STATE OF WASHINGTON
DEPARTMENT OF HEALTH

December 8, 2011

CERTIFIED MAIL # 7008 1300 0000 7202 9935

Trisha West, Dir. Strategic Planning
Evergreen Healthcare
12040 NE 128th St., MS-100
Kirkland, Washington 98034

Re: CN11-35

Dear Ms. West:

We have completed review of the Certificate of Need application submitted on behalf of King County Public Hospital District #1 dba Evergreen Hospital Medical Center proposing to expand the neonatal program. For the reasons stated in this evaluation, the application submitted by Evergreen Hospital Medical Center is consistent with applicable criteria of the Certificate of Need Program, provided it agrees to the following in its entirety.

Project Description:
Evergreen Hospital Medical Center is approved to reduce the hospital's ICN level II beds from 30 to 29, and add 6 NICU level III beds to the eight previously approved. The licensed capacity of the hospital will be increased to 280 total licensed beds.

Bed Classification	New Bed Count
General Medical Surgical	223
Acute Rehabilitation	14
ICN level II	29
NICU level III	14
Total	**280**

Conditions

1. Evergreen Healthcare/Evergreen Hospital Medical Center agrees with the project description above.
2. Evergreen Healthcare/Evergreen Hospital Medical Center will provide charity care in compliance with the charity care policies provided in this Certificate of Need application. Evergreen Hospital Medical Center will use reasonable efforts to provide charity care in an amount comparable to or exceeding the average amount of charity care provided by

hospitals in the King County Region. Currently, this amount is 1.42% for gross revenue and 2.51% for adjusted revenue. Evergreen Hospital Medical Center will maintain records documenting the amount of charity care it provides and demonstrating compliance with its charity care policies.

Approved Capital Costs:

The approved capital expenditure associated with this project is $378,228

You have two options, either accept or reject the above in its entirety. If you accept the above in its entirety, your application will be approved and a Certificate of Need sent to you. If you reject any provision of the above, you must identify that provision, and your application will be denied because approval would not be consistent with applicable Certificate of Need review criteria. Please notify the Department of Health within 20 days of the date of this letter whether you accept the above in its entirety.

Your written response should be sent to the Certificate of Need Program, at one of the following addresses.

Mailing Address:
Department of Health
Certificate of Need Program
Mail Stop 47852
Olympia, WA 98504-7852

Other Than By Mail:
Department of Health
Certificate of Need Program
310 Israel Road SE
Tumwater, WA 98501

If you have any questions, or would like to arrange for a meeting to discuss our decision, please contact Janis Sigman with the Certificate of Need Program at (360) 236-2955.

Sincerely,

Steven M. Saxe, FACHE
Director, Health Professions and Facilities

Enclosure

EVALUATION OF THE CERTIFICATE OF NEED APPLICATION SUBMITTED BY EVERGREEN HEALTHCARE DBA EVERGREEN HEALTHCARE/EVERGREEN HOSPITAL MEDICAL CENTER PROPOSING TO ADD BEDS TO ITSEXISTING NEONATAL INTENSIVE CARE UNIT

PROJECT DESCRIPTION

King County Public Hospital District #2 dba Evergreen Healthcare/Evergreen Hospital Medical Center (Evergreen) is a public hospital located at 12040 Northeast 128th Street in the city of Kirkland within King County. Evergreen is a provider of Medicare and Medicaid services to the residents of Kirkland and surrounding areas. The hospital is currently licensed for 275 acute care beds, holds a three-year accreditation from the Joint Commission, and is designated as a Primary Stroke Center. Evergreen owns and operates a Medicare certified/Medicaid eligible home health agency and a Medicare certified/Medicaid eligible hospice agency, known as Evergreen Home Health and Hospice. [source: DOH Licensing records, Joint Commission website, CN historical files]

This application proposes to add beds to the current neonatal intensive care unit (NICU). The hospital is currently licensed for 275 beds. Evergreen contends that the 30 Intermediate Care Nursery (ICN) level II beds have not been required to be included in the licensed total or used to calculate their annual licensing fees. This premise would result in a potential total of 305 total beds in use at the hospital. At project completion, Evergreen calculates that it would have a total of 318 licensed beds. This total would reportedly consist of 275 acute care/medical surgical beds, which includes 14 acute rehabilitation beds, and an additional 29 ICN level II and 14 NICU level III beds[1]. [source: July 22, 2011 Supplemental Information, p3; Application, p8]

This accounting cannot be confirmed by the program. According to the information supplied in the 2001 application,[2] which approved an expansion of Evergreen's ICN level II program, a construction project provided additional capacity to expand its 10 bed ICN level II unit. The approval identified 38 beds in nineteen semi-private rooms, and adds 8 NICU level III beds in four additional semi-private rooms.

Concerns have been expressed in the intervening years regarding typographical errors and conflicting interpretations of what neonatal beds are to be included as part of or in addition to a hospital's licensed bed capacity. Licensing regulations in effect at the time of the 2001 decision[3] specifically cite the inclusion of neonatal intensive care (NICU) bassinette spaces in the hospital's licensed capacity fee calculations.

At the time of this current application, the total licensed capacity for the hospital is 275 beds. As detailed above, and confirmed by the applicant, there are non-general medical/surgical care beds in this total. The hospital has operated separate, care-specific beds consisting of 14 acute rehabilitation beds, and the 30 ICN level II and 8 NICU level III beds. Once those beds are removed from the current licensed capacity, the medical/surgical bed count equals 223.

[1] ICN level II and NICU level III bassinettes are licensed hospital beds. Throughout this analysis the term beds will be used

[2] Evergreen Application CN00-20, p10 released February 21, 2011

[3] Hospital Licensing Regulations, Effective March 10, 1999, WAC 246-320-990(3)

Information outlined in a reconciliation performed by the department's Office of Health Care Survey[4] identifies 227 beds, four more than the math above would indicate and the difference in reported rehabilitation beds does not reconcile the difference[5].

For a more recent reference, Evergreen submitted an application in 2008 for additional acute care beds. In that request, Evergreen produced a need methodology that included the patient days attributed to ICN level II and NICU level III beds to support the hospital's request for additional beds. Evergreen applied a bed count of 227 for their facility in the bed capacity totals applied in the need calculations[6]. If the capacity tally represented by Evergreen in this application were to have been applied in 2008, the supporting methodology need forecasts should have considered Evergreen's total bed capacity to be 265 [7]. Predictably, the higher capacity total would have eliminated the need for additional capacity necessary to support the 2008 bed request. By using 227 in that proposal, Evergreen acknowledged that the ICN level II & III beds were part of the 227 bed compliment and that the patient days associated with these beds were appropriately applied in the applicants request for more beds. [source: CN Historical files; Swedish Comment, p3]

As a result, this evaluation concludes that the 227 acute care beds appear to have been the proper count[8] in 2008, and are inclusive of 14 rehabilitation beds, as well as the 30 ICN level II & 8 NICU level III beds. The subsequent approval of 48 acute care beds resulted in the current total of 275 licensed beds.

This application proposes to reduce the hospital's ICN level II beds from 30 to 29, and add 6 NICU level III beds to the eight previously approved. This represents a change in total ICN and NICU beds from 38 to 43, or an increase of five beds.

