STATE OF WASHINGTON
DEPARTMENT OF HEALTH

January 25, 2012

CERTIFIED MAIL # 7008 1300 0000 7202 9744

Robert Howie
Eastside Medical Group, LLC
165 NW Juniper Street
Issaquah, WA 98027

Re: CN12-01

Dear Mr. Howie:

We have completed review of the Certificate of Need application submitted by Eastside Medical Group, LLC proposing to establish a CN approved ambulatory surgery center in Issaquah. For the reasons stated in this evaluation, the application submitted by Eastside Medical Group is consistent with applicable criteria of the Certificate of Need Program, provided it agrees to the following in its entirety.

Project Description:
Establish a two-operating room ambulatory surgery center located at 1304 4th Avenue Northwest, #201 in Issaquah, within the East King county planning area. Eastside Medical Group agrees to the following:

Conditions:

1. Eastside Medical Group agrees with the project description as described above.
2. EMG's surgery center will provide charity care in compliance with the charity care policies provided in its Certificate of Need application and the requirements of the applicable law. EMG will use reasonable efforts to provide charity care in an amount comparable to the average amount of charity care provided by the two hospitals located in the East King County Planning Area during the three most recent years. For historical years 2007-2009, these amounts are 0.96% of total revenue and 1.55% of adjusted revenue. EMG will maintain records documenting the amount of charity care it provides and demonstrating its compliance with its charity care policies and applicable law.
3. The EMG surgery center is limited to two operating rooms at the surgery center.
4. EMG will provide the Department with an executed copy of a Patient Transfer Agreement for Department review and approval prior to commencement of services consistent with the draft agreement provided within the application.

Approved Capital Costs:
The approved capital expenditure associated with this project is $2,778,538.

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.

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

<u>Other Than By Mail</u>:
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 ON BEHALF OF EASTSIDE MEDICAL GROUP PROPOSING TO ESTABLISH AN AMBULATORY SURGERY CENTER IN EAST KING COUNTY

APPLICANT DESCRIPTION

Eastside Medical Group (EMG) is a limited liability company in Washington State formed in August of 2011. EMG consists of four members, with each accounting for 25% of the ownership. The members include Robert Howie, Bob Power and doctor's Kalle Kang and Mark Pfleger. [source: Application, p33; Washington Secretary of State web search]

PROJECT DESCRIPTION

This project proposes the establishment of a new surgery center with two operating rooms. The ASC will allow physicians not employed by EMG the opportunity to perform surgeries and procedures in Issaquah. This action requires prior Certificate of Need review and approval.

If the project is approved, the location of the ASC would be in a new medical building at 1304 4th Avenue NE, Suite 201 in Issaquah. This is a new medical office building in Issaquah, Washington. Services offered at the ASC would include ENT procedures, general surgery and surgeries for orthopedic and podiatry cases. [source: Application, p3]

The estimated capital expenditure associated with the project is $2,778,538 and is inclusive of the construction and equipment necessary to function as an ASC. The ASC is expected to be operational by April of 2012. Under this timeline, year 2013 would be the ASC's first full calendar year of operation as a CN approved ASC, and 2015 would be year three. [source: Application, p9]

APPLICABILITY OF CERTIFICATE OF NEED LAW

This project requires review as the establishment of a new healthcare facility under the provisions of Revised Code of Washington (RCW) 70.38.105(4)(a) and Washington Administrative Code (WAC) 246-310-020(1)(a).

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, Eastside Medical Group must demonstrate compliance with the applicable 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).[1] Additionally, WAC 246-310-270 contains service or facility specific criteria for ASC projects and must be used to make the required determinations.

APPLICATION CHRONOLOGY

Letter of Intent Submitted	April 26, 2011
Application Submitted	August 23, 2011
Department's Pre-Review Activities • screening activities and responses	August 24, 2011 through October 16, 2011
Department Begins Review of the Application • public hearing conducted • public comments accepted throughout the review	October 17, 2011
End of Public Comment/Public Hearing	November 21, 2011
Rebuttal Documents Received at Department	December 7, 2011
Department's Anticipated Decision Date	January 23, 2012
Department's Actual Decision Date	January 25, 2012

[1] 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), and (6) and WAC 246-310-240(3).

