

**REVIEW OF FAIRBANKS MEMORIAL HOSPITAL DENALI  
CENTER CERTIFICATE OF NEED APPLICATION FOR  
EXPANSON OF CARDIAC REHABILITATION SERVICE**

**June 15, 2009**



**Sarah Palin  
Governor**

**William H. Hogan  
Commissioner**

**Jay C. Butler, M.D.  
Chief Medical Officer**

**State of Alaska/DHSS  
Division of Public Health  
Section of Health Planning and Systems Development  
Certificate of Need Program**

## TABLE OF CONTENTS

<b>BACKGROUND.....</b>	<b>2</b>
<b>PROJECT DESCRIPTION.....</b>	<b>2</b>
<b>REVIEW STANDARD</b>	
General Review Standards Applicable to All CON Applications	
#1 Documented Need .....	4
#2 Relationship to Plans.....	5
#3 Stakeholder Participation.....	5
#4 Alternatives Considered .....	6
#5 Impact on Existing System .....	6
#6 Accessibility .....	7
<b>FINANCIAL FEASIBILITY AND COST TO MEDICAID.....</b>	<b>7</b>
<b>SPECIFIC SERVICE STANDARDS AND METHODOLOGY .....</b>	<b>8</b>
<b>PUBLIC COMMENT SUMMARY .....</b>	<b>8</b>
<b>RECOMMENDATION .....</b>	<b>8</b>
<b>APPENDIX A: ESTIMATED COST TO MEDICAID – OFFICE OF RATE     REVIEW .....</b>	<b>9</b>
<b>APPENDIX B: CON DETERMINATION LETTER (9/8/08)     CONSTRUCTION OF PHYSICIAN OFFICES .....</b>	<b>11</b>

## **BACKGROUND**

Fairbanks Memorial Hospital (FMH) has been operating since 1972 at its current site and currently has a bed capacity of 152 beds. In 1992 Fairbanks Memorial Hospital merged with the Denali Center (FMH/DC) and in 1993 a new Denali Center began operation of a 90 bed skilled and intermediate care center attached by a common corridor.

FMH/DC is also co-located with the Chief Andrew Isaac Health Center which is operated by the Tanana Chiefs Conference (TCC), the area's regional tribal health provider. FMH/DC and TCC have a twenty year lease (signed in 1994) for their current space.

Bassett Army Community Hospital, located at Fort Wainwright, also operates in the Fairbanks area for military beneficiaries. Physicians at Bassett may apply for privileges at FMH/DC.

The Greater Fairbanks Community Hospital Foundation, Inc. owns the facility and a 25 member Board of Directors provides oversight. The FMH/DC is operated by Banner Health, Inc., a not for profit corporation. As a community owned and operated facility, services are provided regardless of ability to pay, or cultural or socioeconomic background.

FMH/DC is identified as the only non-federal acute care facility in the Interior Region Census Area. Approximately 105,000 persons reside in the area with the majority living within the Fairbanks North Star Borough.

In December 2007 a Certificate of Need was granted to allow FMH/DC to provide cardiac catheterization services. There are currently three cardiologists on staff of the hospital.

The hospital has no other construction projects in progress at this time.

## **PROJECT DESCRIPTION**

This Certificate of Need application is to relocate and expand the hospital's cardiac rehabilitation area to better meet the current and anticipated future demand for services.

Construction will be done in conjunction with a planned physician office relocation and expansion in the facility. The physician office project is not subject to Certificate of Need review as determined by the Department on September 8, 2008.<sup>1</sup>

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<sup>1</sup> Appendix B

This review will address only the area and costs associated with the relocation and expansion of the cardiac rehabilitation service.

Currently, the cardiac rehabilitation is in an 800 square foot area. This project will relocate and expand the area to approximately 2,900 square feet. Current exercise equipment will be relocated and five additional pieces will be purchased. The expanded space will also allow for a dedicated education room, a private intake and consultation room, patient changing area, and patient dedicated bathroom.

All current services will remain operational throughout construction and it is not expected to disrupt any other hospital services.

Estimated cost of this project is \$2,213,425 including construction, architecture, engineering fees, relocation expenses and capital equipment. It will be financed by the Greater Fairbanks Community Hospital Foundation.