Therefore, if approved, the licensed capacity of the hospital would be increased by five, to 280 total beds. This would consist of 223 general medical/surgical beds, 14 acute rehabilitation beds, 29 ICN level II, and 14 to NICU level III beds. [source: DOH licensing records; CN historical records]

Table 1
Evergreen Hospital Bed Distribution based upon Application Approval

Bed Classification	Current Bed Count	With Approval Bed Count
General Medical Surgical	223	223
Acute Rehabilitation	14	14
ICN level II	30	29
NICU level III	8	14
Total	**275**	**280**

[4] August 2, 2006 Letter to Evergreen from Byron Plan, Office of Health Care Survey
[5] Historical references have been made to both a 17 bed and a 14 bed rehabilitation unit at the hospital.
[6] CN Application 08-42, June 26, 2008 Supplemental Information, p15
[7] Total of 227 acute care beds plus 30 ICN level II and 8 level III beds
[8] As concluded by the department in 2006, reaffirmed in Evergreen's acute care bed expansion application, and applied in the bed need methodology used in the expansion approval.

The applicant projected the estimated capital costs to be zero. Though, there were costs associated with the purchase of the additional NICU level III bassinette equipment when added to the neonatal floor. Evergreen reports that the additional beds have been in service since approximately 2002 and that the estimated equipment cost was $378,228. [source: July 22, 2011 Supplemental Information, p4 & 7]

APPLICABILITY OF CERTIFICATE OF NEED LAW

This project is subject to Certificate of Need review as the change in bed capacity of an existing health care facility under the provisions of Revised Code of Washington (RCW) 70.38.105(4)(e) and Washington Administrative Code (WAC) 246-310-020(1)(c).

APPLICATION CHRONOLOGY

Letter of Intent Submitted	March 14, 2011
Application Submitted	May 16, 2011
Department's pre-review Activities Including screening and responses	May 17 through August 2, 2011
Beginning of Review • public comments accepted throughout review (no public comments were submitted)	August 3, 2011
End of Public Comment	September 7, 2011
Department's Anticipated Decision Date	November 7, 2011
Department's Actual Decision Date	December 8, 2011

AFFECTED PARTIES

Throughout the review of this project, the following qualified to receive affected person status under WAC 246-310-010

- Swedish Health Services – Operator of a 175 hospital being constructed in Issaquah

SOURCE INFORMATION REVIEWED

- Evergreen Hospital Medical Center's Certificate of Need Application received May 16, 2011
- Evergreen Hospital Medical Center's supplemental information dated July 22, 2011
- Public comment received from Swedish Health Services
- Evergreen Healthcare rebuttal comments received September 21, 2011
- Comprehensive Hospital Abstract Reporting System (CHARS) data obtained from the Department of Health's Office of Hospital and Patient Data Systems
- Financial feasibility and cost containment evaluation prepared by the Department of Health's Office of Hospital and Patient Data Systems (November 4, 2011)
- Historical charity care data obtained from the Department of Health's Office of Hospital and Patient Data Systems (2007, 2008, and 2009 summaries)

- Washington State Perinatal Levels of Care Criteria adopted by the Perinatal Advisory Committee--February 2005
- Historical Certificate of Need Evaluations
- Licensing and/or survey data provided by the Department of Health's Investigations and Inspections Office

CRITERIA EVALUATION

WAC 246-310-200(1)(a)-(d) identifies the four determinations that the department must make for each application. WAC 246-310-200(2) provides additional direction in how the department is to make its determinations. It states:

> *"Criteria contained in this section and in WAC 246-310-210, 246-310-220, 246-310-230, and 246-310-240 shall be used by the department in making the required determinations.*
>
> *(a) In the use of criteria for making the required determinations, the department shall consider:*
>
> *(i) The consistency of the proposed project with service or facility standards contained in this chapter;*
>
> *(ii) In the event the standards contained in this chapter do not address in sufficient detail for a required determination the services or facilities for health services proposed, the department may consider standards not in conflict with those standards in accordance with subsection (2)(b) of this section; and*
>
> *(iii) The relationship of the proposed project to the long-range plan (if any) of the person proposing the project."*

In the event the WAC 246-310 does not contain service or facility standards in sufficient detail to make the required determinations, WAC 246-310-200(2)(b) identifies the types of standards the department may consider in making its required determinations. Specifically WAC 246-310-200(2)(b) states:

> *"The department may consider any of the following in its use of criteria for making the required determinations:*
>
> *(i) Nationally recognized standards from professional organizations;*
>
> *(ii) Standards developed by professional organizations in Washington State;*
>
> *(iii) Federal Medicare and Medicaid certification requirements;*
>
> *(iv) State licensing requirements;*
>
> *(v) Applicable standards developed by other individuals, groups, or organizations with recognized expertise related to a proposed undertaking; and*
>
> *(vi) The written findings and recommendations of individuals, groups, or organizations with recognized expertise related to a proposed undertaking, with whom the department consults during the review of an application."*

To obtain Certificate of Need approval, Evergreen Healthcare must demonstrate compliance with the criteria found in WAC 246-310-210 (need); 246-310-220 (financial feasibility); 246-310-230

(structure and process of care); and 246-310-240 (cost containment).[9] Where applicable, the applicant must demonstrate compliance with the above criteria by meeting the 2005 Perinatal Level of Care Guidelines established by the Washington State Perinatal Advisory Committee.

CONCLUSION

For the reasons stated in this evaluation, the Certificate of Need application submitted by King County Public Hospital District #2 on behalf of Evergreen Healthcare/Evergreen Hospital Medical Center to add 5 NICU level III beds to the hospital's licensed capacity is consistent with the Certificate of Need review criteria, and a Certificate of Need is approved.

Project Description:

Evergreen Hospital Medical Center is approved to reduce the hospital's ICN level II beds from 30 to 29, and add 6 NICU level III beds to the eight previously approved. The licensed capacity of the hospital will be increased to 280 total licensed beds.

Bed Classification	New Bed Count
General Medical Surgical	223
Acute Rehabilitation	14
ICN level II	29
NICU level III	14
Total	**280**

Conditions

1. Evergreen Healthcare/Evergreen Hospital Medical Center agrees with the project description above.
2. Evergreen Healthcare/Evergreen Hospital Medical Center will provide charity care in compliance with the charity care policies provided in this Certificate of Need application. Evergreen Hospital Medical Center will use reasonable efforts to provide charity care in an amount comparable to or exceeding the average amount of charity care provided by hospitals in the King County Region. Currently, this amount is 1.42% for gross revenue and 2.51% for adjusted revenue. Evergreen Hospital Medical Center will maintain records documenting the amount of charity care it provides and demonstrating compliance with its charity care policies.

Approved Capital Costs:

The approved capital expenditure associated with this project is $378,228

[9] Each criterion contains certain sub-criteria. The following sub-criteria are not discussed in this evaluation because they are not relevant to this project: WAC 246-310-210(3), (4), (5), & (6) and WAC 246-310-240(2) & (3).

A. Need (WAC 246-310-210)

Based on the source information reviewed and the applicant's agreement to the conditions identified in the 'Conclusion' section of this evaluation, the department determines that the applicant has met the need criteria in WAC 246-310-210.