AFFECTED PERSONS

Washington Administrative Code 246-310-010(2) defines "affected person as:
"...an "interested person" who:

(a) Is located or resides in the applicant's health service area;
(b) Testified at a public hearing or submitted written evidence; and
(c) Requested in writing to be informed of the department's decision."

Through the course of review, one entity met the qualifications as an Affected Party:

- Swedish Health Services – A health care provider in the planning area

SOURCE INFORMATION REVIEWED

- Eastside Medical Group Certificate of Need Application received August 23, 2011
- Eastside Medical Group supplemental information received October 10, 2011
- Public comment received at hearing and throughout the review of the application
- Eastside Medical Group rebuttal comments received December 7, 2011
- Swedish Health Services' rebuttal comments received December 7, 2011
- East King County ASC operating room utilization survey responses
- Data reported to the Integrated Licensing and Regulatory System (ILRS)
- Claritas population data for East King County secondary health services planning areas
- Historical charity care data obtained from the Department of Health's Hospital and Patient Data Systems (2007, 2008, and 2009 summaries)
- Washington Secretary of State web site

CONCLUSION

For the reasons stated in this evaluation, the application submitted by Eastside Medical Group is consistent with the applicable criteria of the Certificate of Need program provided the applicant agrees to the following in its entirety.

Project Description

Establish a two-operating room ambulatory surgery center located at 1304 4th Avenue Northwest, #201 in Issaquah, within the East King county planning area. Eastside Medical Group agrees to the following:

Conditions:

1. Eastside Medical Group agrees with the project description as described above.

2. EMG's surgery center will provide charity care in compliance with the charity care policies provided in its Certificate of Need application and the requirements of the applicable law. EMG will use reasonable efforts to provide charity care in an amount comparable to the average amount of charity care provided by the two hospitals located in the East King County Planning Area during the three most recent years. For historical years 2007-2009, these amounts are 0.96% of total revenue and 1.55% of adjusted revenue. EMG will maintain records documenting the amount of charity care it provides and demonstrating its compliance with its charity care policies and applicable law.

3. The EMG surgery center is limited to two operating rooms at the surgery center.

4. EMG will provide the Department with an executed copy of a Patient Transfer Agreement for Department review and approval prior to commencement of services consistent with the draft agreement provided within the application.

Approved Costs

The approved capital expenditure associated with this project is $2,778,538.

A. **Need (WAC 246-310-210) and Ambulatory Surgery (WAC 246-310-270)**
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 Eastside Medical Group has met the need criteria in WAC 246-310-210 and WAC 246-310-270.

(1) *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*

WAC 246-310-270(9) – Ambulatory Surgery Numeric Methodology
The Department of Health's Certificate of Need Program uses the numeric methodology outlined in WAC 246-310-270 for determining the need for additional ASCs in Washington State. The numeric methodology provides a basis of comparison of existing operating room (OR) capacity for both outpatient and inpatient OR's in a planning area using the current utilization of existing providers. The methodology separates Washington State into 54 secondary health services planning areas. The proposed ASC would be located in the East King County planning area.

Applicant's Methodology
The numeric portion of the methodology requires a calculation of annual capacity of existing ORs, both outpatient and inpatient. EMG obtained information from the existing providers through past ASC surveys and data obtained from the department's Integrated Licensing and Regulatory System (ILRS). EMG provided this data broken down by facility as part of the application, but did not include the forecast portion until after the close of comment on the application. The assumptions used and calculations reviewed here are derived from the data set included in Exhibit 8 of the original application and are detailed below. [source: Application, pp13-15; Exhibit 8]

Assumption	Data Used
Planning Area	East King County
Population Estimates and Forecasts	Claritas population estimates for the planning area zip codes through 2015
Use Rate	Applied a rate of 142 surgeries per 1,000 population
Percent of surgery ambulatory vs. inpatient[2]	83.83% ambulatory (outpatient) and 16.17% inpatient
Average minutes per case[3]	Based on application data: Inpatient 126.4 minutes Outpatient 48.6 minutes
OR Annual capacity in minutes	68,850 outpatient surgery minutes; 94,250 inpatient or mixed-use surgery minutes (per methodology in rule)
Existing providers	OR Capacity: 24 dedicated outpatient and 29 mixed use

[2] Based upon figures reported in Application, Appendix 8
[3] Based upon figures reported in Application, Appendix 8

By applying a simple combination of the data reported to establish a use rate, available population forecasts for 2015, and past program decisions for the planning area, EMG determined that there was a need for additional OR capacity. [source: Application, p15]

