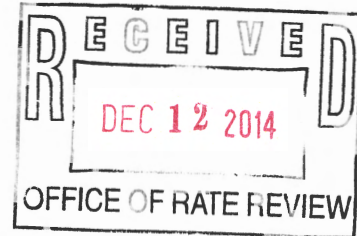


December 11, 2014

Alexandria Hicks, DHSS, Division of Healthcare Services, Coordinator
3601 C Street, Suite 978
Anchorage, Alaska 99503-5924

Dear: Mrs. Hicks

Re: CON Determination Request in accordance with 7 AAC07.031



Thank you in advance for considering this CON Determination Request for the North Star Behavioral Health System (NSBHS) satellite acute unit located at 1650 S. Bragaw and 1500 DeBarr Circle; which would be viewed in total for purposes of determination. North Star Behavioral Health has been meeting the acute and residential behavioral health needs of Alaska since 1984. We continue to be the largest provider for these services in the state currently specializing in care for children and adolescents. In an effort to continue our work towards meeting the needs of Alaska, we have completed community needs assessment on adult mental health and dual diagnosis / substance abuse and dependence needs. North Star is proposing a 36 bed adult acute hospital with two distinct units, both being military programs, one for dual diagnosis substance abuse / dependence and one mental health / trauma. The units would be able to take clients from the general population as well, despite this focus, as required by CMS.

The Bragaw facility (a stand-alone facility located at 1650 S. Bragaw) is currently licensed for 36 acute psychiatric hospital beds, which are utilized for adolescent behavioral health treatment. Under the present bed compliment, the patient bedrooms have between two (2) and four (4) patients each, and range between 354-400 square feet for a four (4) person room, and 214-227 square feet for a two (2) person bedroom. Per the Guidelines for Design and Construction of Health Care Facilities, this is allowable for pediatric, but not for adult patient rooms. We sought and were granted a variance to allow adult patients to utilize the current room arrangements, and assign up to four (4) patients for eight (8) of the patient rooms, and two (2) patients each in the remaining two bedrooms. As noted in the Exhibit I, the variance was granted.

Description of Community Need:

North Star Behavioral Health has an opportunity to work towards improving the lack of services in the adult inpatient level of care, particularly with the military. Alaska has the highest percentage of veterans, more than any other state, 17%, and many face mental health problems and substance abuse directly related to their military experiences. There are 77 thousand veterans, 25 thousand active service members and 49 thousand family members in Alaska (Army, Air Force and Coast Guard). According to Army OneSource, 20% of deployed military will meet criteria for PTSD. Unfortunately, many active duty members and veterans are sent out of state for mental health or substance abuse treatment because of the lack of services. A subset of service members are sent to Providence or the State Hospital, API, which requires court commitment and are short term length of stays aimed at crisis management. Certainly, using court commitment for mental health care is not preferred for our soldiers and treatment durations for severe mental health conditions and substance abuse treatment show greater outcomes with intense treatment options. The military primarily sends those in need of substance abuse /dependence care to the lower forty eight and would like to make care available closer to families and have options that reduce their cost of transportation for soldiers needing care. In fact, bases are

now mandated to seek the closest available care to meet the service member's needs. The cost to the Alaska bases exceeds three hundred thousand dollars (300k) in transportation costs annually. Transportation costs are for accompanying soldiers and the flights that are costs to the individual bases to which the soldier is assigned. These costs would be recouped by the base and allow care to occur closer to family members.

At present, the two Anchorage bases Fort Richardson and Elmendorf, each have gathered data indicating an annual history of forty-five (45) service members requiring substance abuse / dependence programs and forty-five (45) needing trauma treatment, for which they primarily use thirty (30) day programs. Assuming ninety (90) admissions from each base in total, this would be one hundred and eighty (180) service members. The Fairbanks and northern bases (Eielson, Greely, Wainwright) average around sixty (60) referrals from both bases combined. The VA (Veteran's Administration Facility) does not have acute beds and contracts with those in Alaska, using the two facilities mentioned. The VA provided historic and current trends and average approximately seventy (70) admissions per year and six (6) re-admissions for the last three (3) years. In addition to the Alaska bases, the local bases are inquiring with the Pacific Rim military bases indicating that they would likely use a facility here rather than fly past Alaska to the lower forty-eight. Based on current volume, two hundred and fifty-five (255) admissions per year (excluding Pacific Rim utilization) would appear to be reasonable per year. Based on thirty (30) day length of stay projections, an average ADC of twenty one (21) is projected. These numbers would vary during the year based on deployments, creating larger need in some months and lower in others. As indicated these reflect military needs above.

On non-military personnel issues, our state continues to have twice the national average for suicide rates and three times the national average for suicides among Alaska Native groups. We are also in the top ten in the nation for "non-fatal suicide attempts requiring hospitalization for at least 24 hours." Suicide is the second leading cause of death in Alaska according to the Moving Forward, Comprehensive Integrated Health Plan 2011 and Healthy Alaskans 2020. Rates of suicide and sexual abuse remain high in the state and in the top seven health concerns. Alaska is in the top 10% for quantity "per capita" in alcohol sales as well as the prevalence of persons determined to be alcohol dependent." Alaska has an alcohol dependence rate of twice the national average, 14% vs. 7%. In addition, our rate of alcohol-related deaths has stayed 2.5 times higher than the national rate since 2000 and ranks in the top ten in the nation for number of people identified as "heavy drinkers." The combination of substance abuse and mental health needs with this population creates a significant need.

