almost double in the 2010-2020 timeframe. That said, OR capacity has not increased at anywhere the rate of the population, and partly due to this fact, a large segment of the community continues to travel to Anchorage for treatment. Having quality options closer to home will reduce cost, improve patient satisfaction, and help position the Mat-Su Region for meaningful participation in health care reform.

The project is expected to be complete by late 2014. The need methodology outlined in 7 AAC 07.025, requires that the need for additional surgery capacity be projected for; five years after the commencement of operation, or by 2019-2020.

- 2. The applicant demonstrate 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.**

As noted in response to earlier questions, the establishment of Mat-Su Valley ASC is consistent with the LLC members' short term and long range plans and is consistent with national and state trends to provide high quality, cost effective care. Per our conversation with the Department, there is currently no state, community, regional or federal health plans that apply to this project.

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

The design of the proposed ASC and the development of this application have included both physician and non-clinical stakeholders. As a result of these efforts, Mat-Su Valley ASC has been designed and will be operated to ensure a high quality, cost efficient operation that will increase patient satisfaction, reduce costs and improve access. Using the expertise of SCA's design team, the facility will be consistent with all state, federal and accreditation requirements.

4. The applicant demonstrates that they have assessed alternative methods of providing the proposed services and demonstrates that the proposed services are the most suitable approach.

Based on the studies cited in this Application, the data substantiates that free-standing ASCs are lower cost than hospital facilities and enjoying high patient satisfaction. Based on these facts, Mat-Su Valley ASC considered only the following options: 1) do nothing, 2) the physician owners establishing the project by themselves, and 3) undertaking the project contained in this application. The physician members concluded that the addition of freestanding outpatient surgical capacity was needed in the community due to the rapid growth and aging of the population, the lack of choice for outpatient surgery and the large percentage of residents leaving the area for outpatient surgical services. However, they recognized that they had neither the time nor the expertise to not only develop the facility but to also ensure that it is operated as efficiently and effectively as possible. Therefore, the decision was reached to undertake the project described in this application as a joint venture between the physicians and SCA.

5. The applicant briefly describes the anticipated impact on existing health care systems within the project's service area that serve the target population in the service area, and the anticipated impact on the statewide health care system.

As discussed in response to previous questions, the primary goals of this project include reducing out-migration for care, reducing costs and increasing patient satisfaction. To the extent that we are successful in reducing outmigration, we expect that there will be very limited impact on existing providers. In addition, and given that we do not propose to offer the same types of surgeries performed at Surgery Center of Wasilla, there should be no impact on them regardless.

In the end, Mat-Su Valley ASC fully expects it will complement existing services. Several of the proposed physician users are expecting to bring back cases that are now referred to Anchorage. As such, the return of these cases will have no impact on the existing providers but will have a positive impact on patients who will have less travel (and costs) for services. Again, this is consistent with recent statewide concerns regarding the high cost of health care in Alaska for state employees and retirees.

6. The applicant demonstrates that the project's location is accessible to patients and clients, their immediate and extended families and community members and to ancillary services. This includes the relocation of existing services or facilities.

The proposed Mat-Su Valley ASC will be accessible to Mat-Su patients and their families. The facility will be located in a single story building that will meet all ADA requirements. It will be centrally located in Wasilla and easily accessible by car and other public transit options.

Additional Consideration for Concurrent Review of More than One Application:

In competing a concurrent review of two or more applications under 7 AAC 07.060, in addition to applying the standards set out above, the department will compare the extend to which each applicant, including any parent organization of the applicant,

1. Demonstrates a commitment to quality that is consistent with, or better than, that of existing services, if any,

The only existing ASC in Mat-Su is an independent center. Mat-Su Valley ASC will be managed by SCA, which has significant and proven infrastructure to support quality outcomes.

2. Demonstrates a pattern of licensure and accreditation surveys with few deficiencies and a consistent history of few verified complaints and

Mat-Su Valley ASC is not an existing provider. However, the parent of its Managing Member and day-to-day manager, SCA, has a documented history of operating facilities and services in conformance with the licensure and accreditation requirements of the states in which they operate. In fact, Alaska Surgery Center, SCA's affiliate in Anchorage, is considered a "Center of Excellence" and is held out as a benchmark for all SCA facilities.

3. Demonstrates that the applicant has consistently provided, or has a policy to provide, high levels of care to low-income and uninsured persons.

Mat-Su Valley ASC has made a commitment to serve all patients, regardless of ability to pay, that meet the facility's clinical admission criteria. In addition, the pro forma financials contained in Exhibit 2, demonstrate that we have included a line item for charity care.

**Section VII
Construction Data**

A. Please check appropriate boxes:

- | | | | |
|----------------------|---|------------------------------------|--|
| 1. Construction type | <input checked="" type="checkbox"/> New | <input type="checkbox"/> Expansion | <input type="checkbox"/> Renovation |
| 2. Basement | <input type="checkbox"/> Full | <input type="checkbox"/> Partial | <input checked="" type="checkbox"/> None |

B. Project Development Schedule

Date

- | | |
|--|----------------------|
| 1. Estimated completion of final drawings and specifications | <u>December 2013</u> |
| 2. Estimated construction begun by | <u>February 2014</u> |
| 3. Estimated construction complete by | <u>August 2014</u> |
| 4. Estimated opening of proposed services | <u>Oct. 2014</u> |

C. Facility site data: Provide the following as attachments (referenced by the subsection and item number):

- 1. A legal description and area of the proposed site. Is the site now owned by the facility? If not, how secure are the arrangements to acquire the site?**

A legal description of the selected site is as follows:

Lot 1, Block 1, Meridian Park 1, according to Plat No. 2009-93, located in the Palmer Recording District, Third Judicial District, State of Alaska

The site is currently owned by two of the physician members.

2. Diagrammatic plan showing:

- a) Dimensions and location of structures, easements, rights-of-way or encroachments;
- b) Location of all utility services available to the site; and
- c) Location of service roads, parking facilities, and walkways within site boundaries.

A diagrammatic plan is included in Exhibit 6.

- 3. Document clearances regarding zone restrictions, fire protection, sewage, and other waste disposal arrangements (under special circumstances, it is acceptable to present evidence of conditional approvals from local government and regulatory agencies).**

Zoning information regarding the selected site is contained in Exhibit 7.

- 4. An architectural master plan including long-range concept and development of total facility.**

There is no master plan. Specific detail regarding the description of the proposed facility is included in Exhibit 8.

- 5. Schematic floor plan drawings (or conceptual drawings) of proposed activity, including functional use of various rooms.**

A schematic floor plan is contained in Exhibit 9.

- D. Describe the plan for completing construction and the effect (disruption) construction activities will have on existing services.**

There is no existing building on the proposed site. The project will be able to be undertaken and completed without any impact on existing health care service delivery.