(1) <u>The population served or to be served has need for the project and other services and facilities of the type proposed are not or will not be sufficiently available or accessible to meet that need.</u>

<u>NICU level III</u>

WAC 246-310-020 states (in summary) that a NICU level III services are to be in an area designed, organized, equipped, and staffed to provide services to the few women and infants requiring full intensive care services for the most serious type of maternal-fetal and neonatal illnesses and abnormalities. Such a service provides the coordination of care, communication, transfer, and transportation for NICU level III patients in a given region. NICU level III services include the provision of leadership in preparatory and continuing education in prenatal and perinatal care and may be involved in clinical and basic research.

Comprehensive Hospital Abstract Reporting System (CHARS) data is used to assist in demonstrating need for a NICU level III service. CHARS data is reported by each Washington State hospital to the department's Hospital and Patient Data Systems office (HPDS). The CHARS data provides historical trends in discharges and lengths of stay for newborn patients for the major diagnostic category (MDC) #15 - <u>NEWBORNS AND OTHER NEONATES WITH CONDITIONS ORIGINATING IN THE PERINATAL PERIOD</u>. MDC #15 is made up of seven diagnosis related groups (DRGs). For years 2003 through 2006, those DRGS were identified as 385 through 391. Beginning in year 2007, the DRGs are identified as 789 through 795. The chart below provides the DRG and corresponding definition for MDC #15.[10]

DRG	Definition	Level of Care
385 / 789	Neonates, Died Or Transferred To Another Acute Care Facility	Levels 3
386 / 790	Extreme Immaturity Or Respiratory Distress Syndrome, Neonate	Levels 3
387 / 791	Prematurity With Major Problems	Levels 2 or 3
388 / 792	Prematurity Without Major Problems	Level 2
389 / 793	Full Term Neonate With Major Problems	Level 2
390 / 794	Neonate With Other Significant Problems	Level 2
391 / 795	Normal Newborn	Level 1

For ease of reference, the remainder of this evaluation will refer to the DRGs above using the current 700 series number, rather than the former 300 series number.

As shown in the chart above, of the DRGs included in MDC #15, some do not correspond exactly with the level of care definitions. However, the majority of NICU level III patients are included in DRGs 789 and 790, with a few NICU level III patients in DRG 791.

[10] Each DRG corresponding level of care is based on October 3, 2001, testimony provided by Louis Pollack, MD, a board certified neonatologist and member of Washington State Perinatal Advisory Committee and October 16, 2007 testimony by Dr. Linda Wallen, MD, also a board certified neonatologist.

NICU level III care is considered a tertiary service as defined by WAC 246-310-010. For some services, such as general acute care, the department uses an established methodology to assist in its evaluation of need. For other tertiary services, including NICU level III services, no such methodology exists. Given that the department has not developed a bed need methodology for NICU level III care, an evaluation of the need criterion begins with an evaluation of the bed need methodology provided by the applicant.

To support the application, Evergreen applied a 4-step forecast methodology using the hospital's primary service area of East King County. Below is a discussion of Evergreen's numeric methodology and the assumptions/data used by Evergreen in each step.

Evergreen Medical Center's Need Methodology

Step 1 – Identify 10-year historic planning area resident days, discharges, and use rates

In this step, the applicant used the following data points. The data is summarized below. [source: Application, p23]

- Patient day statistics obtained from years 2000-2009 CHARS data for the NICU level III DRGs identified above.
- Average length of stay (ALOS) was calculated by dividing patient days by discharges for each of the years 2000 through 2009. ALOS was calculated separately for each year. The ALOS for year 2009 of 35.4 was used in step 3 below.
- The number of females within the age cohort of 15-44 (childbearing age) were compiled from Claritas population data for the East King planning area for each year 2000-2009.
- A NICU level III use rate was calculated based on discharges per 1,000 women of childbearing age for each year 2000-2009.

Table 2
Evergreen NICU level III Historical Use Rates and Average Length of Stay

	2000	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**
Discharges	128	136	113	149	115	100	111	87	92	**88**
Resident Days	1,830	2,466	3,011	3,520	2,610	2,676	2,543	2,230	2,935	**3,117**
ALOS	14.3	18.1	26.6	23.6	22.7	26.8	22.9	25.6	31.9	**35.4**
Use Rate	1.25	1.33	1.01	1.46	1.13	0.98	1.09	0.86	0.91	**0.87**

Step 2 – Calculate planning area provider NICU level III patient origin, in-migration ratio, and planning area provider market share (2009)

In this step, Evergreen considered the discharges from the providers of NICU level III services in the planning area and determined the percentage attributed to East King residents. The results are summarized below. [source: Application, p23]

Table 3
2009 NICU level III Resident Use Rate

Measure	Result
Total Discharges	88
East King Residents	53
East King Market Share of Discharges	60.2%
Use rate (per 1000)	0.87

Step 3 – Calculate future total discharges based on forecast use rates and forecast population of women of childbearing age. Apply the market share figures and in-migration ratio from step 2 to calculate future total NICU level III discharges to planning area providers. Apply calculated ALOS to forecast discharges to calculate planning area patient days

The table below shows the total NICU level III patient days Evergreen projected for East King providers. [source: Application, p24]

- The 2009 use rate of 0.87 calculated in step 1 was applied to the forecast years 2010 through 2014.
- The number of women of childbearing age (15-44) were projected using Claritas projections for each year of the forecast period.
- Planning area resident NICU level III discharges were forecast by multiplying the projected use rates (from step 1) by the forecast number of women of childbearing age for each year of the forecast period.
- The total number of planning area resident NICU level III discharges was calculated.
- The in-migration ratio calculated in step 2 was applied to the projected non-planning area residents.
- The forecast NICU level III patient days were determined by multiplying the forecast NICU level III discharges for the planning area hospitals by the ALOS of 35.4 calculated in step 1.

Table 4
Projected NICU level III Patient Day Totals

Measure	2010	2011	2012	2013	2014
Total Projected Discharges*	89	88	88	88	87
ALOS (2009)	35.4	35.4	35.4	35.4	35.4
Total Projected Patient Days	3,139	3,126	3,114	3,101	3,088

*Figures rounded

Step 4 – Use total patient days projected in step 3 to determine forecast gross and net NICU level III bed need

This step uses the patient days from step 3 to establish a projected average daily census. An occupancy standard of 65% is applied to the resulting ADC to project a gross bed need. Current capacity is subtracted to determine if there is any numeric need for additional capacity.

Table 5
Projected NICU level III Bed Need

Measure	**2010**	**2011**	**2012**	**2013**	**2014**
Total Projected Patient Days	3,139	3,126	3,114	3,101	3,088
ADC	8.6	8.6	8.5	8.5	8.5
Gross need at 65% occupancy	13.2	13.2	13.1	13.1	13.0
Minus Current NICU level III Supply [11]	20	20	20	20	20
Gross Need or (Surplus)	**(6.8)**	**(6.8)**	**(6.9)**	**(6.9)**	**(7.0)**

Based upon these calculations, Evergreen shows that there is a projected surplus of NICU level III capacity in the planning are throughout the projection period. When the surplus is acknowledged, Evergreen states, "*the reality is that many neonates spend a short time in level III, stabilize rapidly and then are transferred to Level II status.*" Evergreen reasons, "*At discharge, the majority of these neonates are classified as Level II, and therefore these projections understate the Level III need.*" [source: Application, p24]

Department's Need Methodology Review

The department's need review will begin with the underlying assumptions used by Evergreen in their need methodology.