Department's Methodology

The numeric methodology estimates OR need in a planning area using multi-steps as defined in WAC 246-310-270(9). This methodology relies on a variety of assumptions and initially determines existing capacity of dedicated outpatient and mixed-use operating rooms in the planning area, subtracts this capacity from the forecast number of surgeries to be expected in the planning area in the target year, and examines the difference to determine:

a) Whether a surplus or shortage of OR's is predicted to exist in the target year, and
b) If a shortage of OR's is predicted, the shortage of dedicated outpatient and mixed-use rooms are calculated. Preference is given to dedicated outpatient operating rooms.
c) Data used to make these projections specifically exclude specialty purpose rooms, such as open-heart surgery rooms, delivery rooms, cystoscopic rooms, and endoscopic rooms.[4]

In the East King planning area there are four hospitals and thirty-three ASCs. The table below lists those hospitals and ASCs.

East King County Planning Area Hospitals and ASCs

Hospital's/City	
Evergreen Hospital Medical Center, Kirkland	Snoqualmie Valley Hospital, Snoqualmie
Overlake Hospital Medical Center, Bellevue	Swedish Issaquah Hospital, Issaquah[5]
ASC's	
Allure Laser Center	Overlake Surgery Center
Anderson Cosmetic Surgery	Pacific Cataract & Laser Institute
Ambulatory Surgery Center at the GH Bellevue MC	Plastic Surgery North West Surgery Center
Aysel Sanderson MD	Pratt Plastic Surgery Center
Bellevue Spine Specialist	Proliance Highlands Surgery Center
Bel Red	Remington Plastic Surgery
Bellevue Urology Associates	Retina Surgery Center, The
Cosmetic Surgery & Dermatology of Issaquah	Seattle Children's-Bellevue ASC[6]
Eastside Endoscopy-Bellevue	Sammamish Center for Facial Plastic Surgery
Evergreen Orthopedic Surgery Center	Sephehr Egrari MD FACS Plastic Surgery Center
Evergreen Surgical Center	Skin Surgery Center

[4] WAC 246-310-270(9)(a)(iv). "...Exclude cystoscopic and other special purpose rooms (e.g., open heart surgery) and delivery rooms.

[5] Swedish Issaquah is a new hospital that recently opened in Issaquah. On July 1, 2011, the department issued CN1264R2A for a change in site for the Swedish-Bellevue ASC. That CN approved moving the ASC's 5 ORs to the outpatient surgery space of the new Issaquah hospital. In this way, the ORs could be used to provide outpatient surgery before the rest of the hospital was operational. Once the hospital became operational, these 5 ORs became the hospital's outpatient surgery within the hospital's license. Since the hospital is now open, these 5 ORs are included in the hospital's count of OR capacity and are not counted as a separate ASC.

[6] Seattle Children's Bellevue ASC is limited to providing services to pediatric patients.

Evergreen Surgical Clinic Ambulatory Surgery Ctr.	Swedish Health Services -Issaquah ASC
La Provence Esthetic Surgery	Swedish Lakeside Surgery Center[7]
Naficy Plastic Surgery & Rejuvenation Center	Stern Center for Aesthetic Surgery, The
North Pacific Dermatology	Virginia Mason-Bellevue Ambulatory Surgical Ctr.
Northwest Center for Aesthetic Plastic Surgery	Washington Institute Orthopedic Center
Northwest Nasal Sinus Center	

For the hospitals located in the planning area, their mixed use ORs and dedicated outpatient ORs are counted in the planning area's supply of ORs, if known. Of the thirty-three ASCs facilities located within the planning area, seven have Certificates of Need[8]. Their OR capacity is also counted in the supply of ORs available in the planning area. The remaining 26 ASCs are within solo or group practices. The use of these ASCs is restricted to physician owners or employees of the respective clinical practices. These ASCs are exempt from CoN[9]. The OR capacity of these exempt ASCs was not counted as part of the OR capacity within the planning area.

On February 10, 2011, the department requested utilization information from the hospitals and ASCs in the planning area. Seven providers responded. Those were Overlake Hospital Medical Center, Overlake Surgery Center, LLC, Swedish-Issaquah Hospital, Swedish Lakeside ASC, Swedish-Issaquah ASC, Swedish-Bellevue ASC, Remington Plastic Surgery Center, and Bellevue Urology Associates. The utilization information obtained from these responses and information obtained from the department's ILRS program was used to determine the planning area's use rate.