Section VIIIA
Financial Data - Acquisitions

1. Acquisition type: (Please check applicable boxes)

☒ Lease ☐ Rent ☐ Donation ☐ Purchase ☐ Stock Transaction

2. Cost data

(Omit cents)

a. Total acquisition cost*	\$9,901,627 ⁶
b. Amount to be financed	\$4,774,351
c. Difference between items (a) and (b) (list available resources to be used, e.g. available cash, investments, grants, etc.)	\$842,533
d. Anticipated interest rate <u>7</u> % , term <u>15</u> years.	
e. Total anticipated interest amount	\$1,367,747
f. Total of (a) and (e)	\$11,269,374
g. Estimated annual debt service requirements	\$936,592

3. Describe how you expect to finance the project.

Mat-Su Valley ASC intends to finance this project with 15% in equity from the partners and 85% from a conventional loan. There will be two conventional loans with an assumed interest rate of 7% and a term of 15 years for the tenant improvements and the second loan for the equipment will also have an assumed interest rate of 7% and a term of 5 years.

Note: Acquisition costs must include (as appropriate):

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

*Site acquisition should be stated as "book" value, i.e. actual purchase price plus costs of development. If desired, the applicant may elect to state the acquisition as "fair market value"*** (in which case, give reason and basis).

** A form for use in calculating fair market value is included on page 31 of this packet. Include your calculations as part of this section of your application.

⁶ Net present value of the proposed lease.

Section VIIIB
Financial Data – Construction Only

1. Construction Method (Please check)

- a. ☒ Conventional bid ☐ Contract management ☐ Design and build
b. ☐ Phased ☒ Single project ☐ Fast Track

2. Construction Cost (New Activity)

(Omit cents)

a. Site acquisition (Section VIIIA.2.f)	\$11,510,742
b. Estimated general construction**	\$2,803,995
c. Fixed equipment, not included in a**	\$
d. Total construction costs (sum of items a, b, and c)**	\$2,803,995
e. Major movable equipment**	\$2,812,888
f. Other cost:**	
(1) Administration expense	\$
(2) Site survey, soils investigation, and materials testing	\$
(3) Architects and engineering fees	\$233,391
(4) Other consultation fees (preparation of application included)	\$
(5) Legal fees	\$
(6) Land development and landscaping	\$
(7) Building permits and utility assessments (including water, sewer, electrical, phones, etc.)	\$
(8) Additional inspection fees (clerk of the works)	\$32,729
(9) Insurance (required during construction period)	\$
g. Total project cost (sum of items d, e, f)	\$5,616,883
h. Amount to be financed	\$4,774,351
i. Difference between 2.g and 2.h (list, as Schedule 1, available resources to be used, e.g., available cash, investments, grants funds, community contributions, etc.)	\$84,253
j. Anticipated long-term interest rate	<u>7%</u>
k. Anticipated interim (construction) interest rate	<u>%</u>
l. Anticipated long-term interest amount	\$1,367,747
m. Anticipated interim interest amount	
n. Total items g, l, and m	\$7,225,998
o. Estimated annual debt service requirement	\$936,59
p. Construction cost per sq. ft.	\$254.91 ⁷
q. Construction cost per bed	N/A
r. Project cost per sq. ft.	\$510.63 ⁸
s. Project cost per bed (if applicable)	N/A

⁷ Tenant Improvements only.

⁸ Tenant Improvements and equipment only.

*Site acquisition should be stated as "book" value, i.e., actual purchase price (or estimate of value if donated) plus costs of development. If desired, the applicant may elect to state as "fair market value" (in which case, so indicate). A form for use in calculating fair market value is included on page 31 of this packet. Include your calculations as part of this section of your application.

** Items must be certified estimates from an architect or other professional. Major medical equipment may be documented by bid quotes from suppliers.

Section IX
Financial Data – All Proposed Activities

Provide an accompanying narrative explanation for each of the schedules below if there are any significant trends or significant changes in any item or group of items from year to year.

Note: Indicate whether you are using a calendar year or other fiscal year period.

A. Attach Schedule I - Facility Income Statement

The facility income statement is included in Exhibit 2. Mat-Su Valley ASC is not an existing facility, therefore, no historical data is provided. Financial projections for the first five years of the project are included in Exhibit 2.

B. Attach Schedule II - Facility Balance Sheet

- 1. For the most recent five prior fiscal or calendar years.**
- 2. Current fiscal or calendar year to date**

Mat-Su Valley ASC is not an existing facility, therefore, no current or historical balance sheet information is provided.

C. Attach Schedule III - Average Patient Cost Per Day (Per Diem Rate if applicable) and Revenue Amounts

The requested information is included in Exhibit 2.

D. Attach Schedule IV – Operating Budget

The requested information is included in Exhibit 2. No operating deficits are anticipated.

E. Attach Schedule V – A. Debt Service Summary, and B. New Project Debt Service Summary

The requested information is included in Exhibit 2.

F. Attach Schedule VI - Reimbursement Sources

The requested information is included in Exhibit 2.

G. Attach Schedule VII – Depreciation Schedule

The requested information is included in Exhibit 2.

FAIR MARKET VALUE – HOW TO CALCULATE

Fair market value is the price that the property would sell for on the open market. It is the price that would be agreed on between a willing buyer and a willing seller, with neither being required to act, and both having reasonable knowledge of the relevant facts.

To determine the fair market value of equipment, using the formula below, first determine the number of years of estimated useful life of the equipment, as described in the AHA publication *Estimated Useful Lives of Depreciable Hospital Assets* to achieve an annual depreciation amount. Include your calculations as part of this section of your application.

All equipment will be new. There is no fair market value of the equipment.

The fair market value of land or buildings is the value contained in a current appraisal of the land or building from a licensed real estate appraiser who has no financial or other interest in the transaction. Attach the appraisal as an appendix to the application.