Step 1 – Identify 10-year historic planning area resident days, discharges, and use rates

The historical figures supplied by the applicant appear to be accurate for the program operated by the hospital. Data supplied suggests that discharges are trending down from previous years, but average lengths of stay are moving upwards; reaching 35.4 days in 2009.

Step 2 – Calculate planning area provider NICU level III patient origin, in-migration ratio, and planning area provider market share

Evergreen determined a planning area provider market share for year 2009 and applies that percentage forward at a constant rate through projection years.

Step 3 – Calculate future total discharges based on forecast use rates and forecast population of women of childbearing age. Apply the market share figures and in-migration ratio from step 2 to calculate future total NICU level III discharges to planning area providers. Apply calculated ALOS to forecast discharges to calculate planning area patient days

As shown above, Evergreen's population figures show a declining population for the child-bearing age group. The decline in Evergreen's projected patient days is a result of Evergreen's static use rate applied to the declining population.

[11] Evergreen considers their current 14 and Overlake Hospitals 6 reported NICU level III beds.

Step 4 – Use total patient days projected in step 3 to determine forecast gross and net NICU level III bed need

Evergreen projects a surplus of NICU level III capacity planning area throughout the projection period.

Conclusion of Evergreen Methodology Review

Though no projected capacity is calculated, historical data shows Evergreen's neonatal program has been in operation for many years. This is in part because Evergreen counts as current capacity the 14 beds currently being used at the hospital. As an existing provider of both ICN level II and NICU level III services, Evergreen has an established a reliable patient base and market share in its service area. Evergreen does not request an increase the current operating capacity or to alter any existing referral patterns for ICN level II or NICU level III services. Instead, this application requests approval to add the existing capacity to its license. Though the additional NICU level III capacity was added without department approval, care is currently being provided to the residents in the available beds.

Based on the above evaluation, this project is consistent with applicable criteria of the Certificate of Need Program. **This sub-criterion is met.**

(2) All residents of the service area, including low-income persons, racial and ethnic minorities, women, handicapped persons, and other underserved groups and the elderly are likely to have adequate access to the proposed health service or services.

To determine whether all residents of the East King planning area would have access to an applicant's proposed services, the department requires applicants to provide a copy of its current or proposed admission policy. The admission policy provides the overall guiding principles of the facility as to the types of patients that are appropriate candidates to use the facility and any assurances regarding access to treatment.

As previously stated, the applicant currently provides health care services to residents of Washington State and operates with an admission policy that accepted patients for treatment at the facility without regard to age, sex, religion, income, race, or ethnicity. To demonstrate further compliance with this sub-criterion, Evergreen provided a copy of its current admission procedure that applies specifically to the neonate program at the hospital. The procedure outlines the policy, procedures, and time expectations for any neonate, infant, or child admitted. [source: Application, p41 & Exhibit 7; July 22, 2011 Supplemental Information, Attachment 7]

To determine whether low-income residents would have access to the proposed services, the department uses the facility's Medicaid eligibility as the measure to make that determination.

Evergreen currently provides services to Medicaid eligible patients. Details provided in the application demonstrate that Evergreen intends to maintain this status. A review of the anticipated revenue indicates that the facility expects to continue to receive Medicaid reimbursements. [source: July 11, Supplemental Information, p5]

To determine whether the elderly would have access or continue to have access to the proposed services, the department uses Medicare certification as the measure to make that determination.

Though the neonatal program is unlikely to provide services to Medicare eligible patients, Evergreen Healthcare does provide services to Medicare eligible patients in other areas of the hospital. Details provided in the application demonstrate that Evergreen intends to maintain this practice. A review of the anticipated revenue indicates that the facility expects to continue to receive Medicare reimbursements. [source: July 11, Supplemental Information, p5]

Evergreen demonstrated its intent to provide charity care to East King County residents by submitting the Charity program currently used within the facility. It outlines the process one would use to access services when they do not have the financial resources to pay for required treatments. Evergreen also included a 'charity' line item as a deduction from revenue within the pro forma income statements for each proposed facility. [source: Application, Exhibit 6; July 11, Supplemental Information, Attachment 6]

For charity care reporting purposes, the Department of Health's Hospital and Patient Data Systems program (HPDS), divides Washington State into five regions: King County, Puget Sound (less King County), Southwest, Central, and Eastern. Evergreen is located in King County and is one of 20 hospitals located within the region. According to 2007-2009[12] charity care data obtained from HPDS, Evergreen has provided less than the average charity care provided in the region. Evergreen' most recent three years (2007-2009) percentages of charity care for gross and adjusted revenues are detailed in Table 6 below. [source: HPDS 2004-2006 charity care summaries]

Table 6
Evergreen Charity Care Comparison

	3-Year Average for King County Region [13]	3-Year Average for Evergreen
% of Gross Revenue	1.42 %	1.01 %
% of Adjusted Revenue	2.51 %	1.70 %

Evergreen's pro forma revenue and expense statements for the NICU level III program alone indicate that the hospital will provide charity care at approximately 1.42% of gross revenue and 2.47% of adjusted revenue. RCW 70.38.115(2)(j) requires hospitals to meet or exceed the regional average level of charity care. Since the hospital's combined three-year historical average is below that for the region, the department concludes that a condition related to the percentage of charity care to be provided at Evergreen is necessary if this project is approved. [source: July 22, 2011 Supplemental Information, p26]

With agreement to the condition regarding the amount of charity care provided, the department concludes that all residents, including low income, racial and ethnic minorities, handicapped,

[12] Year 2010 charity care data is not available as of the writing of this evaluation.

[13] Harborview Medical Center is subsidized by the state legislature to provide charity care services. Charity care percentages for Harborview make up almost 50% of the total percentages provided in the King County Region. Therefore, for comparison purposes, the department excluded Harborview Medical Center's percentages.

and other under-served groups would have access to the services provided by the hospital. **This sub-criterion is met.**

B. Financial Feasibility (WAC 246-310-220)

Based on the source information reviewed and the applicant's agreement to the conditions identified in the 'Conclusion' section of this evaluation, the department determines that the applicant has met the financial feasibility criteria in WAC 246-310-220.

(1) The immediate and long-range capital and operating costs of the project can be met.

WAC 246-310 does not contain specific WAC 246-310-220(1) financial feasibility criteria as identified in WAC 246-310-200(2)(a)(i). There are also no known recognized standards as identified in WAC 246-310-200(2)(a)(ii) and (b) that directs what the operating revenues and expenses should be for a project of this type and size. Therefore, using its experience and expertise the department evaluates if the applicant's pro forma income statements reasonably project the proposed project is meeting its immediate and long-range capital and operating costs by the end of the third complete year of operation.

To assist the department in its evaluation of this sub-criterion, Office of Hospital and Patient Data Systems (HPDS) provides a summary of the short and long-term financial feasibility of the project, which includes a financial ratio analysis. The analysis assesses the financial position of an applicant, both historically and prospectively. The financial ratios utilized are 1) long-term debt to equity ratio; 2) current assets to current liabilities ratio; 3) assets financed by liabilities ratio; 4) total operating expense to total operating revenue ratio; and 5) debt service coverage ratio. If a project's ratios are within the expected value range, the project can be expected to be financially feasible.

