



MEMORANDUM

To: Alexandria Hicks
Certificate of Need Coordinator

From: Christine Goetz
Audit & Review Analyst III *CG*

Date: July 23, 2024

Subject: Alaska Regional Hospital HBED Certificate of Need Staff Analysis

Alaska Regional Hospital, located in Anchorage, Alaska, is requesting a Certificate of Need (CON) for a Hospital Based Emergency Department (HBED) in South Anchorage. The facility's purpose is to offer hospital-level care for conditions most seen in emergency rooms and will be capable of receiving ambulance traffic and providing pediatric, OB/GYN, isolation, bariatric, secure holding, and trauma care. In addition to square footage and new beds, the project will have the following on site: CT Scanner, diagnostic X-ray, Ultrasound, Cardiac Monitoring, Portable X-ray, and a Portable C-arm X-ray. The HSED will also be equipped with Tele-Stroke capabilities connected to Alaska Regional, the State of Alaska's only accredited Comprehensive Stroke Center. Upon project completion, Alaska Regional's HSED will have twelve (12) treatment rooms and will be open to the public 24/7.

Using Alaska Regional Hospital's 2017, 2018, and 2019 pre-pandemic volumes and 2021 and 2022 post-pandemic volumes, patient visits per room averaged about 1,800 patients per room. Based off this knowledge and the 2023 estimated average of patients per day, Alaska Regional Hospital would need 12 additional general treatment rooms to meet the CON methodology standard of 1,500 visits per ED room.

The costs are projected to be \$17,621,000. The project will be 100% funded from existing HCA reserves. The facility estimates the HSED will be operational for patient care by January 1, 2025, and anticipates to immediately utilize all 12 beds.

The services provided through this project are on an outpatient basis only. CON rate add-ons are calculated for inpatient services and long-term care services. Outpatient rates are paid as a percentage of charges and facilities are immediately reimbursed for cost. Therefore, no CON add-on adjustment is necessary.

The total projection of Medicaid program costs from the January 1, 2026, implementation and the following full three State Fiscal years of operations is \$9,967,900 as outlined below. The first year is a partial State Fiscal year.

Alaska Regional Hospital Based Emergency Department (HBED)

	<u>2026</u>	<u>2027</u>	<u>2028</u>
Net Emergency Department (ED) Revenue Per Visit*	\$ 1,973	\$ 2,450	\$ 2,931
HSED Expansion Visit Threshold&	7,500	7,500	7,500
Estimated HBED Visit Threshold Revenue	\$ 14,797,500	\$ 18,375,000	\$ 21,982,500
Ancillary HBED Revenue^	\$ 13,583,000	\$ 15,027,000	\$ 16,611,000
Total Estimated HBED Revenue	\$ 28,380,500	\$ 33,402,000	\$ 38,593,500
Medicaid Utilization@	33.00%	33.00%	33.00%
HBED Medicaid Revenues	\$ 9,365,565	\$ 11,022,660	\$ 12,735,855
Outpatient Medicaid Payment Rate#	8.37%	8.37%	8.37%
HSED Total Cost to Medicaid Program	\$ 783,897.79	\$ 922,596.64	\$ 1,065,991.06

* Data provided in CON application 70/171

& 5 beds * 1,500 CON standard of visits per ED room

^ Data provided in CON application 72/171

@ Medicaid Utilization taken from CON application 75/171

Payment rates for FY 2026-2028 are estimated based on the facility's 2024 outpatient % of charges

Please note, all calculations in this memorandum are estimates only and are based on the assumptions set forth in the CON application. The Department is not bound by these estimates or assumptions. Also, please note 7 AAC 07.070(i):

Approval of a certificate of need does not imply any guarantee of federal, state, or private money, including Medicaid payments or grant awards, and does not imply any guarantee of profitability.

Should you have any questions please contact Christine Goetz at 907-334-2476.