Exhibit 1
Organizational Chart

Mat-Su Valley Surgery Center, LLC

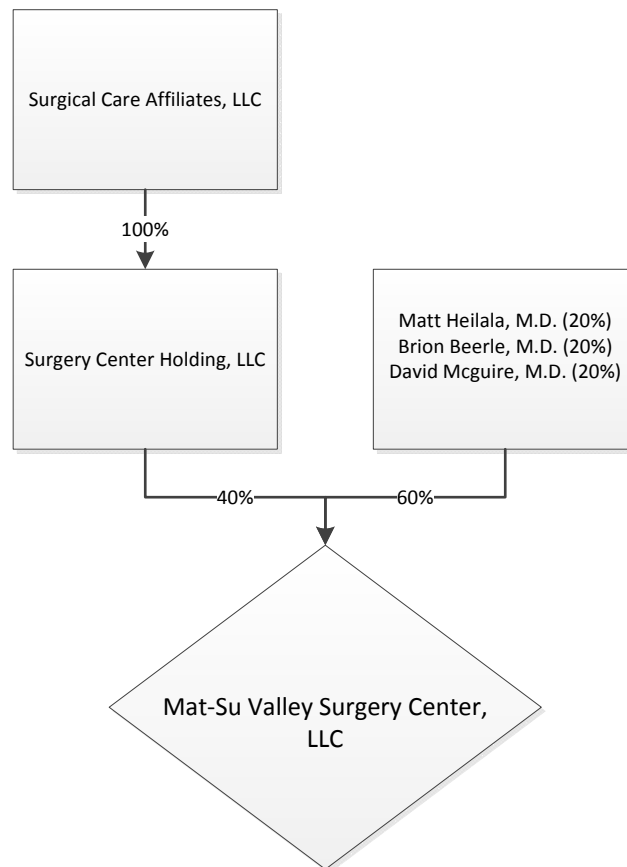


Exhibit 2
Pro Forma Financials

Schedule I. Facility Income Statement					
Projections For Three Years Beyond Project Completion					
	FY 1	FY 2	FY 3	FY 4	FY 5
Gross Patient Revenue:					
Inpatient Routine	N/A	N/A	N/A	N/A	N/A
Inpatient Ancillary	N/A	N/A	N/A	N/A	N/A
Outpatient	\$ 6,857,067	\$ 7,062,747	\$ 7,274,598	\$ 7,492,805	\$ 7,717,557
Long-Term Care	N/A	N/A	N/A	N/A	N/A
Swing Beds	N/A	N/A	N/A	N/A	N/A
Other	N/A	N/A	N/A	N/A	N/A
Total Patient Revenue	\$ 6,857,067	\$ 7,062,747	\$ 7,274,598	\$ 7,492,805	\$ 7,717,557
Less Deductions					
Charity Care	34,285	35,314	36,373	37,464	38,588
Contractual Allowances	\$ 3,586,567	\$ 3,694,147	\$ 3,804,955	\$ 3,919,087	\$ 4,036,644
Bad Debts	\$ 32,700	\$ 33,681	\$ 34,691	\$ 35,732	\$ 36,804
Total Deductions	\$ 3,653,552	\$ 3,763,142	\$ 3,876,020	\$ 3,992,284	\$ 4,112,036
Net Operating Revenues	\$ 3,203,515	\$ 3,299,605	\$ 3,398,579	\$ 3,500,521	\$ 3,605,522
All Other Revenues					
EXPENSES:					
Salaries	\$ 793,568	\$ 813,407	\$ 833,743	\$ 854,586	\$ 875,951
Benefits	\$ 156,432	\$ 160,343	\$ 164,351	\$ 168,460	\$ 172,671
Supplies	\$ 630,000	\$ 645,750	\$ 661,894	\$ 678,441	\$ 695,402
Utilities	\$ 75,000	\$ 76,500	\$ 78,030	\$ 79,591	\$ 81,182
Property Tax	\$ 43,417	\$ 44,285	\$ 45,171	\$ 46,074	\$ 46,996
Rent	\$ 263,275	\$ 263,275	\$ 271,173	\$ 271,173	\$ 271,173
Lease	N/A	N/A	N/A	N/A	N/A
Other Expenses	\$ 240,813	\$ 257,119	\$ 266,040	\$ 283,387	\$ 301,280
Depreciation	\$ 637,084	\$ 637,084	\$ 637,084	\$ 637,084	\$ 637,084
Interest	\$ 299,508	\$ 230,494	\$ 172,842	\$ 127,872	\$ 97,035
Total Expenses	\$ 3,139,097	\$ 3,128,257	\$ 3,130,328	\$ 3,146,669	\$ 3,178,775
Excess (Shortage) of Revenue	\$ 64,418	\$ 171,348	\$ 268,251	\$ 353,852	\$ 426,747
Over Expenditures					

Schedule II. Balance Sheet					
Projections For Three Years Beyond Project Completion					
	FY 1	FY 2	FY 3	FY 4	FY 5
CURRENT ASSETS					
Cash & Cash Equivalent	\$ 259,951	\$ 422,512	\$ 462,512	\$ 603,516	\$ 832,679
Net Patient Accounts	579,419	596,799	614,701	633,139	652,130
Other Accounts Receivable	-	-	-	-	-
Inventories	-	-	-	-	-
Prepaid Expenses	10,000	10,000	10,000	10,000	10,000
Other	-	-	-	-	-
Total Current Assets	\$ 849,371	\$ 1,029,311	\$ 1,087,213	\$ 1,246,655	\$ 1,494,810
Property and Equipment					
Land & Improvements	-	-	-	-	-
Building/Fixed Equipment	2,383,396	2,383,396	2,383,396	2,383,396	2,383,396
Major Movable Equipment	2,390,955	2,415,955	2,515,955	2,615,955	2,715,955
Accumulated Depreciation	(637,084)	(1,279,168)	(1,941,252)	(2,623,336)	(3,325,420)
Net Property & Equipment	\$ 4,137,267	\$ 3,520,183	\$ 2,958,099	\$ 2,376,015	\$ 1,773,931
Other Assets	-	-	-	-	-
TOTAL ASSETS	\$ 4,986,638	\$ 4,549,494	\$ 4,045,312	\$ 3,622,670	\$ 3,268,740
LIABILITIES/FUND					
Current Liabilities					
Accounts Payable	50,000	100,000	100,000	100,000	100,000
Accrued Expenses	10,000	50,000	50,000	50,000	50,000
Accrued Compensation	10,000	80,000	80,000	80,000	80,000
Other Accruals	-	-	-	-	-
Total Current Liabilities	70,000	230,000	230,000	230,000	230,000
Long Term Liabilities					
Long Term Debt	4,137,267	3,500,183	2,863,099	2,226,015	1,588,931
Other	-	-	-	-	-
Total Long Term Liabilities	4,137,267	3,500,183	2,863,099	2,226,015	1,588,931
Fund Balance	779,371	819,311	952,213	1,166,655	1,449,810
Total Liabilities & Fund Balance	\$ 4,986,638	\$ 4,549,494	\$ 4,045,312	\$ 3,622,670	\$ 3,268,740

Schedule III. Average Patient Cost Per Day (Per Diem Rate if applicable) and Revenue Amounts					
Provide Last Five Years Actual and					
Projections For Three Years Beyond Project Completion					
	FY 1	FY 2	FY 3	FY 4	FY 5
Revenues					
Expenses					
Patient Days					
Revenue Per Patient Day					
Operating & Capital Budget Summary:					
Gross Revenues	5,079	5,128	5,179	5,229	5,279
Deductions from Revenue	2,656	2,682	2,709	2,734	2,760
Net Revenue	2,422	2,446	2,470	2,494	2,519
Direct Expense	1,776	1,787	1,799	1,811	1,823
Indirect Expense	694	630	577	534	502
Net Income Projected	(47)	29	95	150	194
Rate Computation					
Annual Medicaid Rate					
Base Year Cost					
Less Ancillary					
Plus Admin. Overhead					
Cost Basis for Rate					
Base Year Patient Days					
Cost per Patient Day					
Years 1 and 2 are equivalent to State of Alaska swing-bed rate.					
Facility Medicaid Rate is figured from Year 3 onward.					