As the HPDS analysis summarizes, "*[the] Evergreen Hospital capital expenditure is $317,261. Evergreen had adequate cash reserves to fund this project. This project will not adversely impact reserves, or total assets, total liability or the general health of the hospital in a significant way.*" As the HPDS summary shows, the hospital has adequate cash reserves, if done today, to fund this project without adversely affecting the balance. The results are reported in Table 7. [source: HPDS Analysis, p2]

Table 7
Evergreen Hospital Medical Center Balance Sheets
Fiscal Year End 2010

Assets			Liabilities	
Current	$ 64,199,403		Current	$ 42,732,685
Board Designated	$ 98,997,127		Long Term Debt	$ 251,560,810
Property/Plant/Equip	$ 315,668,236		Other	$ 1,491,356
Other	$ 12,814,099		Equity	$ 195,894,014
Total	$ 491,678,865		Total	$ 491,678,865

* Fiscal Year End Financial and Utilization Report to WA ST Dept. of Health

HPDS also reviewed various ratios' that can give a snapshot of the financial health of Evergreen Hospital Medical Center as of 2010. Also detailed are the first three years of the with-project hospital. State 2009 ratios are included as a comparison and are calculated from all community hospitals in Washington State whose fiscal year ended in 2009. The data is collected by the Washington State Dept. of Health Hospital and Patient Data section of the Center for Health Statistics. Table 8 below displays the results. [source: HPDS Analysis, p2]

Table 8
Evergreen Hospital Medical Center Projected Financial Ratios

Ratio Category	Trend [14]	State 2009	Evergreen 2010	CON1 2012	CON2 2013	CON3 2014
Long Term Debt to Equity	B	0.551	1.284	N/A	N/A	N/A
Current Assets/Current Liab.	A	2.221	1.502	N/A	N/A	N/A
Assets Funded by Liabilities	B	0.433	0.599	N/A	N/A	N/A
Operating Exp/Operating Rev.	B	0.942	0.969	0.865	0.865	0.865
Debt Service Coverage	A	5.928	2.480	N/A	N/A	N/A
Long Term Debt to Equity		Long Term Debt/Equity				
Current Assets/Current Liabilities		Current Assets/Current Liabilities				
Assets Funded by Liabilities		(Current Liabilities + Long term Debt)/Assets				
Operating Expense/Operating Revenue		Operating Expense/Operating Revenue				
Debt Service Coverage		Net Profit + Depr and Interest Exp/Current Mat. LTD and Interest Exp				

As shown, the 2014 fiscal year end ratios (CON year 3) for Evergreen Healthcare are all unfavorably outside the norms of the State average. While the average is from 2009, the state numbers are fairly stable and since they are ratios are not time or inflation sensitive. However, HPDS concludes "*All the ratios except Operating Expense/Operating Revenue are out of range. The hospital has a large amount of long term debt which affects the ratios.*" HPDS also reviewed the four years prior to 2010 and determined that the hospital is slowly improving its financial health. The analysis also notes that the hospital also has available tax revenue as it is a hospital district and that it has an average financial foundation in the past. [source: HPDS Analysis, p2]

The hospital, however, has the financial resources to maintain this project as currently operated. Further , this relative size of this application's individual expenditure would not significantly alter these ratios enough to change the results in either direction and are not the singular reason for the poor performance.

The HPDS review of the financial information, which is based upon the volume of patient days and costs related to this individual project, show that the immediate and long-range capital expenditures were financed through available assets and the operating costs can be met. **This criterion is met.**

[14] The A means it is better if the number is above the State number and B means it is better if the number is below the state number.

(2) The costs of the project, including any construction costs, will probably not result in an unreasonable impact on the costs and charges for health services.
WAC 246-310 does not contain specific WAC 246-310-220(2) financial feasibility criteria as identified in WAC 246-310-200(2)(a)(i). There are also no known recognized standards as identified in WAC 246-310-200(2)(a)(ii) and (b) that directs what an unreasonable impact on costs and charges would be for a project of this type and size. Therefore, using its experience and expertise the department compared the proposed project's costs with those previously considered by the department.

The additional capacity proposed is reportedly already in service. The additional beds have a reported capital expenditure of $378,228. By HPDS standards, the costs of the project are the costs and charges the patients and community are billed for. HPDS concludes that Evergreen Healthcare's rates are similar to the Washington statewide averages. Evergreen's rates are calculated in Table 9 below. [source: HPDS Analysis, p3]

Table 9
Evergreen Hospital Medical Center Patient Charge Forecast

	2012	2013	2014
Admissions	72	74	76
Patient Days	3,064	3,153	3,245
Average Length of Stay	42.6	42.6	42.7
Gross Revenue	12,221,280	12,576,271	12,943,229
Deductions From Revenue	5,589,777	5,752,143	5,919,982
Net Patient Billing	6,631,503	6,824,128	7,023,247
Other Operating Revenue	-	-	-
Net Operating Revenue	6,631,503	6,824,128	7,023,247
Operating Expense	5,736,652	5,903,284	6,075,534
Operating Profit	894,851	920,844	947,713
Other Revenue	4,072	4,190	4,312
Net Profit	898,923	925,034	952,025
Operating Rev. per Admission	92,104	92,218	92,411
Operating Exp. per Admission	79,676	79,774	79,941
Net Profit per Patient Day	12,485	12,500	12,527
Operating Rev. per Pat Days	$ 2,164	$ 2,164	$ 2,164
Operating Exp. per Pat Days	$ 1,872	$ 1,872	$ 1,872
Net Profit per Pat Days	$ 293	$ 293	$ 293

As HPDS describes their review, "*There are several ways to review hospital newborn cost information. Hospitals report data to DOH through the financial format and the hospital inpatient format. In the financial reporting system, hospitals can report all newborn revenue and expense for delivery and post partum care under account 6100 Alternative Birth Center or they can report it under 6170 Nursery for the baby only and 6070 Acute Care for the mom. Newborns that need intensive care are reported under 6010 Intensive Care, which also includes Adult and Pediatric patients.*" [source: HPDS Analysis, p3]

Newborn days in Intensive Care are usually a small percent of the total. HPDS reviewed the hospital inpatient database (CHARS) for comparison data. Revenue Code 0172 is ICN level II Nursery care and 0173 is NICU level III Nursery Care in the CHARS database. With that information, HPDS calculated the average charges per day for those discharges that included Revenue Code 0172 and those for 0173 and concluded, "*The average charge per day in 2010 in CHARS was similar to the projections in the applicant's individual level II and III pro-forma.*" [source: HPDS Analysis, p3]

When the costs of this specific project are considered, the department can conclude the project is unlikely to have an unreasonable impact on the cost and charges. **This sub-criterion is met.**

(3) The project can be appropriately financed.

WAC 246-310 does not contain specific source of financing criteria as identified in WAC 246-310-200(2)(a)(i). There are also no known recognized standards as identified in WAC 246-310-200(2)(a)(ii) and (b) that directs how a project of this type and size should be financed. Therefore, using its experience and expertise the department compared the proposed project's source of financing to those previously considered by the department.

As stated above, the Evergreen Hospital capital expenditure was $317,261. Evergreen had adequate cash reserves to fund this project. This project will not adversely impact reserves, or total assets, total liability or the general health of the hospital in a significant way.