Construction is planned to be completed by June 2010.

This proposal does not add bed capacity or add any new services for the facility. Because of this fact, service specific standards and methodologies were not used in the review of this application.



## REVIEW STANDARDS

### General Review Standards Applicable to All CON Applications

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

The application outlined the needs that would be met as a result of this project:

1. The need to treat more cardiac patients in the community:

The applicant documented the number of patients in the rehabilitation program has increased by over 400 patients in the last 4 years. In 2008 there were 2,642 patients using the service. It is projected that there will continue to be a steady increase of approximately 200-300 patients requiring service over the next 6 years.<sup>2</sup> Also discussed was the fact that the three cardiologists on staff at FMH/DC performed 472 percutaneous cardiac interventions in the past 12 months (which was more than anticipated) and 54 patients were referred for cardiac bypass surgery during the same time period.<sup>3</sup> The expansion will allow more patients to participate in a cardiac rehabilitation program that can accommodate the number of patients needing the service, at a time that is convenient for the patient, and at a time that allows for travel to the facility.

2. The need to better serve the cardiac rehabilitation needs of patients :

Following cardiac intervention it is important that each patient participate in a structured rehabilitation program to promote healing and prevent complications. The rehabilitation program is designed for 150 visits per patient per year (3 days/week, 50 weeks/year).<sup>4</sup> The current space has hampered patients' ability to comply with their treatment plan due to constraints on space and equipment.

3. The need to accommodate private consultation and patient education areas:

The expansion of the rehabilitation area will allow for a consultation room to ensure patient privacy and an education room for classes, etc. Currently both of these functions are completed in the middle of the rehabilitation area with no privacy and patients exercising on equipment.

This standard is met. The applicant documented need for services and current barriers to care.

<sup>2</sup> Fairbanks Memorial Hospital Denali Center Certificate of Need Application February 2009, pg 35

<sup>3</sup> Fairbanks Memorial Hospital Denali Center presentation during the public hearing 5/18/09.

<sup>4</sup> Fairbanks Memorial Hospital Denali Center Certificate of Need Application February 2009, pg 39

***General Review Standard #2 – Relationship to Applicable Plans:*** *The applicant demonstrates that the project, including the applicant's long-range development plans, augments and integrates with relevant community, regional, state, and federal health planning, and incorporates or reflects evidence-based planning and service delivery. A demonstration under this standard should show that the applicant has checked with the department regarding any relevant state plan, with appropriate federal agencies for relevant federal plans, and with appropriate communities regarding community or regional plans.*

There are no state plans that specifically address the community need for cardiac rehabilitation services, but, this application does address the State Health Plan goal of reducing barriers to accessing services.

The applicant does demonstrate that the proposed project is consistent with the goals and long-term planning of FMH/DC. The organization's Long Range Plan and Master Site and Facility Plan, which were last updated in July 2006 and approved by the Board of Directors, address the need to expand cardiology services.<sup>5</sup>

This standard is not applicable as there are no appropriate plans pertaining to this project.

The applicant does however address the fact that this project is addressed in the facility's strategic planning.

***General Review Standard #3 – Stakeholder Participation:*** *The applicant demonstrates evidence of stakeholder participation in planning for the project and in the design and execution of services.*

Planning and stakeholder participation of this project was detailed in the application. Local physicians and patients were consulted and reviewed expansion plans and the project architect formally involved patients and family members in their planning process. These are evidenced in letters of support attached to the application. In addition, the Greater Fairbanks Community Hospital Foundation which provides community oversight of FMH/DC has been involved in the planning, design, and funding of the project.

This review standard is met because community, physician, and patient stakeholders were involved in the design of the project.