Schedule IV. Operating Budget					
Provide Last Five Years Actual and					
Projections For Three Years Beyond Project Completion					
	FY 1	FY 2	FY 3	FY 4	FY 5
Description:					
Number of Beds					
Days in a year	365	365	365	365	365
Available bed days	N/A	N/A	N/A	N/A	N/A
Resident bed days	N/A	N/A	N/A	N/A	N/A
Percent growth	N/A	N/A	N/A	N/A	N/A
Occupancy	N/A	N/A	N/A	N/A	N/A
Average length of stay	N/A	N/A	N/A	N/A	N/A
Patient Bed Days	N/A	N/A	N/A	N/A	N/A
Number of Residents	N/A	N/A	N/A	N/A	N/A
Daily Room and Board Rate*	N/A	N/A	N/A	N/A	N/A
Nursing Revenue	N/A	N/A	N/A	N/A	N/A
Nursing Services	N/A	N/A	N/A	N/A	N/A
Payer Mix:					
Medicaid	8.73%	8.73%	8.73%	8.73%	8.73%
Medicare	10.41%	10.41%	10.41%	10.41%	10.41%
Other	80.86%	80.86%	80.86%	80.86%	80.86%
Ancillary Revenue	N/A	N/A	N/A	N/A	N/A
Total Revenue	N/A	N/A	N/A	N/A	N/A
Rate Computation					
Annual Medicaid Rate	N/A	N/A	N/A	N/A	N/A
Base Year Cost	N/A	N/A	N/A	N/A	N/A
Less Ancillary	N/A	N/A	N/A	N/A	N/A
Plus Admin. Overhead	N/A	N/A	N/A	N/A	N/A
Cost Basis for Rate	N/A	N/A	N/A	N/A	N/A
Base Year Patient Days	N/A	N/A	N/A	N/A	N/A
Cost per Patient Day	N/A	N/A	N/A	N/A	N/A
Years 1 and 2 are equivalent to State of Alaska swing-bed rate.					
Facility Medicaid Rate is figured from Year 3 onward.					

Schedule V-A. Debt Service Summary					
Provide Current Debt Data and Projections For the Next Three Years					
	FY 1	FY 2	FY 3	FY 4	FY 5
Existing Debt:					
(Identify)	N/A	N/A	N/A	N/A	N/A
Principal	N/A	N/A	N/A	N/A	N/A
Interest	N/A	N/A	N/A	N/A	N/A
(Identify)	N/A	N/A	N/A	N/A	N/A
Principal	N/A	N/A	N/A	N/A	N/A
Interest	N/A	N/A	N/A	N/A	N/A
(Identify)	N/A	N/A	N/A	N/A	N/A
Principal	N/A	N/A	N/A	N/A	N/A
Interest	N/A	N/A	N/A	N/A	N/A
(Identify)	N/A	N/A	N/A	N/A	N/A
Principal	N/A	N/A	N/A	N/A	N/A
Interest	N/A	N/A	N/A	N/A	N/A
(Identify)	N/A	N/A	N/A	N/A	N/A
Principal	N/A	N/A	N/A	N/A	N/A
Interest	N/A	N/A	N/A	N/A	N/A
(Identify)	N/A	N/A	N/A	N/A	N/A
Principal	N/A	N/A	N/A	N/A	N/A
Interest	N/A	N/A	N/A	N/A	N/A
(Identify)	N/A	N/A	N/A	N/A	N/A
Principal	N/A	N/A	N/A	N/A	N/A
Interest	N/A	N/A	N/A	N/A	N/A
Total Existing Debt					
Principal	N/A	N/A	N/A	N/A	N/A
Interest	N/A	N/A	N/A	N/A	N/A
Estimated Debt					
New Project					
Principal	\$ 637,084	\$ 637,084	\$ 637,084	\$ 637,084	\$ 637,084
Interest	\$ 299,508	\$ 230,494	\$ 172,842	\$ 127,872	\$ 97,035

Schedule VI. Reimbursement Sources				
Show reimbursement sources for the previous five years and projections for three years after the new project opens.				
FY 1				
Reimbursement Source	Number of Patients	Gross Patient Charges	Deductions	Net Patient Revenues
Medicaid	118	\$ 598,756	\$ 467,676	\$ 131,081
Medicare	140	\$ 713,420	\$ 599,986	\$ 113,434
Private Insurance	761	\$ 4,018,806	\$ 2,190,249	\$ 1,828,557
Self Pay	29	\$ 149,092	\$ 24,153	\$ 124,939
Charity	37	\$ 34,280	\$ 34,280	\$ -
Other	264	\$ 1,341,665	\$ 269,675	\$ 1,071,990
Total	1,350	\$ 6,856,018	\$ 3,586,018	\$ 3,270,000

FY 2				
Reimbursement Source	Number of Patients	Gross Patient Charges	Deductions	Net Patient Revenues
Medicaid	120	\$ 616,719	\$ 481,706	\$ 135,013
Medicare	143	\$ 734,822	\$ 617,985	\$ 116,837
Private Insurance	777	\$ 4,139,370	\$ 2,255,957	\$ 1,883,413
Self Pay	30	\$ 153,565	\$ 24,878	\$ 128,688
Charity	37	\$ 35,308	\$ 35,308	\$ -
Other	269	\$ 1,381,915	\$ 277,765	\$ 1,104,150
Total	1,377	\$ 7,061,699	\$ 3,693,599	\$ 3,368,100

FY 3				
Reimbursement Source	Number of Patients	Gross Patient Charges	Deductions	Net Patient Revenues
Medicaid	123	\$ 635,220	\$ 496,157	\$ 139,064
Medicare	146	\$ 756,867	\$ 636,525	\$ 120,342
Private Insurance	793	\$ 4,263,551	\$ 2,323,635	\$ 1,939,916
Self Pay	31	\$ 158,172	\$ 25,624	\$ 132,548
Charity	37	\$ 36,368	\$ 36,368	\$ -
Other	275	\$ 1,423,372	\$ 286,098	\$ 1,137,274
Total	1,405	\$ 7,273,550	\$ 3,804,407	\$ 3,469,143

