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of **ALASKA**
GOVERNOR MIKE DUNLEAVY

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February 16, 2026

James Bunch, Interim Chief Executive Officer
Mat-Su Regional Medical Center
2500 S. Woodworth Loop
Palmer, Alaska 99645
Via email: j.bunch@msrhc.com

RE: *Certificate of Need Decision – Mat-Su Regional Medical Center Behavioral Health Center Project*

Dear Mr. Bunch,

After careful review of Mat-Su Regional Medical Center's (MSRMC) Certificate of Need (CON) application, initially submitted on July 9, 2025, for the construction of a freestanding Behavioral Health Center and the expansion and reconfiguration of inpatient psychiatric services, including the establishment of adolescent inpatient psychiatric services, the Department of Health (DOH) approves the application. This decision has been made in accordance with AS 18.07, 7 AAC 07, and the Alaska CON Review Standards and Methodologies.

After considering the DOH's records, including the application under review; the CON Program's analysis and recommendations submitted under 7 AAC 07.060; public comments received under 7 AAC 07.052; the applicable provisions of AS 18.07 and 7 AAC 07; and relevant health planning documents on file with the DOH, I have determined that the proposed Behavioral Health Center Project satisfies the applicable review standards. Therefore, I am hereby granting a CON for the MSRMC Behavioral Health Center Project with the following specifications, pursuant to 7 AAC 07.070(a):

1. **Maximum Expenditure:** The total expenditure for the proposed project shall not exceed \$72,500,000.
2. **Bed Capacity:** MSRMC is approved to relocate sixteen (16) existing licensed acute inpatient psychiatric treatment beds and to add twenty-nine (29) new acute inpatient psychiatric treatment beds, for a total of forty-five (45) licensed acute inpatient psychiatric treatment beds to be operated within the Behavioral Health Center following completion of the project.

3. **Approved Capacity of Other Services:** This project will increase the capacity of acute inpatient psychiatric treatment services but will have no impact on the availability or approved capacity of other general acute care hospital services provided by MSRMC.
4. **Completion Date:** MSRMC anticipates that the Behavioral Health Center will be completed and services operational on or before June 2028.
5. **Condition of Approval:** MSRMC shall incorporate design features within all acute inpatient psychiatric treatment rooms of the Behavioral Health Center that preserve MSRMC's ability to convert rooms to single or shared occupancy use, and between adolescent and adult use based on demonstrated need, consistent with applicable standards of care and regulatory requirements.

The CON statutes, regulations, and review standards evaluate inpatient psychiatric beds as a single service category and do not distinguish between adult and adolescent services for CON purposes. Similarly, the health facilities licensing framework does not differentiate between adult and adolescent inpatient psychiatric beds for purposes of hospital licensure. This CON authorizes MSRMC to operate inpatient psychiatric beds that may serve both adult and adolescent patients within a single service category but does not establish separate CON-recognized services or fixed allocations of beds by age group or room configuration.

With respect to the Acute Inpatient Psychiatric Treatment Service-Specific Review Standards, including standards relying on historical occupancy and utilization rates, I agree with the CON Program's recommendation that Service-Specific Review Standard #2 cannot be meaningfully applied to this project under the specific and exceptional circumstances presented in the record. MSRMC is currently approved to operate sixteen licensed inpatient psychiatric beds that are used for adults. No adolescent inpatient psychiatric services are currently operated in the Mat-Su Borough, and no historical utilization or occupancy data exists from which to evaluate compliance with the 80 percent occupancy threshold for this service type.

The absence of currently operated adolescent inpatient psychiatric services reflects a demonstrated service gap within the region rather than a regulatory limitation. Relevant health planning documents on file with the DOH, including the United States Department of Justice's December 15, 2022 findings as well as the Behavioral Health Roadmap for Alaska report describing extraordinary circumstances affecting access to adolescent psychiatric care. The record shows that unmet need exists for adolescent inpatient psychiatric care in the Mat-Su Borough notwithstanding MSRMC's existing licensed authority, and that this unmet need is not captured by occupancy measures based solely on beds approved to operate rather than beds actually operated. In addition, the CON Program considered operational constraints affecting MSRMC's existing adult inpatient psychiatric unit, where reliance on semi-private rooms and patient acuity frequently require single-occupancy placement, reducing usable bed capacity and limiting the relevance of numerical occupancy calculated against licensed beds.

Based on these exceptional and project-specific circumstances, I find that strict application of Service-Specific Review Standard #2 would not accurately reflect demonstrated regional need or improve access to inpatient psychiatric services in the Mat-Su Borough. Accordingly, pursuant to the Commissioner's authority under 7 AAC 07.025(b) to waive review standards when meeting the standard would cause a reduction in the availability, quality, or accessibility of services to the consumer in the service area. Service-Specific Review Standard


#2 is waived for this project only. This waiver is based on the particular factual circumstances reflected in the record and does not establish a presumption or precedent that the standard will be waived in other applications.

The Commissioner imposed the above condition to ensure that the inpatient psychiatric bed capacity approved through this Certificate of Need remains operationally available in practice and adaptable to patient acuity and service demand over time. Requiring design flexibility at the time of construction helps avoid future reductions in effective bed availability, minimizes the likelihood of costly retrofits, and supports the long-term functionality of the Behavioral Health Center.

Approval of this CON does not imply any guarantee of federal, state, or private funding, including Medicaid reimbursement, and does not imply any guarantee of profitability. This CON is valid only through the project completion date identified above, unless extended in accordance with 7 AAC 07.095.

If you are dissatisfied with this decision, you may appeal by requesting an administrative hearing in accordance with 7 AAC 07.080. A request for an administrative hearing must be received in writing by the DOH no later than 30 days after publication of notice of this decision.

Sincerely,



Heidi Hedberg
Commissioner

CC: Emily Ricci, Deputy Commissioner, emily.ricci@alaska.gov
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