The department used the following assumptions in applying its numeric methodology.

Assumption	Data Used
Planning Area	East King County
Target Year	2013
Population-Target Year	553,278
Use Rate	141.726/1,000
Average minutes per case	Inpatient cases= 149.08 minutes Outpatient cases = 48.95 minutes
OR capacity Counted:	Mixed Use: 20 Dedicated outpatient: 30

[7] This facility was previously known as Issaquah Surgery Center. On October 10, 2006, CN1338 was issued to Proliance Surgeons, Inc. The Issaquah Surgery Center began offering services in November 2006. In approximately January 2010, Issaquah Surgery Center, LLC was formed to operate the ASC. Swedish Health Services and two physicians were the sole members of the LLC. Under the terms of the LLC agreement, Swedish was required to buy out the interest of the two physicians. This occurred sometime in 2010. [source: DoR11-16]

[8] Evergreen Orthopedic Surgery Center, Evergreen Surgery Center, Northwest Nasal Sinus, Overlake Surgery Center, Seattle Children's Bellevue ASC, Swedish Issaquah ASC, and Swedish Lakeside Surgery Center are CN approved.

[9] WAC 246-310-010(5)

The department's application of the numeric methodology based on the assumptions described above indicates a surplus of 9.17 in-patient OR's and need for 20.88 out-patient ORs in 2013. With the inclusion of recent department approvals for two additional OR's in the planning area[10], need still exists in excess of the 2 OR's requested in this application. The department's methodology is Attachment A of this evaluation.

To demonstrate need for the new ASC, EMG relied upon the data reported to the department's ILRS resource and the department's ASC use surveys. As addressed above, EMG included the data necessary by applying the computed use rate to the population forecasts in relation to previous approvals by the program for additional OR capacity in the planning area. [source: Application, p15]

To complete the analysis of EMG's need methodology, Attachment B includes a mock-up of the forecast based solely upon the data supplied by EMG in the application. When the resulting use rate and 2015 population figures are applied, a surplus of in-patient and a need for out-patient OR capacity in the planning area is again produced.

When both methods are reviewed, the forecasts show need for out-patient OR capacity beginning in the first full year of operation (2013) and throughout the projection period of the proposed facility (2015). In summary, based solely on the numeric methodology performed as contained in WAC 246-310-270, need of outpatient OR capacity in the East King planning area is demonstrated.

During the review of this application, the department received comments and rebuttal from Swedish Health Services regarding EMG's proposed project. Primarily, Swedish contends that the data used by EMG is inaccurate in its count of current surgeries and of the existing capacity within the planning area. Excerpts from Swedish's comments are stated below. [source: Swedish Comment, pp1-4]

> "*Eastside Medical Groups CON application should be denied for the simple reason that EMG has not demonstrated need for additional operating rooms in East King.*"

> "*Although EMG did not perform the methodology itself, it did present the data which it believes the Department should use in performing the methodology.*"

EMG provided the following statements as part of their response to Swedish's comment: [source: EMG Rebuttal, pp1-3]

> "*Swedish attempts to create the illusion that no need exists by overstating the number of OR's in the planning area and understating the use rate of those OR's.*"

> "*Swedish commits two errors when attempting to calculate the existing capacity of OR's in the planning area. First, Swedish overstates its own OR capacity*" and

[10] Application CN11-16 released December 14, 2011

"Second, Swedish overstates the number of accessible OR's at other surgery centers in East King County."

For purposes of comparison, the program considered the information submitted by both the applicant and Swedish Health Services parties for the current planning area capacity and the utilization. The information is outlined in the tables below in relation to the data applied by the department.

Table 1
2009 Utilization of Existing OR space within East King County

	Swedish	EMG	DOH
Use Rate	133.2	142.3	141.7
In-patient surgeries	10,619	12,286	6,614
Out-patient surgeries	60,509	63,688	69,138
Total	71,128	75,974	75,752

As shown, there is variation in the totals of each category, but the totals and use rate applied by EMG more closely resemble those calculated by the department. Differences in the in-patient and out-patient categories affect the outcome of any methodology calculations, but the department's methodology does produce a projected need for additional capacity and the application of the EMG totals would alter the split between dedicated and mixed-use rooms, but not the net need. [source: Swedish, p5; EMG Application, Exhibit 8, Evaluation Attachment A]

Both Swedish and the applicant described the process in which they came to determine the number of OR's in each category. The sum of their calculations are cited below.