Schedule VII. Depreciation Schedule			
Use the straight-line method.			
Equipment Description	Cost	AHA Life	Depreciation Per Year
ANESTHESIA MACHINES MINDRAY A5	\$ 65,000	10	\$ 6,500
AUTO TOURNIQUET ZIMMER ATS 3000	\$ 12,500	8	\$ 1,563
BLANKET WARMERS STERIS 24	\$ 12,300	15	\$ 820
C-ARMS GE-OEC 9900	\$ 137,500	15	\$ 9,167
C-ARM MINI HOLOGIC INSIGHT	\$ 72,500	10	\$ 7,250
STERILIZATION CONTAINERS AESCULAP NA	\$ 65,000	10	\$ 6,500
DEFIBULATOR ZOLL R SERIES	\$ 12,500	8	\$ 1,563
DIFFICULT INTUBATION OLYMPUS LF	\$ 12,500	8	\$ 1,563
EKG GE 1600	\$ 3,750	10	\$ 375
ELECTRO SURGICAL UNITS VALLEY LAB FX	\$ 26,250	10	\$ 2,625
EXTREMITY TABLE RYCOR 5500 HT	\$ 2,500	10	\$ 250
FILM ILLUMINATORS MAXANT TR202	\$ 1,575	20	\$ 79
GI SCOPE PROCESSOR MEDIVATORS DSD 201	\$ 37,500	15	\$ 2,500
ICEMAKER SCOTSMAN MDT14	\$ 6,565	8	\$ 821
INSTRUMENTS AESCULAP NA	\$ 220,000	8	\$ 27,500
LEG HOLDER STRYKER NA	\$ 2,500	10	\$ 250
MED RECORDS INT ELEMENTS	\$ 12,500	20	\$ 625
MICROSCOPE OPHTHALMOLOGY ZEISS OPMI VISU 200/S8	\$ 40,500	10	\$ 4,050
MICROSCOPE SURGICAL ZEISS OPMI PENTERO	\$ 75,000	10	\$ 7,500
NEPTUNE DOCKER STRYKER 0702-014-000	\$ 11,805	10	\$ 1,181
NEPTUNE ROVER STRYKER 0702-001-000	\$ 30,210	10	\$ 3,021
OR SURGICAL LIGHTS LED STERIS VLED	\$ 25,500	20	\$ 1,275
OR TABLES STERIS 3085	\$ 65,000	15	\$ 4,333
PATIENT STRETCHERS STRYKER	\$ 54,600	15	\$ 3,640
PHACO UNITS ALCON INFINITI	\$ 130,000	8	\$ 16,250
POWER EQUIPMENT STRYKER SYSTEM 7	\$ 90,000	10	\$ 9,000
STAINLESS STEEL FURNITURE PEDIGO STACK STOOL P-1015, KICK BUCKET P-1020, MAYO STAND P-1066-SS, IV POLE P-574, STOOL P-526, SINGLE BASIN P-78, 16X 20 PREP TABLE SB-80, 4' BACK TABLE SG-92-SS & 6' BACK TABLE SG-94-SS	\$ 15,500	15	\$ 1,033
GE COLONOSCOPE OLYMPUS CF-190	\$ 112,500	10	\$ 11,250
GI GASTROSCOPE OLYMPUS GF-190	\$ 67,800	10	\$ 6,780
GI PED COLONOSCOPE OLYMPUS PCF-190	\$ 37,500	10	\$ 3,750
SCOPE ORTHO STRYKER NA	\$ 90,000	10	\$ 9,000
SCOPES UROLOGY NA	\$ 75,000	10	\$ 7,500
STORAGE SHELVING ANESTHESIA (FLPROC1) CODE (FLCRP3), MALIGNANT HYPOTHERMIA FLBED), AIRWAY (FLBED) METRO	\$ 18,500	20	\$ 925
STERILIZATION EQUIPMENT STERIS RR0201110311	\$ 85,000	20	\$ 4,250
VIDEO TOWERS ORTHO STRYKER CROSSFIRE	\$ 95,000	10	\$ 9,500
VIDEO TOWERS GI OLYMPUS 190	\$ 55,000	10	\$ 5,500
VITAL SIGN MONITORS MINDRAY DPM 6	\$ 96,750	10	\$ 9,675
WASHER DECONTAM STERIS GENFORE	\$ 42,500	15	\$ 2,833

Exhibit 3
ASC Methodology

Surgical Care: Review Standards and Methodology

Review Methodology

Step One: Determine the projected general surgery caseload using the formula;

$$C \text{ (caseload)} = P \text{ (population)} \times \text{GSUR (use rate)}$$

The historical outpatient caseload for the past three years by provider is as follows:

	2008	2009	2010	2011	3 year average (2009-2011)	2010 Population	Use Rate
Mat-Su Regional Medical Center Outpatient Cases	871	796	765	889	817		
Pioneer Peak Surgical Center	0	1,290	2,203	1,446	1,646		
Total Outpatient Cases		2,086	2,968	2,335	2,463	89,721	27.45

The projected outpatient surgery cases by 2020:

Use Rate	2020 Population	Est. Outpatient Cases
27.45	117,222	3,218

Step Two: Determine the projected number of operating rooms required to meet projected demand using the formula:

$$\text{GORR (General Operating Rooms Required)} = C \text{ (projected surgery cases)} / \text{TU (target use rate for outpatient operating rooms)}$$

Outpatient	
2020 Est. Outpatient Cases	3,218
Outpatient Target Use Rate	1,200
General outpatient operating rooms required	2.5

Step Three: Determine unmet need for general purpose operating rooms, if any, by subtracting the number of existing and CN approved operating rooms.

No. of Operating Rooms needed (1,200 cases/room)	2.5
Current Outpatient Capacity (Mat-Su Regional Medical Center = 2 and Pioneer Peak Surgical Center = 1)	3.0
Net Need (surplus)	(0.5)

Review Methodology-Using the Anchorage Use Rate

Step One: Determine the projected general surgery caseload using the formula;

$$C \text{ (caseload)} = P \text{ (population)} \times \text{GSUR (use rate)}$$

The Anchorage use rate is¹:

	Use Rate
Total Outpatient Cases	38.94

The projected outpatient surgery cases by 2020:

Use Rate	2020 Population	Est. Outpatient Cases
38.94	117,222	4,565

Step Two: Determine the projected number of operating rooms required to meet projected demand using the formula:

$$\text{GORR (General Operating Rooms Required)} = C \text{ (projected surgery cases)} / \text{TU (target use rate for outpatient operating rooms)}$$

Outpatient	
2020 Est. Outpatient Cases	4,565
Outpatient Target Use Rate	1,200
General outpatient operating rooms required	3.8

Step Three: Determine unmet need for general purpose operating rooms, if any, by subtracting the number of existing and CN approved operating rooms.

No. of Operating Rooms needed (1,200 cases/room)	3.8
Current Outpatient Capacity (Mat-Su Regional Medical Center = 2 and Pioneer Peak Surgical Center = 1)	3.0

¹ April 30, 2012 Evaluation of the Concurrent Review of the Alaska Regional Hiatal and providence Surgery Centers Certificate of Need applications to expand ambulatory surgical and imaging services in Anchorage, Appendix D.

Net Need (surplus)	0.8
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Review Methodology-Using the Mid-Point of the Mat-Su and Anchorage Use Rate

Step One: Determine the projected general surgery caseload using the formula;

$$C \text{ (caseload)} = P \text{ (population)} \times \text{GSUR (use rate)}$$

The mid point use rate is:

	Use Rate
Total Outpatient Cases	33.2

The projected outpatient surgery cases by 2020:

Use Rate	2020 Population	Est. Outpatient Cases
33.2	117,222	3,892

Step Two: Determine the projected number of operating rooms required to meet projected demand using the formula:

$$\text{GORR (General Operating Rooms Required)} = C \text{ (projected surgery cases)} / \text{TU (target use rate for outpatient operating rooms)}$$

Outpatient	
2020 Est. Outpatient Cases	3,892
Outpatient Target Use Rate	1,200
General outpatient operating rooms required	3.2

Step Three: Determine unmet need for general purpose operating rooms, if any, by subtracting the number of existing and CN approved operating rooms.

No. of Operating Rooms needed (1,200 cases/room)	3.2
Current Outpatient Capacity (Mat-Su Regional Medical Center = 2 and Pioneer Peak Surgical Center = 1)	3.0
Net Need (surplus)	0.2

Exhibit 4
Charity Care Policy

Charity Care Policy

Purpose:

The purpose of this policy is to establish governance and protocols for financial hardship - charity care discount processing.

Persons Affected:

This policy is applicable to all teammates, business associates (contractors, consultants, temporaries, volunteers, physicians, clinicians, and other workforce members at the center), including all personnel affiliated with third parties.

These policies, procedures, and forms are compiled based on both legal and regulatory requirements as well as industry standard best practices. Persons are expected to use established practices and sound judgment in making decisions.