In summary, the financing methods used are appropriate business practice. Therefore, the department concludes that **this sub-criterion is met**

C. Structure and Process (Quality) of Care (WAC 246-310-230)

Based on the source information reviewed and the applicant's agreement to the conditions identified in the 'Conclusion' section of this evaluation, the department determines that the applicant has met the structure and process (quality) of care criteria in WAC 246-310-230 and is consistent with the 2005 Washington State Perinatal Level of Care guidelines.

(1) A sufficient supply of qualified staff for the project, including both health personnel and management personnel, are available or can be recruited.

WAC 246-310 does not contain specific WAC 246-310-230(1) criteria as identified in WAC 246-310-200(2)(a)(i). There are also no known recognized standards as identified in WAC 246-310-200(2)(a)(ii) and (b) that directs what specific staffing patterns or numbers of FTEs that should be employed for projects of this type or size. Therefore, using its experience and expertise the department concludes that the planning would allow for the required coverage.

Evergreen concedes that it has been operating the program as proposed since approximately 2002. The NICU level III services are offered in conjunction with its ICN level II services. Since the current staffing levels maintain the existing capacity of the unit, they are not expected to change dramatically in the forecast years. The total FTE counts cited below indicates it is the number appropriate to meet the care delivery needs. [source: Application, p38]

Table 10
Evergreen Healthcare's Projected Neonate Program FTE Totals

FTE class	Current	2011	2012	2013	2014
RNs	61.6	62.6	62.6	62.6	62.6
Dietitian	1.0	1.0	1.0	1.0	1.0
Respiratory Therapists	1.0	1.0	1.0	1.0	1.0
Social Worker	1.0	1.0	1.0	1.0	1.0
Neonatal Nurse/Clinical Educator	1.0	1.0	1.0	1.0	1.0
Staffing Totals	**65.6**	**66.6**	**66.6**	**66.6**	**66.6**

I n addition to the staff identified above, Dr. Susan Rutherford, M.D. is identified as the medical director of OB services, and maintains a certification in maternal-fetal medicine. Dr. Barry Lawson, M.D. is the hospital's NICU director, certified in pediatric and neonatology. Both are licensed to practice in the state and are in good standing. [source: Application, p101]

These key medical staff positions are further evaluated in conjunction with the department's evaluation of the project's conformance with the Washington State Perinatal Levels of Care guidelines shown below.

Washington State Perinatal Levels of Care Guidelines

As part of its evaluation of structure and process of care criteria found under WAC 246-310-230, the department uses the standards of care guidelines outlined in the Washington State Perinatal Levels of Care Criteria as guidance in evaluating this project. The guidelines, adopted by the Perinatal Advisory Committee on February 2005, offer recommendations on facility and staffing standards for ICN level II and NICU level III services. Within the guidelines, NICU level III services are separated into A, B, and C -- with A being the least intensive of NICU level III services and C as the most intensive. The Perinatal Levels of Care Criteria recommend that an applicant be providing the previous level of services before applying for the next higher level. Evergreen is already providing ICN level II and NICU level III (A & B) neonatal services from prior to CN approval.

Evergreen provided a comparison chart as verification and documentation that its NICU level III services currently meet or exceed the advisory committee's recommended guidelines. The department will compare this project using NICU level IIIB guidelines. The applicant is not requesting, and will not be evaluated, on standards for NICU level IIIC services which require separate approval. If the department approves this project, that approval would not include NICU level IIIC care. [source: Application, Exhibit 3]

The chart compiled on the following pages shows the hospital's application of these standards and the department's conclusion whether Evergreen meets them.

GUIDELINE	Evergreen	DOH Pass/Fail
General Function		**Pass**
All NICU level IIIA functions plus: Diagnosis and management of all complicated pregnancies and neonates at all gestational ages. Advanced respirator support (such as high frequency ventilation and inhaled nitric oxide) Immediate consultation from pediatric surgical sub-specialists for diagnosis of complications of prematurity and capabilities to perform surgery on-site or at a closely related institution, which would ideally be in geographic proximity and share coordinated care, such as physician staff.	Evergreen's NICU is staffed to diagnose and manage all complicated pregnancies and most neonates at all gestational ages. It provides advanced respiratory support and supports planned deliveries of surgically complicated neonates stabilization and transfer abilities On-site surgery is limited to patent ductus arteriosus ligation. Evergreen also participates in the Vermont-Oxford database	
Neonatal Patients: Services and Capabilities		**Pass**
All NICU level IIIA patients and services plus: NICU level IIIB- Infants of all gestational ages Capabilities to perform surgery to treat acute surgical complications of prematurity on-site or at a closely related institution, which would ideally be in geographic proximity and share coordinated care, such as physician staff. Capabilities for advanced respirator support (such as high frequency ventilation and inhales nitric oxide, are of severely ill neonates requiring mechanical ventilation Capabilities for advanced imaging with interpretation on an urgent basis, including CT, MRI, and echocardiography Average daily census of at least 10 ICN level II/NICU level III patients	Evergreen can provide care to the neonates of all gestational ages. Evergreen's NICU provides advanced respiratory support and advanced imaging Evergreen reports an ADC of 10.0 (when combining ICN level II and NICU level III data)	

GUIDELINE	Evergreen	DOH Pass/Fail
Obstetrical Patients: Services and Capabilities		**Pass**
NICU level IIIA patients an services plus: NICU level IIIB Pregnancies at all gestational ages Capabilities include diagnosis and treatment of all perinatal problems	Evergreen treats pregnancies of all gestational ages and has the capability to diagnose and treat all Perinatal problems.	
Patient Transport		**Pass**
All hospitals demonstrate capabilities to stabilize and initiate transport of patients in the event of unanticipated maternal-fetal newborn problems that require care outside the scope of the designated level of care. Access to return transport services may be a necessary capability for NICU level IIIA and NICU level IIIB intensive care nurseries. Transport patients: Who are anticipated to deliver a neonate of earlier gestational age than appropriate for the facility's designated level of care in accordance with the law and should not transport if the fetus or mother is unstable or delivery is imminent. Whose illness or complexity requires services with a higher level of care than provided at the admitting facility. For neonatal transport, refer to AAP reference titled, "Guidelines for Air and Ground Transport of Neonatal and Pediatric Patients." A hospital that transports patients to a higher level of care should: Demonstrate on-going relationships with referral hospital(s) for education, immediate consultation, urgent transport facilitation, and quality assurance Establish a written policy and procedure for maternal and neonatal transport that includes an established triage system for identifying patients at risk who should be transferred to a facility that provides the appropriate level of care	Evergreen has arrangements to provide transportation for neonates. Transfers primarily routed to Seattle Children's or Swedish Hospital [Transfer agreement, Application, Exhibit 10] A copy of Neonate transport policy was submitted in screening [Attachment 8]	