Table 2
East King County OR's Capacity

	Swedish	EMG	DOH
Dedicated Outpatient OR's	27	22	30
Mixed Use OR's	35	29	20
Total	62	51	50

As might be expected, need forecasts submitted by Swedish using more OR capacity and lower use rate result in a surplus of OR capacity. Considering the variation in the totals for each category, the totals reported by EMG more closely resemble those compiled by the department. Attachment A of this evaluation provides a complete description of the considerations made by the department to establish the capacity applied in the need methodology. [source: Swedish, p6; EMG Application, Exhibit 8, Evaluation Attachment A]

Department's Conclusion

The department's application of the numeric need methodology produces a need for additional OR capacity. The department's ASC need methodology excludes cystoscopic and other special purpose rooms such as heart surgery and delivery rooms from the calculation of

need. Materials submitted by both the applicant and Swedish address 2 OR's recently built by Seattle Children's within the planning area. The department concludes that conditions placed upon Seattle Children's regarding the use of their Bellevue facility makes it appropriate to also exclude their capacity from the need forecast's available capacity

Based on the source information reviewed, the department concludes that need for additional OR capacity has been established. **This sub-criterion is met.**

WAC 246-310-270(6) (6) An ambulatory surgical facility shall have a minimum of two operating rooms

This project is to build a new two OR surgical center in Issaquah. EMG provided single line drawings within the application. Those drawings show the ASC will have the required two ORs. **This sub-criterion is met.** [source: Application, Exhibit 5]

(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 service 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.

To demonstrate compliance with this sub-criterion, EMG provided a copy of the non-discrimination policy created and approved to serve as the admission policy for the proposed facility. The policy provided states that no person on the grounds of race, color, national origin, ancestry, age, sex, religious creed, or disability is excluded from any care or service while a patient at the applicant center. The policy is comparable to others the department has reviewed. [source: Application, Exhibit 9]

To determine whether low-income residents would have access to the proposed services, the department uses the facility's Medicaid eligibility or contracting with Medicaid as the measure to make that determination. EMG states that it intends to serve Medicaid patients and identifies that approximately 1.7% of the facility's revenue is to be from Medicaid reimbursment. [source: Application, p4, 25 & Exhibit 7]

To determine whether the elderly would have access to the proposed services, the department uses Medicare certification as the measure to make that determination. To demonstrate compliance with this sub-criterion, EMG stated its intent to become Medicare certified and approximately 15.3% of EMG's revenue is expected to be from Medicare patients. [source: Application, p4, 25 & Exhibit 7]

A facility's charity care policy should confirm that all residents of the service area including low-income, racial and ethnic minorities, handicapped and other underserved groups have, or would have, access to healthcare services of the applicant. The policy should also include the process one must use to access charity care at the facility. To demonstrate compliance

with this sub-criterion, EMG provided a copy of the approved charity care policy. EMG's policy states EMG "is committed to providing uncompensated or charity care to those individuals who have already received services and who can substantiate their inability to pay." [source: EMG Application, Exhibit 9]

Department's Evaluation

WAC 246-310-270(7) states "*Ambulatory surgical facilities shall document and provide assurances of implementation of policies to provide access to individuals unable to pay consistent with charity care levels provided by hospitals affected by the proposed ambulatory surgical facility. The amount of an ambulatory surgical facility's annual revenue utilized to finance charity care shall be at least equal to or greater than the average percentage of total patient revenue, other than Medicare or Medicaid, that affected hospitals in the planning area utilized to provide charity care in the last available reporting year.*"

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. EMG is located in King County. There are 21 hospitals located within the region[11]. According to 2007-2009[12] charity care data obtained from HPDS, the three-year average for the hospitals affected in the East King County planning area[13] was 0.96% for total revenue and 1.55% of adjusted revenue. The applicant's revenue and expense statement shows the EMG is projecting a three-year average level of 0.74% of total revenue. [source: Application, p25 And Exhibit 7]

Table 3 shows the comparison of EMG proposed level of charity care to the applicable East King County hospitals. [source: HPDS 2004-2006 charity care summaries and EMG application, Exhibit 10]