Policy Statement:

For all payers, including self pay, a patient may request a Financial Hardship-Charity Discount. Financial need and any discount must be verified and documented. The center may deem Medicare beneficiaries indigent or medically indigent when such individuals have also been determined eligible for Medicaid as either categorically or medically needy individuals. If a center wishes to offer a financial hardship or charity discount to a patient with Medicare benefits and the patient also qualifies for Medicaid, additional effort to determine financial hardship is not necessary with **proof** of Medicaid eligibility. The documented proof of Medicaid eligibility must be retained in the patient's medical record as a permanent document.

The discount should be applied before the claim is generated. Therefore, the Third Party Payor and patient equally benefit from the discount. These discounts do not apply to cosmetic procedures.

Discounts for these reasons should not exceed 5% of monthly gross revenue or number of cases performed each month. The Business Office Manager (BOM) is responsible for monitoring these discounts and notifying the Administrator of any excess discounts.

Procedure Steps:

1. Complete a **Financial Disclosure Form** to determine eligibility and a **Write-Off Approval Form**. Submit both to the signature authority provide in the table below:

Title	Approval Amount
Business Office Manager	\$0 - \$500
Administrator	\$501 - \$5,000
Director of Financial Operations	\$5,001 - \$10,000
VP/Director of Operations	\$10,001 - \$50,000

- Approval is at the center's discretion and should be made on a case-by-case basis. Follow the Health and Human Services (HHS) Poverty Guidelines to determine if the patient is at or below the poverty level for their respective state. Below is an example of the HHS Poverty Guidelines, actual amounts can be found at <http://aspe.hhs.gov/poverty/index.shtml>.

The Health and Human Services (HHS) guidelines are updated annually and can be located at <http://www.aspe.hhs.gov/poverty/index.shtml>. They are typically published each February.

- Center management must determine the discount percent the center offers to those who qualify for a financial hardship and apply that percent consistently to all patients who qualify. The center must receive written approval from the Governing Board. The documented and approved discount policy must be kept with this policy at the center for reference.
- Place the signed, approved **Financial Disclosure Form** in the patient's medical record for reference during the billing process.
- The Biller enters a memo in the patient account.
- Biller enters charges according to the Charge Entry procedure.
- Prior to claim generation, if the patient has insurance, post the discount using transaction code for Charity.
- Copy the **Financial Disclosure Form** and attach to the claim when it's mailed to the payer.

Exhibit 5
Position Descriptions

Mat-Su Valley Surgery Center

Position Descriptions

Position Title: Administrator

Position Reports to: RVP, Operations / ASC Advisory Board

Total education, vocational training and experience:

- Bachelor's Degree in Health Administration, Business Administrator or Management Required
- Master's Degree preferred
- Operational management experience required
- Budgeting, financial management, clinical service management and materials management required
- Experience in outpatient surgery center operations strongly preferred
- Healthcare regulatory and accreditation compliance experience preferred
- Proficiency in Microsoft Office Suite is required

Position Responsibilities:

- Provides leadership to the team of clinical and business professionals, focused on clinical quality outcomes, labor efficiencies, supply chain management, volume growth drivers and revenue cycle optimization
- Live and model our values of: clinical quality, teamwork, service satisfaction, continuous improvement, accountability and integrity.
- Responsible for the Center's profit and loss statement; managing financial controls and reporting.
- Manages operational strategies using the team employed.
- Develops and maintains an effective marketing program that encompasses physicians, patients, medical groups, and third party payers focused on case volume growth and lowering healthcare costs.
- Ensure efficient business office operations.
- Safeguards the center's assets and ensures that center's building and/or tenant improvements and equipment are maintained in good working order and in compliance with local, state and federal regulations.
- Responsible for creating a fair, open environment for all staff. Ensure consistency of treatment and application of policy.
- Depending upon specific facility needs, may participate in the provision of direct patient care consistent with licensure, experience and current competence in the level of patient care provided.
- Promotes an environment of service excellence for patients and physicians.
- Maintains center operations in compliance with regulatory requirements and accrediting body standards at all times.
- Fosters positive relationships with physician partners and medical staff members.

Position Title: Clinical Coordinator/Lead

Position Reports to: Administrator

Position Purpose: The Clinical Lead is responsible for all aspects of nursing care delivery in the facility. Assumes responsibility as Department Manager of PACU/Pre-op departments, as well as the operating rooms. The individual is also responsible for the Quality Improvement/Risk Management Program for the center and Education Coordinator for the facility, as well. Assumes some responsibility of the Administrator in his/her absence. As a Registered Nurse, this individual is also responsible for assessing, planning, implementing and coordinating patient care from admission to discharge.

Position Supervises: Designated Clinical Managers, Licensed Practical Nurse/Licensed Vocational Nurse, Procedural Technologist, Endoscopy Technicians, Patient Care Attendants, Patient Care Technicians, Nurse's Aide, Medical Assistants

Degree of Supervision Provided to Position:

Minimal and according to management guidance, must be self-directed and able to work independently.

Education, Experience, and Licensure:

Has successfully completed the program at an accredited school of nursing with a current state nursing license. Experience in ambulatory surgery nursing with at least two (2) to five (5) years of nursing and management experience in a hospital or ambulatory surgery center is desired. Successful completion of Basic Life Support (BLS)/Basic Cardiac Life Support (BCLS) within 90 days of employment or documentation of current BLS/BCLS certification. Successful completion of ACLS Course within 90 days of employment or documentation of current ACLS certification. Successful completion of PALS Course within 90 days of employment or documentation or current PALS certification.

Position Title: Business Office Manager

Position Reports to: Administrator

Position Purpose: Provide support to the facility by performing specific or various business office functions as assigned. These functions are to include (but not limited to): Medical Records, Credentialing, Admissions/Intake, Accounts Payable, Billing, Collections, Insurance Verification, Transaction, Posting, Clinical Logs and other duties as assigned.

Job Summary:

- The Business Office Manager will supervise and direct all business office personnel in the areas of admissions/intake, insurance verification, billing, collections, transaction posting, accounts receivable management, accounts payable, medical records, medical staff credentialing, and transcription of operative procedures; all in accordance with Surgery Center policies, procedures, philosophy and objectives. Included is the responsibility for environmental control of area.
- The Business Office Manager will promote a favorable image of the surgery center to physicians, patients, insurance companies and the general public.
- The Business Office Manager will coordinate activities with other departments and participates in obtaining and maintaining qualified personnel.
- The Business Office Manager must be a confident team player and possess a positive attitude.
- The Business Office Manager must demonstrate excellent leadership skills, critical thinking skills and change management skills.

Position Supervises: All Business Office Personnel

Degree of Supervision Provided to Position:

Minimal and according to management guidance, must be self-directed and able to work independently.