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<sup>5</sup>Fairbanks Memorial Hospital Denali Center Certificate of Need Application February 2009, pg 28



***General Review Standard #4 – Alternatives Considered: The applicant demonstrates that they have assessed alternative methods of providing the proposed services and demonstrates that the proposed services are the most suitable approach.***

The applicant explored three alternatives for the current project:

1. Do nothing: It was determined that this was not an acceptable alternative as the current space is not adequate to accommodate the anticipated increase in need for cardiac rehabilitation services. The current location limited the range of equipment and exercise options available for patients.
2. Expand the program in its current location: This alternative consisted of renovating space to create additional exercise and support areas. This was determined to be unacceptable as the expansion would only allow for a total area of 1,952 square feet which would soon be inadequate to meet the increase need for service.
3. Relocate and expand the program by constructing new space adjacent to the existing Cardiology Offices and Cardiac Catheterization laboratory: This was determined to be the most advantageous as it would allow for enough space for the equipment, education classroom and private consultation area. In addition to allowing the current program and other hospital services to operate with minimal disruption during the construction phase.

This review standard is met as alternatives were discussed and documented by the applicant.

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

Currently, there are no similar facilities for cardiac rehabilitation within the interior region of Alaska.

The anticipated impact on the regional and statewide system is that local residents can receive routine and regular services without traveling out of the region or deciding to not participate in the rehabilitation program at all.

It is anticipated that the expansion of the program will encourage greater compliance and a higher level of patient and family participation in the rehabilitation process.

This review standard is met.

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

The proposed project would be located on the hospital campus adjacent to the cardiology offices and the cardiac catheterization laboratory with full access to all the services offered by the hospital such as inpatient services, emergency services, radiology, and laboratory.

Travel time for most of FMH/DC's primary service area patients is approximately 45 minutes by private vehicle, which is the primary mode of access. Local residents may be able access to the hospital on the local bus system (which is only available in certain areas), community van pools (which are privately run), and Van Tran (a Borough transportation program for the elderly and disabled).

Access via air or boat transport may range from one hour to several days from the outlying areas of Interior Alaska.

This review standard is met however, while, the majority of patients reside in the community of Fairbanks, it can prove difficult for patients to access this service on a routine and regular basis from the outlying areas. The applicant does acknowledge this fact.

#### **FINANCIAL FEASIBILITY AND COST TO MEDICAID**

Review of the application by the Department's Office of Rate Review indicates the total cost to Medicaid will be minimal as the majority of the services will be to outpatients. There will be only a slight increase (\$5,206 annually) in operating costs which will affect the Medicaid rate after 2012 when the facility will be rebased using 2010 as a base year. The majority of the estimated impact to Medicaid will be due to increased utilization of the service.

It is anticipated that this project will increase Medicaid costs from \$9,072 in 2010 to \$24,691 in 2014.

The project appears to be financially feasible.

A complete analysis from the Office of Rate Review is in Appendix A of this report.



### **SERVICE SPECIFIC STANDARDS AND METHODOLOGY**

This application for relocation and expansion of the cardiac rehabilitation unit does not increase bed capacity or add any services to the facility. Because of this fact, service specific standards and methodologies were not used in the review of this application.

### **PUBLIC COMMENT SUMMARY**

A written public comment period was held from April 14, 2009 to May 14, 2009. A public meeting was held in Fairbanks on May 18, 2009. Seven Fairbanks Memorial Hospital employees and board members attended and none spoke in opposition to the project. No members of the public attended. 40 letters in support for the project were attached to the application from various local physicians, patients, medical facilities, and local businesses. No other written comments were received.

### **RECOMMENDATION**

It is recommended that Fairbanks Regional Hospital be granted a Certificate of Need for relocation and expansion, to 2,900 square feet, of the cardiac rehabilitation unit. The total cost of the project is \$2,213,425. The completion date is June 30, 2010.

## **APPENDIX A**

### **ESTIMATED COST TO MEDICAID OFFICE OF RATE REVIEW**

# STATE OF ALASKA

SARAH PALIN, GOVERNOR

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

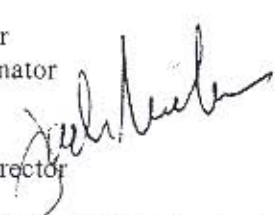
## DEPT. OF HEALTH AND SOCIAL SERVICES

### OFFICE OF RATE REVIEW

#### MEMORANDUM

**Date:** June 12, 2009

**To:** Karen Lawfer  
CON Coordinator

**From:** Jack Nielson  
Executive Director 

**Subject:** Certificate of Need (CON) Review for Fairbanks Memorial Hospital Expansion of Cardiac Rehabilitation Service

Fairbanks Memorial Hospital, which is operated by Banner Health, is a combined facility that offers acute care, long-term care and home health agency services located in Fairbanks, Alaska. The facility is proposing to expand its Cardiac Rehabilitation service area. Total cost of the project is estimated at \$2,213,425 which relates to construction of additional space, remodel of existing space, and purchases of furniture and equipment. The request for the CON amount is for \$2,188,425 should be corrected to the above amount as the total cost of the project on page 56 of the application appears miscalculated.