Table 3
EMG Charity Care Comparison

	3-Year Average for East King County Hospitals	3-Year Average for Projected EMG
% of Total Gross Revenue	0.96 %	0.74 %
% of Adjusted Net Revenue	1.55 %	2.45 %

As shown, EMG is projecting its charity care above the regional average for their adjusted revenue, but falls short in relation to the total revenue totals. Due to this, a condition requiring EMG to use reasonable efforts to provide charity care in an amount comparable to the average amount of charity care provided by the two hospitals located in the East King County Planning Area during the three most recent years will be added if this project is approved. For historical years 2007-2009, these amounts are 0.96% of gross revenue and 1.55% of adjusted revenue. EMG will be expected to maintain records documenting the amount of charity care it provides and demonstrating its compliance with its charity care policies and applicable law.

[11] This number includes Swedish-Issaquah Hospital which recently opened.
[12] Year 2010 charity care data is not available as of the writing of this evaluation.
[13] Includes both Evergreen and Overlake hospitals.

Based on the source information reviewed and EMG's agreement to the conditions cited above, the department concludes that all residents, including low income, racial and ethnic minorities, handicapped, and other under-served groups would have access to the services provided by the applicant. **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 concludes Eastside Medical Group 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.

The assumptions relied on by EMG to project the financial viability of the ASC are based upon EMG member experience as well as consultation with industry experts and appear to be reasonable. The applicant included a series of assumptions particular to each specialty and projected future utilization based upon each. Table 4 below is the applicant's projected patient cases for the proposed ASC. [source: Application, p18]

Table 4
EMG Estimated Surgical Utilization

Specialty	Year 1	Year 2	Year 3	Year 4	Year 5
ENT	48	60	60	60	72
General Surgery	473	648	672	684	708
Orthopedics	594	816	840	864	888
Podiatry	92	132	144	144	144
Total	1,207	1,656	1,716	1,752	1,812

Table 5 below is a summary of EMG's projected revenues and expenses for years 2013 through 2015.

Table 5
Eastside Medical Group ASC Revenue and Expense Summary

	Projected FY 2013	Projected FY 2014	Projected FY 2015
Number of Procedures	1,207	1,656	1,716
Net Revenue	$ 4,572,416	$ 5,800,547	$ 5,984,402
Total Expenses	$ 3,011,692	$ 3,703,952	$ 3,781,367
Net Profit or (Loss)	$ 1,560,724	$ 2,096,595	$ 2,203,035
Average Revenue per Procedure	$ 3,788.25	$ 3,502.75	$ 3,487.41
Average Expenses per Procedure	$ 2,495.19	$ 2,236.69	$ 2,203.59
Net Profit or (Loss) per Average Procedure	$ 1,293.06	$ 1,266.06	$ 1,283.82

The 'net revenue' line item in Table 5 is the result of gross revenue minus any deductions for contractual allowances, bad debt, and charity care. The 'total expenses' line item includes staff salaries/wages and overhead costs based on the assumptions and forecasts outlined above. As shown, EMG anticipates it would operate at a profit from the beginning in fiscal year 2013.

There were no comments submitted related to this sub-criterion. Based on the financial information above, the department concludes that the immediate and long range capital and operating costs of the project can be met. **This sub-criterion is met.**

(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 capital costs associated with this project are $2,778,538 and are primarily related to the construction and equipment needed to provide the service lines outlined for the facility. EMG relied on its own experience to develop the construction costs identified. [source: Application, pp11-12]

To further demonstrate compliance with this sub-criterion, EMG provided the projected sources of patient revenue for its ASC. [source: Application, Exhibit H; October 10, 2011 Supplemental Information, p3]

Table 6
Eastside Medical Group
Projected Sources and Percentages of Revenue

Source of Revenue	Projected
Medicare	15.3%
State (Medicaid)	1.7%
Commercial	79.5%
Other	3.5%
Total	**100%**

As shown in Table 6, the majority of revenues are expected to be paid by commercial payers. The primary source of any additional revenue will be from Medicare reimbursement and relatively small amounts for the remaining sources. Neither of these payer sources are expected to raise fees or reimbursements based on the reported capital costs of this project.

Based on the information provided above, the department concludes that the cost of the project will not result in an unreasonable impact on the costs and charges for health services within the service area. **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.