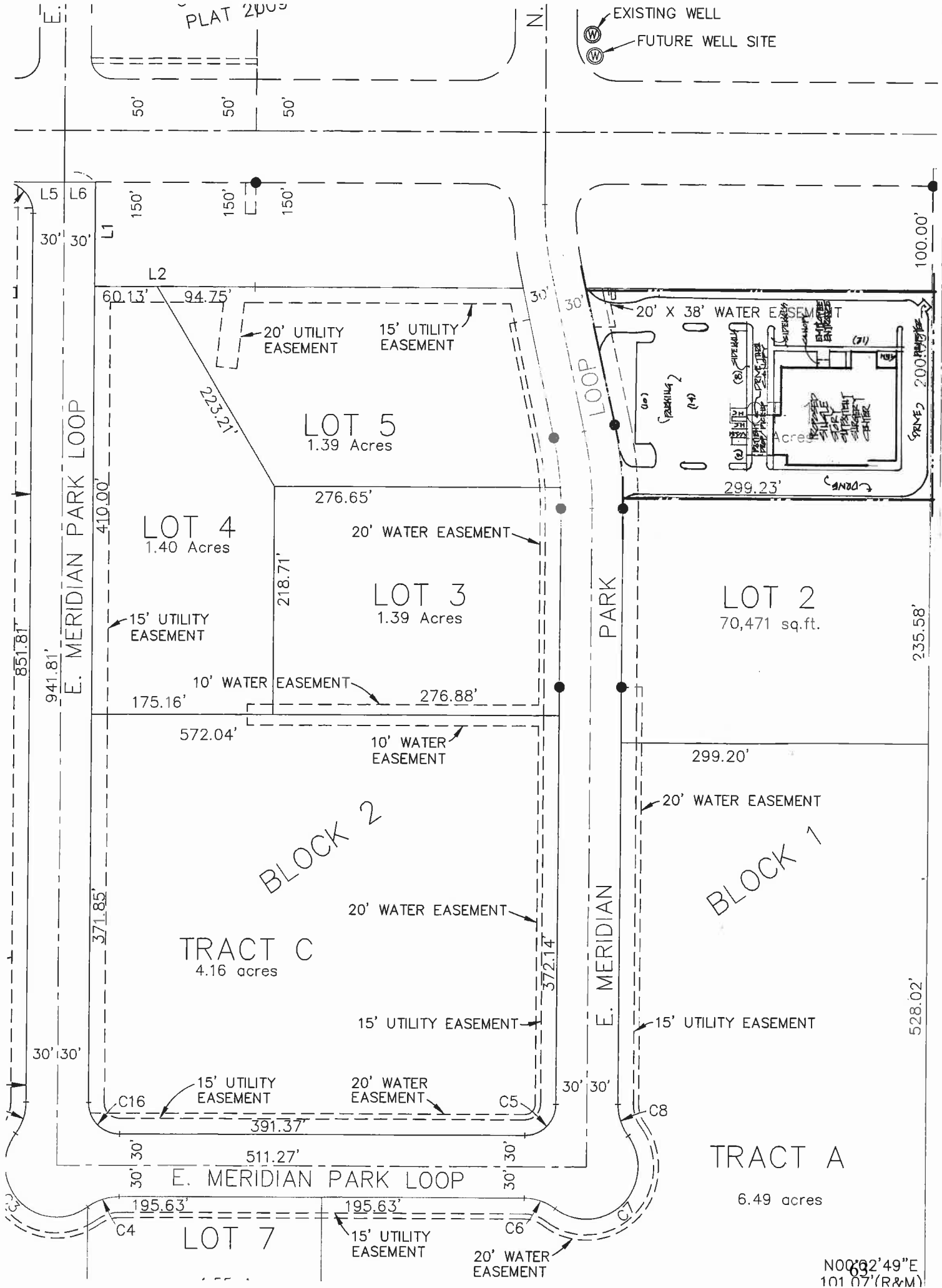
Education, Experience, and Licensure:

Bachelor's degree in related field and 5 years related experience required. Basic accounting procedures with some accounting background in a medically-related environment, Supervisory experience, extensive experience in accounts receivable and accounts payable. Medical terminology knowledge required. Computer experience, Excel, Word, Medical Billing Software and Applications. Good communication skills and phone etiquette.

Exhibit 6
Diagrammatic Plan

EXISTING WELL

FUTURE WELL SITE



N00°02'49"E
101°07'(R&M)

Exhibit 7
Zoning Information

HOWDIE^{INC}

GENERAL CONTRACTOR

4237 E. Meridian Loop
Wasilla, AK 99654
Phone: (907) 376-4711 Fax: (907) 373-6773

Mat-Su Valley Surgery Center, LLC
C/O Surgical Care Affiliates
3000 Riverchase Galleria, Suite 500
Birmingham, AL 35244
Attn. Wayne Carr.

RE: Construction permitting and approvals

Wayne,

My firm is based in the Matanuska Susitna Borough and primarily operates in its jurisdiction. We have developed the medical park that your proposed facility would reside near and are currently in the planning stage of the last building in phase 1 for construction to commence this Spring.

Please let this letter serve as confirmation that the Matanuska Susitna Borough does not have any zoning requirements nor land use permit process.

Also the proposed location's protective covenants allow your proposed use.

The only requirement for the project will be a life safety review by the Central Mat-Su Fire Marshall's office.

Regards,



Todd Nugent
President

Exhibit 8
Building Construction Description

MAT-SU VALLEY SURGERY CENTER

ARCHITECTURAL CONCEPT NARRATIVE

JANUARY 28, 2013

General

The proposed project is for an ambulatory surgery Center of approximately 11,000 square feet located in Wasilla, Alaska. The facility is planned to provide a suite consisting of two Class-C operating rooms, one Endo procedure room and all supporting and ancillary spaces, including; pre-op, PACU, sterile processing, and public and employee facilities.

The structure is to be designed and constructed with considerations for local climatic conditions and to offer a long-lasting, weather-tight and inviting medical facility. One story, steel frame, Type II A construction is proposed.

Site Development Considerations

The site is approximately 1.4 acres in area, located off Meridian Park Loop in Wasilla, Alaska. The surrounding neighborhood contains a mix of medical offices and small retail businesses and residential. The site is bounded by the developed East Meridian Park Loop road to the north with main vehicular thoroughfare traffic coming from Seward Meridian Parkway immediately to the east.

The site related components of this project include the new surgery center, paved parking, access driveways, landscaping, and utility connections. Prior to the start of ground disturbing activities, the contractor may be required to prepare a storm water pollution prevention plan to control erosion and sediment discharge during construction.

Site Grading

The proposed site and surrounding terrain are generally flat. The grading plan will be designed to provide positive drainage away from the building and across parking lots, driveways, walkways, and all areas of the site. Surface runoff from parking areas and driveways should be directed to grass lined swales at the perimeter of parking lots and driveways. The grass lined swales and detention basins will also trap sediments and reduce sediment discharge from the parking lots.

Driveway/Parking Structures

The parking lots and driveways will be surfaced with 2 inches of asphalt pavement and 2 inches of base course over a layer of gravel sub base. Parking lot lighting and handicap parking signs and stop signs will also be required.

Landscaping

Proposed landscape elements will recognize the character of the existing environment and the setting of the proposed facility on the site. All proposed trees and shrubs will be selected to thrive in the area and to meet requirements for screening, low maintenance, seasonal value, and aesthetics. Perennials and annual beds can be included to provide seasonal interest and color. Planting and fencing are proposed to screen the dumpster location.