GUIDELINE	Evergreen	DOH Pass/Fail
Establish guidelines that ensure a provider's continuing responsibility for and care of the patient until transport team personnel or receiving hospital personnel assume full responsibility for the patient. A hospital that accepts maternal or neonatal transports in order to provide a higher level of care than is offered at the referral hospital, should: Participate in perinatal and /or neonatal case reviews at the referral hospital Collaborate with state contracted perinatal center for coordinating outreach education Maintain a 24 hr/day system for reliable, comprehensive communication between hospitals for immediate consultation, initiation, and approval of maternal and newborn transports Provide referring physicians with ongoing communication and recommendations for ongoing patient care at discharge.	Transport care guidelines were included in the copy of the Neonate transport policy was submitted in screening [Attachment 8] Verification of reliable, comprehensive communication procedures between hospitals for immediate consultation, initiation, and approval of maternal and newborn transports were included in the copy of the Neonate transport policy was submitted in screening [Attachment 8]	
Medical Director		**Pass**
Obstetrics: board certified in maternal-fetal medicine Nursery: board-certified in neonatology	Evergreen has identified Susan Rutherford, MD as the OB medical director Evergreen has identified Barry Lawson, MD as a board certified neonatologist	

GUIDELINE	Evergreen	DOH Pass/Fail
Medical Providers		**Pass**
ICN level IIA staff plus: Obstetrics Immediate availability of an obstetrician with demonstrated competence in the management of complicated labor and delivery patients. Newborn: Immediate availability of neonatologist, pediatrician, or neonatal nurse practitioner with demonstrated competence in the management of severely ill neonates, including those requiring mechanical ventilation	Evergreen operates with the immediate availability of an obstetrician who is capable of managing complicated labor and delivery patients. Evergreen's NICU has immediate availability of a neonatologist to manage all severely ill neonates	
NICU level IIIA staff plus: Anesthesiologist skilled in pediatric anesthesia on call Pediatric imagining, including CT, MRI, and echocardiography services and consultation with interpretation available on an urgent basis	Evergreen has obstetrical anesthesiologist immediately available. Pediatric imaging is also readily available. Echocardiography service protocols have also been established to make service available.	
Nurse:Patient Ratio		**Pass**
Staffing parameters should be clearly delineated in a policy that reflects (a) staff mix and ability levels; (b) patient census, intensity, and acuity; and (c) plans for delegation of selected, clearly defined tasks to competent assertive personnel. It is an expectation that allocation of personnel provides for safe care of all patients in a setting where census and acuity are dynamic (ref 3) Intrapartum: 1:2 patients in labor 1:2 induction or augmentation of labor 1:1 patients in second stage labor 1:1 patients with medical or obstetric complications 1:1 coverage for initiating epidural anesthesia 1:1 circulation for cesarean delivery Antepartum/postpartum 1:6 patients without complications	Evergreen report to follow the 2010 Association of Women's Health, Obstetric and Neonatal Nurses (AWHONN) guidelines for staffing. These are represented as the new standard. The standards were not included as requested in screening and are only available through purchase. A comparison was provided by the applicant of the Perinatal Guidelines and the AWHONN recommendations. [July 22, 2011 Supplemental Information, p9] Table C indicates that the ratios are comparable. Where no ratio was provided for caesarean delivery, Evergreen reported defers to the	

GUIDELINE	Evergreen	DOH Pass/Fail
1:4 recently born neonates and those requiring close observation 1:3-4 normal mother-baby couplet care 1:3 antepartum/postpartum patients with complications but in stable condition 1:2 patients in post-op recovery Newborns 1:6-8 neonates requiring only routine care* 1:4 recently born neonates and those requiring close observation 1:3-4 neonates requiring continuing care 1:2-3 neonates requiring intermediate care 1:1-2 neonates requiring intensive care 1:1 neonates requiring multisystem support 1:1 or greater unstable neonates requiring complex critical care *Reflects traditional newborn nursery care. A nurse should be available at all times, but only one may be necessary, as most healthy neonates will not be physically present in the nursery. Direct care of neonates in the nursery may be provided by ancillary personnel under the nurse's direct supervision. Adequate staff is needed to respond to acute and emergency situations. The use of assistive personnel is not considered in the nurse: patient ratios noted here.	Perinatal Guideline ratio.	

GUIDELINE	Evergreen	DOH Pass/Fail
Nursing Management		**Pass**
ICN level IIB through NICU level IIIC Same as Level I plus: Advanced degree is desirable	Evergreen's Manager of NICU is Debbie Saknit, RN, MS and reports to Mara Zabari, RN, MPA-HA	
Support Providers: Pharmacy, Nutrition/Lactation and OT/PT		**Pass**
NICU level IIIB Pharmacy services - same as ICN level IIB	Evergreen has a registered pharmacist with experience in neonatal/Perinatal pharmacology in-house 24/7	
Nutrition/Lactation At least one registered dietitian/nutritionist who has special training in perinatal nutrition and can plan diets that meet the special needs of high-risk mothers and neonates	Evergreen's NICU has a dietician experienced in Perinatal nutrition and in-house lactation consultants.	
OT/PT Provide for inpatient consultation and outpatient follow-up- services	Evergreen staff and are available as needed	
Support Providers: Social Services/Case Management, Respiratory Therapy, Nurse Educator/Clinical Specialist		**Pass**
Social Services/case management ICN level IIB services plus: At least one full-time licensed MSW (for every 30 beds) who has experience with socioeconomic and psychosocial problems of high-risk mothers and babies, available 7 days/wk and 24 hrs/day	Evergreen's NICU has a full time licensed MSW to serve the maternity center and NICU	
Nurse Educator/Clinical Nurse Specialist A nurse educator or clinical nurse specialist with appropriate training in intensive neonatal or perinatal care to coordinate staff education and development. Those educators already in this position should be grandfathered in until post-graduate education is completed.	Evergreen's has a nurse educator to coordinate staff education and development	
Respiratory Therapy ICN level IIB plus: Ratio of one Respiratory Care Practitioner to six or fewer ventilated neonates with additional staff for procedures [1:6]	Evergreen's NICU has a respiratory care practitioner dedicated to the NICU for ventilator support	

GUIDELINE	Evergreen	DOH Pass/Fail
X-Ray Ultrasound		**Pass**
ICN level IIB services plus: Advanced level ultrasound available to Labor & Delivery and Nursery on-site and on a daily basis	Evergreen has advanced level ultrasound available within the NICU	
Laboratory and Blood Bank Services		**Pass**
Laboratory Comprehensive services available 24 hrs/day Blood Bank Blood bank technician on-call and available w/n 30 minutes for performance of routine blood banking procedures Provision for emergent availability of blood and blood products	Evergreen's has comprehensive laboratory services 24/7. NICU RN's do all phlebotomy and IV placements in all neonates Evergreen has blood bank services available for both urgent and non urgent needs.	

B ased on the information provided by Evergreen in its application, the department concludes that, if approved, Evergreen's NICU level III project would continue to be consistent with the Washington State Perinatal Levels of Care guidelines. As a result, **this sub-criterion is met**.

(2) The proposed service(s) will have an appropriate relationship, including organizational relationship, to ancillary and support services, and ancillary and support services will be sufficient to support any health services included in the proposed project.
WAC 246-310 does not contain specific WAC 246-310-230(2) criteria as identified in WAC 246-310-200(2)(a)(i). There are no known recognized standards as identified in WAC 246-310-200(2)(a)(ii) and (b) that a facility must meet when it is to be Medicare certified and Medicaid eligible. Therefore, using its experience and expertise the department assessed the applicant's history in meeting these standards at other facilities owned or operated by the applicant.

This sub-criterion was extensively evaluated within the sub-criterion above, and is **determined to be met**.