EMG identifies the capital expenditure to be $2,778,538, which is primarily related to the construction and equipment needed to provide the additional surgeries not currently provided at the ASC. The funding for the project will be debt financed through a conventional loan and through member contributions. With member contributions totaling $305,888[14], the remaining $2,472,650 will be financed over a 60 month term at an expected interest rate of 7.75%. [source: Application, p24]

To demonstrate additional compliance with this sub-criterion, EMG provided an amortization schedule with interest expenses in the project projected expenses included. [source: Application, Exhibit 10; October 10, 2011 Supplemental Information, Attachment 2]

There were no comments submitted related to this sub-criterion. Based on the information provided above, the department concludes that the project can be appropriately financed, and **this sub-criterion is met.**

[14] Equal contributions of the 4 members of $76,472

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 concludes Eastside Medical Group has met the structure and process (quality) of care criteria in WAC 246-310-230.

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

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 reviews whether the planning would allow for the required coverage.

EMG anticipates having 80% of the necessary staff by their first full year of service. Table 7 below summarizes the projected staffing at the ASC through 2015. [source: Application, p26]

Table 7
Eastside Medical Group ASC Staffing Totals for Years 2013 through 2015

Type of Staff	2013 FTEs	2014 FTEs	2015 FTEs
Clinical Director	1.00	1.00	1.00
RN	6.00	6.70	7.00
LPN/Tech	1.00	2.00	2.00
Registration/Reception	1.00	1.00	1.00
Office Manager	1.00	1.00	1.00
Total FTEs	**10.00**	**11.70**	**12.00**

As shown above, EMG anticipates adding two more FTEs to the initial hire by year 2015 to reach a total of just 12 FTEs. To demonstrate that staff would be available and accessible for this project, EMG provided the following statements:

"EMG intends to offer a competitive wage and befits package to all employees."

"EMG will offer part-time and/or flexible positions, all of which we believe will be attractive recruitment and retention tools." [source: Application, p27]

Based on the information provided above, the department concludes that staff is available or can be recruited and retained. **This sub-criterion is met.**

(2) <u>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.</u>

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 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.

To comply with this sub-criterion EMG states that it anticipates purchasing ancillary and support services from the vendors available in the community. The applicant provided anticipated vendors for services in areas such as laundry, biomedical waste, medical gas supplies, lab, and janitorial services. [source: Application, p27; October 10, 2011 Supplemental Information, p3]

Based on the source information reviewed the department concludes that EMG is likely to establish the appropriate ancillary and support services and relationships with the local healthcare and service providers. **This sub-criterion is 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 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.

EMG does not own or operate any other healthcare facilities in Washington or any other state and has not been surveyed by the Department of Health's Office of Health Care Survey (OHCS), which surveys ASCs within Washington State. The Department of Health's Medical Quality Assurance Commission credentials medical staff in Washington State and is used to review the compliance history for the medical staff, which includes physicians, RNs, and LPNs. A compliance history review of the medical staff contracted to direct EMG's proposed facility, Dr. Kalle Kang and Dr. Mark Pfleger, reveal no recorded sanctions. [source: MQAC compliance history]

After reviewing the compliance history of the medical staff associated with the proposed facility, the department concludes there is reasonable assurance that EMG would operate in conformance with applicable state and federal licensing and certification requirements. **This sub-criterion is met.**

(4) *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.*

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, EMG provided the following statement. [source: Application, p27]

> *"Continuity of care will be enhanced by allowing area residents that have non-Swedish affiliated physicians to enjoy the same access to locally based outpatient surgical services as residents with a Swedish affiliated provider will have."*

Much of the comment received at the public hearing touched focused on the issue of the current access to OR space at the Swedish hospital in Issaquah. Rebuttal comments submitted by Swedish contend that no priority is given to Swedish-employed surgeons in the scheduling of OR time. Swedish also states that any surgeon who obtains privileges at the hospital is able to use available OR capacity on a first-come, first-served basis and all are able to reserve blocks of time. [source: Public Comment; Swedish Rebuttal, p1]

The applicant's comments and rebuttal on the topic appear to concentrate upon patient choice and access. The applicant states that it is not an issue of Swedish not being willing to grant medical staff privileges to new doctors, but rather the ability for non-Swedish physicians to have a non-Swedish affiliated option. EMG contends that the proposed facility would allow for more productive and patient centered scheduling to address procedure and recovery times that may vary in some procedures. [source: Applicant Rebuttal, p8]

Independent of the answer to who and how much time physicians can currently block out at the Swedish hospital, the department's need projections show a need for additional OR capacity to adequately serve the needs of the residents within the planning area. Considering the current capacity for Swedish[15] and the other providers detailed in the numeric need methodology, projected need is sufficient to support the request for additional capacity.