The building entry plaza may include a seating area and covered canopy to the main door. For safety and convenience, a snow-melt system should be provided at the entry plaza and adjacent sidewalk. All sidewalks shall be designed to meet the Americans with Disabilities Act requirements. Lighted monument signage is proposed near the northeast corner of the site near the corner of E. Meridian Park Loop and Seward Meridian Parkway.

Access and Parking

Two primary access points will be developed off E. Meridian Park Loop. The parking lot is divided between the north and east sides of the site with a continuous driveway loop around the perimeter of the building. A total of 49 parking spaces are proposed. Accessible parking is located near the front entry drop-off area. Snow storage areas are anticipated at the east and south perimeter edges of the site.

Structural Design

The structural design shall meet the design requirements of the 2009 International Building Code (IBC) and local amendments. It is assumed that a geotechnical investigation will be performed prior to the beginning of the design to confirm underlying subsurface conditions and identify unknowns.

Foundation

This structure will be founded on conventional cast in place concrete footings. These footing will be embedded into prepared soil as recommended by the geotechnical report. Exterior and interior columns will be supported on isolated concrete footings and the exterior walls will be supported on a continuous wall footing and reinforced concrete stem wall. Continuous footings will likely occur between the lateral load resisting frame columns. The floor will be slab on grade over vapor retarder on a sand base.

Roof Framing

The roof framing will be constructed of steel deck, steel joists, steel beams and steel columns. The roof structure will be designed for all imposed loads including snow and snow drift as required in the 2009 IBC.

Lateral Resisting System

The lateral resisting system for this structure is anticipated to be constructed of steel frames. These frames may be braced frames or moment frames. Moment frames provide for the maximum degree of flexibility in the design of the interior spaces and exterior window layout. The building will be designed to meet the requirements of the 2009 IBC and AISC Seismic Provisions for Structural Steel Buildings. This structure may require an importance factor of 1.25 based on the facility use.

Exterior Construction

Roofs: Pitched roofs, while common for the area can develop a great deal of volume under the roof, which may not be useable. Furthermore, pitched roofs can dump a lot of snow and can be source of water infiltration from ice dams around penetrations and cold eaves. For these reasons we suggest an internally drained, low-slope (not flat) roof with a continuous parapet at the perimeter for the primary areas. Pitched roofs may be used to break up the scale and at specific locations. A low slope roof with a minimum pitch of 1/4" per foot or greater is recommended as an economical approach to retain snow on the surface and keep the perimeter clear from shedding snow. A low-slope can easily deal with snow-loads and better control water run-off through internal heat-traced drains. A low-slope roof offers a compact form and energy efficient enclosure under the roof area.

The proposed roof assembly would use conventional metal deck over the steel frame, with field applied vapor retarder, foam insulation (either polyisocyanurate, XPS or high density EPS insulation) and a proven membrane such as a fully adhered EPDM. An advantage of this system is the rigid foam offers a high R-value, and with multiple staggered layers, reduces the chance of gaps and thermal leakage at panel joints. We recommend a high level of insulation, at least R 50 as a minimum. This requires roughly 12" of foam (assuming an R-factor around 4 per inch).

The underside of the roof assembly will be treated depending on the use below and the nature of the assembly. In service spaces this may be simply finished and painted. Other areas will have a combination of hard drywall lids or dropped ceilings as described in the section on interior materials and finishes.

Exterior Walls: The exterior wall assembly is proposed to consist of exterior finish material (see paragraph below), an air barrier, 8" nominal structural insulated panels (R-30), vapor retarder, thermal barrier sheathing, steel studs, and painted gypsum wallboard. The sub-arctic climate and the demands of a humidified building means a major emphasis must be placed on continuity of the vapor retarder. Essentially this system consists of a double wall where the exterior skin and insulation components are outboard of the vapor retarder allowing for a homogeneous, sealed assembly. The assembly inboard of the vapor retarder (thermal barrier, steel studs and interior drywall) allows for service items (such as conduit, communications, med gas, etc.) be routed in the exterior wall without creating any penetrations through the vapor retarder.

There are a number of possible choices for the materials and assemblies that will make up the exterior envelope. To evaluate these, it is helpful to establish a list of criteria that will guide the selection. Each possibility can be weighed against these criteria so that informed decisions will result. Some criteria are mandatory, such as the materials and assemblies must be allowable under applicable code provisions. Most are judgment calls, covering goals such as:

- Energy efficient
- Good long term performance /durable materials that age gracefully
- Low maintenance
- Capable of erection in inclement weather
- Reasonable in-place first cost
- Supported regionally / maintainable
- Attractive

As the design progresses, budget constraints and/or procurement schedules will inform the selection of the most appropriate exterior finish material(s). It is possible that more than one exterior material may be utilized. One option could be as simple as painted fiber board (such as Hardi-Plank) that is consistent with the character of the surrounding area. Other possibilities include metal siding of a variety of types. This could include concealed-fastener, lap-seam metal wall panels, flat plate aluminum wall panels or foam filled metal sandwich panels. Another possibility is some form of tile applied over a cementitious board. These tiles can be stone, ceramic or masonry. We are not prepared to recommend conventional wood siding, traditional masonry or pre-cast concrete as we believe they would fail the tests in the criteria outlined above.

Storefronts, Entries and Window Systems

Double-glazed fiberglass windows, having a thermal transmittance (U-factor) of 0.29 Btu/sq. ft. x h x deg, are recommended for all exterior staff and office work areas. Glazing systems along the main areas occupied by the general public, including the main entry, waiting room and intake area are anticipated to be a thermally broken, high performance aluminum system, double glazed and utilizing warm edge spacers. It is recommended that all glazing be provided with low-e coating and argon fill.

Interior Construction

Interior walls and partitions will be constructed using standard metal studs typically used throughout. Ceilings will be typically suspended from the structure with materials and finishes determined by the requirements of the particular spaces and functions. Interior build-out shall be turn-key ready with equipment and furnishings in working order for operation and use. Contractor is to provide orientation and instruction for facilities maintenance and operation.

Finishes

Floor materials shall be readily cleanable and appropriate for the location. In all areas subject to frequent wet-cleaning methods, floor materials shall not be physically affected by germicidal cleaning solutions. Joint free heat welded vinyl floor shall be used in infection control areas such as clean and soiled holding, sterile processing, operating and procedure rooms. Patient areas are to receive glue down vinyl floor. Carpet tiles are proposed for offices and work stations. Wall bases in areas subject to routine wet cleaning shall be coved and tightly sealed such as rubber. In areas scheduled for heat welded vinyl floor, base will be an integral flash cove. Wall finishes shall be washable, and if near plumbing fixtures moisture resistant. Ceramic tile is to be used behind all toilets. Wall and floor openings for pipes, ducts and conduits shall be tightly sealed to resist fire and smoke and the entrance of pests. Joints around structural elements shall be tightly sealed. The finishes of all exposed ceilings and ceiling structures in patient and staff work areas shall be readily cleanable with routine housekeeping equipment. Cubicle curtains and draperies shall be non-combustible or fire retardant as proscribed in both the large and small scale tests proscribed in NFPA 701.

Exhibit 9
Floor Plan