There are currently 135 inpatient beds throughout the state able to treat the psychiatric general adult population. Some of these beds are meant for specialized treatment such as a 10 bed forensic unit and a 10 bed long term unit at Alaska Psychiatric Institute, and the one 8 bed sub-acute program at Providence. This leaves 107 acute beds in Alaska, 62 in Anchorage and 20 in Fairbanks, making up the bulk of these beds. The military uses out of state providers as they provide unique programming for military personnel and are familiar with distinct preferences inclusive of items such as paperwork requirements and formularies.

Alaska Psychiatric Institute (API) has a persistent waiting list for adults, which is well known and documented. We continue to hear from local providers whom are often frustrated trying to get patients into inpatient services, but the waitlist or bed availability become barriers. API, the largest provider in the state for adults, has gone from 1,173 admissions psychiatric and substance abuse in 2009 to 1,630 in 2012. The length of stay has decreased from 12 to 7 days in order to fulfill the needs for open beds. The readmission rate is 17% in 30 days. Regional admission trends are similar to North Star youth programs. Female admissions average 44%. The market estimate by payer outside of Tricare is an ADC of 3.5 in Medicare, 3.0 in PPO with an 11 day LOS on combined payer days.

Proposed Activity:

North Star Behavioral Health System is now seeking a CON Determination Request to return to adult services in the Bragaw building located at 1650 South Bragaw through a request for thirty-six (36) adult mental health and dual diagnosis mental health and substance / abuse dependence utilizing the bed waiver granted (see Exhibit I).

In order to achieve this, North Star would move the current thirty six (36) adolescent acute youth beds we currently operate to the 1500 DeBarr Circle facility location. Based on current admission trends we would request to move thirty (30) acute youth beds to the 1500 DeBarr Circle location. This building currently houses 40 level 5 residential beds and 20 level 6 residential beds and was built for acute standards anticipating such a purpose. The facility request would be to decrease the twenty (20) level 6 locked rate RTC beds to ten (10) and decrease the forty (40) level 5 residential beds to twenty (20); with the addition of the move of the thirty (30) acute youth beds, bringing the total to (60) sixty beds in the DeBarr Circle building.

The end result would be that thirty (30) acute youth beds and thirty (30) residential treatment beds (20) Level 5 and 10 Level (6), would reside in the 1500 DeBarr Circle building. The Department of Licensing has no issue in housing these populations in the same building so long as programming is distinct. Each program will continue with the distinct programs that are currently being utilized and have been accredited at this time, by the State of Alaska, Joint Commission and CMS through our deemed status.

Exhibit II outlines the current building bed capacities. Exhibit III outlines the proposed new services by bed allocation. A schematic has been attached of the actual building's floor plans to both Exhibits II & III.

As part of preparing this request, we believe that we have addressed any potential life safety issues, and feel that the current conditions do not present an imminent danger to the health, safety or welfare of our patients and will in fact, improve them. The specific features of this facility include the following:

1. All staff carry keys and proxy badges to enter and exit the building
2. Staff provide direct care services 24 hours a day, 7 days a week.
3. Patients are monitored continuously, which is documented every 15 minutes.
4. All patients are able to take their own measures for self-preservation.
5. The building is fully equipped with an approved automated sprinkler system.
6. Telephone and auto dialer system at the acute facility are fully functional during a power failure.
7. The exit doors are equipped with magnetic locks and are controlled by the fire alarm system
8. These exit doors are tested during monthly fire drills as well as inspected by the facility fire alarm system vendor

Estimate of Cost:

NSBHS has attached a certified estimate of cost, Exhibit IV (estimates from the vendors for products and work required to complete the project). The costs are allocated for plans that would involve changes to the buildings required to serve the populations outlined (i.e., furniture, motion detectors, moving or building walls, activity therapy equipment, etc...). Costs that are routine maintenance, such as paint and carpet, would be considered routine maintenance of an on-going program which resides in the building and needed through the normal course of business. While those costs are included for transparency, should not be included in the total cost cap calculation. Even so, the conversion would be well under the state cap requirements required for a CON. As noted, our projected costs associated with the changes requested would be \$609,692.80 and are outlined in Exhibit IV for Bragaw and Exhibit V for DeBarr RTC.

Timeline:

North Star BHS requests that the DeBarr Circle acute license be granted in phases such that we have some flexibility in appropriate clinical discharges during the reduction of the thirty (30) residential beds and to allow some flexibility in construction as to not interfere with the ability to accept acute youth clients. As the State is aware, the only other acute programs are Providence and API. Providence does not accept those with runaway histories or acting out, which is the majority of our population. Further, API is often full and thus would deny youth treatment access if we were not allowed to do so. NSBHS asks that these beds be fully converted no later than March 2nd (second); however, after approval be allowed to convert beds so long as adults are not in the same building as youth and acute and residential youth programs remain distinct. This would allow the Bragaw acute building to begin undergoing renovation required for adult services. The projected timeline of the full change in license would be April 1, 2015. This timeline takes into account the time necessary to have a smooth transition of current clients utilizing these services utilizing the above methodology. Additionally, the timeline includes items required to perform changes for program effectiveness.

As noted, this project is well under the 1.5 Million dollar threshold in total (as noted in Exhibit V), such that a CON would not be necessary. Further, given the NSBHS history of adult services and continued history of successful compliance we see no need for further review. If you should require additional information, please do not hesitate to contact me. I can be reached at 907 264-3550 or andrew.mayo@uhsinc.com.

Thank you for your consideration.

Sincerely,



Andrew Mayo, PhD, CEO
North Star Behavioral Health System