



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

Department of
Health and Social Services

OFFICE OF THE COMMISSIONER

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July 14, 2015

Dr. Richard Mandsager
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3200 Providence Drive
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Julie Taylor, CEO
Alaska Regional Hospital
2801 DeBarr Road, Anchorage, AK 99508
Julie.Taylor@hcahealthcare.com

Dear Dr. Mandsager and Ms. Taylor,

The Department of Health and Social Services (DHSS) finished its review of Providence Alaska Medical Center's (PAMC) proposed Emergency Department Expansion Project, and Alaska Regional Hospital's (ARH) proposed Establishment of Freestanding Emergency Departments Project. I agree with the Certificate of Need (CON) program's Staff Analysis that based on CON review standards and methodologies, there is capacity for at least thirteen additional emergency department treatment rooms in the Municipality of Anchorage service area.

As DHSS Commissioner, I find that PAMC's proposed project meets the applicable CON criteria in a manner that merits approval in part. This decision is based on PAMC's application meeting five of the six General Review Standards, and satisfying all but part of one service-specific review standard. I also find that ARH's proposed project meets the applicable CON criteria in a manner that merits denial in full. This decision is based on ARH's application not satisfying General Review Standard #1 and General Review Standard #2, and not meeting service-specific review standards #1 in full and #2 in part for Hospital Emergency Department Services.

I agree with the CON Staff Analysis that PAMC's proposed project better aligns with Alaska's health care system, will provide a more cost and service efficient setting for care than freestanding emergency departments, and it should enhance emergency care by valuing the importance of serving the pediatric population. I also agree with the concerns from the CON Staff Analysis about introducing freestanding emergency departments in the Alaska health care system. Such concerns include freestanding emergency departments being expensive settings for care that are inefficient due to their inability to provide trauma care and other critical emergency services. Most cases that would present at ARH's proposed freestanding emergency departments

could be handled in a less expensive, more appropriate setting for care like an urgent care clinic or physician's primary care office.

The CON Staff Analysis recommends that I approve PAMC for construction of ten emergency department treatment rooms. While I largely agree with the rationale for the recommendation, I find that PAMC should only be approved for eight emergency department treatment rooms, which leaves at least five rooms open for ARH, or another provider, to pursue through a model other than freestanding emergency departments.

I am only approving eight of the rooms requested by PAMC because while there is capacity for at least thirteen additional emergency department treatment rooms to meet the need of the population in the Municipality of Anchorage, PAMC's proposal on its own is not the best means of meeting that need.

Per 7 AAC 07.070(b)(7)(A), in granting or denying a CON, the Commissioner must consider "any other special or extraordinary circumstances related to . . . community access to health care[.]" I have no doubt that PAMC's proposal could meet the need of the service area. However, as Commissioner, I must consider how this CON decision will affect the entire health care system and the community's access to that health care system.

Based on this responsibility, I am concerned on the reliance for access that would be created if I were to approve more than eight rooms for PAMC. Put another way, I do not believe that the community's access to hospital emergency department services is best accomplished by relying on a single hospital (i.e. PAMC) to fully meet the capacity for these services for at least the next five years.

This decision is reasonable because based on service utilization, approving eight emergency department treatment rooms for PAMC will provide immediate relief to its operation while still providing flexibility to pursue care strategies, including pediatric emergency care. The CON Staff Analysis recommends approving another two rooms for PAMC so that it can "absorb modest growth over the next 5 years." *CON Staff Analysis* at 32.

One of the department's highest priorities is Medicaid and healthcare reform. This effort includes reducing emergency room visits through appropriate, more efficient and cost-effective care at the primary-care level. If these efforts are not enough to fully curb growth of hospital emergency department services, I find more benefit and certainty for community access to care by leaving the remaining capacity open so that there is opportunity over the next five years for another provider to diversify the access to those services.

Accordingly, under AS 18.07 and 7 AAC 07, PAMC is authorized to construct eight emergency department treatment rooms at its Anchorage, Alaska facility. The rooms can be dedicated to general or pediatric emergency department treatment services. This approval is contingent on my review and approval of a revised budget, timeline, and project modifications from PAMC that meet the limitations set forth above. The revised project budget cannot exceed the proposed project cost of \$12,853,311. The revised budget, timeline, and project modifications must be submitted to the department within 60 days of the date of this decision. The signed Certificate of

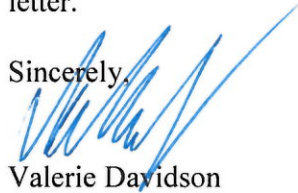
PAMC & ARH Certificate of Need
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Need will then be issued if and when I approve the revised budget, timeline, and modifications for the project.

Under AS 18.07 and 7 AAC 07, ARH's request to construct two freestanding emergency departments is denied in full.

If you are dissatisfied with this decision, you may appeal the decision by requesting an administrative hearing in accordance with 7 AAC 07.080. The request for an administrative hearing must be received in writing by the department no later than 30 days from the date of this letter.

Sincerely,



Valerie Davidson
Commissioner