Banner Health will rent the newly constructed and remodeled area from the Greater Fairbanks Community Hospital Foundation who will finance the project. As the amount of the projected increased rent expense, utilities, supplies and property insurance is minimal, the cost to the program based upon the provider's estimated cost projections is extremely low. In addition, the facility does not believe additional staffing will be necessary.

The increased cost to the facility will not impact the Medicaid rate until 2012 when the facility will be rebased using 2010 as a base year. Because the project is below the \$5M threshold, cost of the project will not affect the current Medicaid rate. There will be minimal impact to the program starting in 2010 because of increased Medicaid utilization.

A review of the description of the services to be provided shows that the majority of the services will be to outpatients. The impact to the program is estimated to be as follows:

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Increase Due to Operating Costs			\$5,206	\$5,206	\$5,206
Increase Due to Utilization	<u>\$9,072</u>	<u>\$12,247</u>	<u>\$14,402</u>	<u>\$16,562</u>	<u>\$19,485</u>
Estimated Impact to Medicaid Program	<u>\$9,072</u>	<u>\$12,247</u>	<u>\$19,608</u>	<u>\$21,768</u>	<u>\$24,691</u>

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



## **APPENDIX B**

### **CON DETERMINATION LETTER CONSTRUCTION OF PHYSICIAN OFFICES**

SARAH PALIN, GOVERNOR

DEPT. OF HEALTH AND SOCIAL SERVICES  
OFFICE OF THE COMMISSIONER

P.O. BOX 110601  
JUNEAU, ALASKA 99811-0601  
PHONE: (907) 465-3030  
FAX: (907) 465-3068

September 8, 2008

**Certified, Return Receipt Requested**

Mike Powers, CEO  
Fairbanks Memorial Hospital  
1650 Cowles Street  
Fairbanks, Alaska 99701-5998

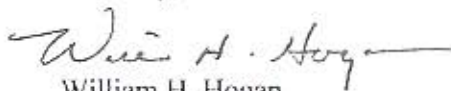
Dear Mr. Powers 

On August 19, the CON program received a letter requesting a determination as to whether Fairbanks Memorial Hospital/Denali Center was required to submit a Certificate of Need application for relocating and expanding the existing cardiology office practice from an off-site location to the hospital campus. The project would consist of renovation of 4,728 square feet of space at a cost of \$2.1 million. The project will not require a Certificate of Need for the following reasons:

- Under AS 18.07.111(8)(B) projects that are the offices of private physicians or dentists whether in individual or group practice are not subject to CON requirements;
- This project is similar to the construction of a medical office building attached to a hospital which has not required a certificate of need application in the past;<sup>1</sup>
- The physicians' group currently operating the Cardiology Clinic will continue to operate as a physician office with its own tax ID number, group NPI number for claims, Federal Medicare, Medicaid, and Tricare provider numbers, and payer contracts that are all separate from and unconnected to the hospital; and
- No major equipment will be purchased or new services started that would require a certificate of need if developed at another location outside of a hospital.

Under 7 AAC 07.033, if you are dissatisfied with my decision regarding this CON determination, you may request reconsideration if a written request is submitted to me and postmarked no later than 30 days after the public notice.

Sincerely,

  
William H. Hogan  
Commissioner

cc: Jack Nielson, Executive Director, Office of Rate Review  
Jane Urbanovsky, Administrator, Health Facilities Certification and Licensing  
David Pierce, Certificate of Need Coordinator  
Stacie Kraly, Assistant Attorney General

<sup>1</sup> Examples include medical office buildings connected to Alaska Regional Hospital, Providence Alaska Medical Center, Mat-Su Regional Medical Center, and Providence Valdez Hospital.