(3) There is reasonable assurance that the project will be in conformance with applicable state licensing requirements and, if the applicant is or plans to be certified under the Medicaid or Medicare program, with the applicable conditions of participation related to those programs.
WAC 246-310 does not contain specific WAC 246-310-230(3) criteria as identified in WAC 246-310-200(2)(a)(i). There are no known recognized standards as identified in WAC 246-310-200(2)(a)(ii) and (b) that a facility must meet when it is to be Medicare certified and Medicaid eligible. Therefore, using its experience and expertise the department assessed the

applicant's history in meeting these standards at other facilities owned or operated by the applicant.

Though the hospital's neonatal program is unlikely to supply services to Medicare eligible patients, Evergreen will continue to provide Medicare and Medicaid services at Evergreen to the residents of East King and surrounding communities. Evergreen contracts with the Joint Commission to survey and accredit the quality of service provided. The Joint Commission lists Evergreen Hospital in full compliance with all applicable standards following the most recent on-site survey in July 2009.[15]

Complementing reviews performed by the Joint Commission, are the surveys conducted by the department's Office of Health Care Survey. In addition to acute care services, Evergreen also provides Medicare certified home health and hospice services. The Office of Health Care Survey (OHCS) has completed two compliance surveys for Evergreen Hospital[16] and a single complaint investigation in the home health agency[17]. Each survey revealed deficiencies which are typical for the type of facility and Evergreen submitted a plan of corrections and implemented the required corrections. [source: Compliance survey data provided by Office of Health Care Survey; Application, p46]

Based on Evergreen's compliance history, the department concludes that there is reasonable assurance that the hospital would continue to operate in conformance with state and federal regulations with the additional acute care beds. **This sub-criterion is met.**

(4) <u>The proposed project will promote continuity in the provision of health care, not result in an unwarranted fragmentation of services, and have an appropriate relationship to the service area's existing health care system.</u>
WAC 246-310 does not contain specific WAC 246-310-230(4) criteria as identified in WAC 246-310-200(2)(a)(i). There are also no known recognized standards as identified in WAC 246-310-200(2)(a)(ii) and (b) that directs how to measure unwarranted fragmentation of services or what types of relationships with a services area's existing health care system should be for a project of this type and size. Therefore, using its experience and expertise the department assessed the materials in the application.

In response to this sub-criterion, Evergreen states, "*No change in service is proposed with this project. All existing working relationships will continue.*" In addition, "*Private practice members of the Medical Staff are fully involved with the decisions about policies and processes and work closely with the hospital to facilitate transfer of prenatal information and plan for safe deliveries and follow up.*" [source: Application, p40]

Depending on the patient's needs, continuity of care may also include transport of the patient to the most appropriate provider. For tertiary services, continuity of care means a hospital's ability and willingness to triage and transport as necessary to the most appropriate tertiary provider. For NICU level III patients, this could mean that the patient would be transported to

[15] http://www.qualitycheck.org
[16] Surveys of Hospital completed in July, 2004 and November, 2007
[17] Survey of Home Health agency completed June, 2004

a physician or physician group who has not previously seen the patient. In this case, continuity of care also means that the referring hospital provides specific patient information and documentation to the receiving facility.

Additionally, continuity of care also includes the communication and sharing of patient information between physicians in different facilities or physicians within the same facility. With a tertiary program, where there is a direct connection among sufficient patient volumes and provider effectiveness, quality of service, and improved outcomes of care, the department concludes that the establishment of a quality provider in this health care service is far more critical than patient, family, or physician convenience.

Information provided in Evergreen's application also addresses this concept of continuity of care. The working relation formed their current physicians and partnering hospitals to support the existing program appears to be sufficient to meet the newborn's needs. In addition to the support services addressed previously in the Perinatal Guidelines, the relationship with existing providers appears to consider the best available care options for infants admitted to the unit at Evergreen. [source: Application, p40]

The department concludes that there is reasonable assurance that approval of this project would continue to allow residents access to approved quality NICU level III service. Further, Evergreen's relationships within the existing health care system would continue and is not likely to result in an unwarranted fragmentation of services. **This sub-criterion is met.**

(5) There is reasonable assurance that the services to be provided through the proposed project will be provided in a manner that ensures safe and adequate care to the public to be served and in accord with applicable federal and state laws, rules, and regulations.

This sub-criterion is addressed in sub-section (3) above. **This sub-criterion is met.**

D. Cost Containment (WAC 246-310-240)

Based on the source information reviewed and the applicant's agreement to the conditions identified in the 'Conclusion' section of this evaluation, the department determines that the applicant has met the cost containment criteria in WAC 246-310-240.

(1) Superior alternatives, in terms of cost, efficiency, or effectiveness, are not available or practicable.

To determine if a proposed project is the best alternative, the department takes a multi-step approach. Step one determines if the application has met the other criteria of WAC 246-310-210 thru 230. If it has failed to meet one or more of these criteria, then the project is determined not to be the best alternative, and would fail this sub-criterion.

If the project met WAC 246-310-210 through 230 criteria, the department would move to step two in the process and assess the other options the applicant or applicants considered prior to submitting the application under review. If the department determines the proposed project is

better or equal to other options the applicant considered before submitting their application, the determination is either made that this criterion is met (regular or expedited reviews), or in the case of projects under concurrent review, move on to step three.

Step three of this assessment is to apply any service or facility specific (tie-breaker) criteria contained in WAC 246-310. The tie-breaker criteria are objective measures used to compare competing projects and make the determination between two or more approvable projects which is the best alternative. If WAC 246-310 does not contain any service or facility criteria as directed by WAC 246-310-200(2)(a)(i), then the department would look to WAC 246-310-240(2)(a)(ii) and (b) for criteria to make the assessment of the competing proposals. If there are no known recognized standards as identified in WAC 246-310-200(2)(a)(ii) and (b), then using its experience and expertise, the department would assess the competing projects and determine which project should be approved.

Step One

For this project, Evergreen's project met the review criteria under WAC 246-310-210, 220, and 230. Therefore, the department moves to step two below.

Step Two

Within the application, the applicant concedes that they have been operating the additional NICU level III capacity since approximately 2002. Evergreen did not present any alternatives to the capacity currently in operation for consideration. [source: Application, p43]

The only other option the department identified was to have Evergreen stop providing NICU level III care in the un-approved beds. Although the department cannot overlook that Evergreen has expanded its NICU level III bed capacity without prior CoN approval, closing the additional beds is not the best alternative in this particular case.

Evergreen is one of a number of facilities that were providing ICN level II and NICU level III services that expanded the number of beds used for that care without including them in their license. They were under the impression these beds were not included in the hospital's licensed bed count. This was a mistaken understanding, as stated earlier in this evaluation. The remedy for a hospital that is operating out of compliance with the CoN statute is to 1) stop the un-approved service or using the un-approved beds; or 2) submit an application seeking CoN approval. Evergreen chose to apply for approval of additional bed capacity to its NICU Level III unit. Consistent with past decisions, the department did not required Evergreen to close the beds during the review of the hospital's application. In reviewing this application the department concluded this application has met WAC 246-310-210 (need), WAC 246-310-220 (financial feasibility), and WAC 246-310-230 (structure and process of care).

Given the options considered, the department concludes that the project presented is the best available alternative for the community. **This sub-criterion is met.**

Step Three

Evergreen was the only entity who submitted an application for review. As a result, step three is not evaluated under this sub-criterion