As part of this application, EMG provided a draft transfer agreement with Overlake Hospital. If this project is approved, the department would include a condition requiring EMG provide a copy of the executed transfer agreement prior to providing services at the facility. [source: Application, p28; October 10, 2011 Supplemental Information, Attachment 3].

Based on this information provided above, and acceptance of the condition above, the department concludes that approval of this project would not cause unwarranted fragmentation of the existing healthcare system. Therefore, **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 evaluated in sub-section (3) above, and based on that evaluation, the department concludes that **this sub-criterion is met**.

[15] Swedish rebuttal materials identify 12 OR's and 2 procedure rooms available at the hospital. The department's methodology concludes that 10 of these 14 are applicable capacity after excluding what the hospital records indicate that 2 of the rooms are specific to endoscopic procedures and 2 as catheterization labs .

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 concludes Eastside Medical Group 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 criteria (tie-breaker) contained in WAC 246-310. The tiebreaker 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, EMG'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, EMG identified three options before submitting this application. These are described below. [source: Application, p29]

Option 1 – Acquiring an existing ASC

EMG identified 8 CN approved ASC's in the planning area. It was determined that only 1 of those facilities was operating independent of an affiliation to an existing hospital and was not a likely candidate to be available for acquisition. This option was rejected.

Option 2 – Opening and operating a CN exempt ASC

This option was rejected because the providers interested in using the proposed ASC in the planning area do not constitute a group practice.

Option 3 – Continue to make efforts to gain privileges and access to capacity at Swedish Hospital.
Addressed in more detail above in section 230(4), issues continue to surround scheduling in the existing hospital. When considering this application, EMG determined this was too uncertain of a direction and rejected this option as a long term solution.

Once EMG determined that the ASC may not qualify for an exemption (option #2 above), EMG was required to submit a Certificate of Need application before the proposed ASC could be established. As a result, the department concludes that the project described is the best available alternative to review for EMG and the community. **This sub-criterion is met.**

Step Three
For this project, only EMG submitted an application to establish an ASC in the East King County planning area. As a result, step three is not evaluated under this sub-criterion.

(2) *In the case of a project involving construction:*
(a) *The costs, scope, and methods of construction and energy conservation are reasonable.*
This sub-criterion is evaluated within the financial feasibility criterion under WAC 246-310-220(2). Based on that evaluation, the department concludes that **this sub-criterion is met.**

(b) *The project will not have an unreasonable impact on the costs and charges to the public of providing health services by other persons.*
This sub-criterion is evaluated within the financial feasibility criterion under WAC 246-310-220(2) **and is met**.

APPENDIX A

APPENDIX A
ASC Need Methodology
East King County

Service Area Population: 2013 553,278 Per CN program files
Surgeries @ 141.726/1,000: 78,414

a.i.	94,250 minutes/year/mixed-use OR				
a.ii.	68,850 minutes/year/dedicated outpatient OR				
a.iii.	30 dedicated outpatient OR's x 68,850 minutes =			2,065,500 minutes dedicated OR capacity	42,197 Outpatient surgeries
a.iv.	20 mixed-use OR's x 94,250 minutes =			1,885,000 minutes mixed-use OR capacity	12,644 Mixed-use surgeries
b.i.	projected inpatient surgeries =	6,846	=	1,020,673 minutes inpatient surgeries	
	projected outpatient surgeries =	71,567	=	3,503,166 minutes outpatient surgeries	

b.ii. Forecast # of outpatient surgeries - capacity of dedicated outpatient OR's
71,567 - 42,197 = 29,371 outpatient surgeries

b.iii.	average time of inpatient surgeries	=	149.08 minutes
	average time of outpatient surgeries	=	48.95 minutes
b.iv.	inpatient surgeries*average time	=	1,020,673 minutes
	remaining outpatient surgeries(b.ii.)*ave time	=	1,437,666 minutes
			2,458,340 minutes

c.i. if b.iv. < a.iv. , divide (a.iv.-b.iv.) by 94,250 to determine surplus of mixed-use OR's
Not Applicable - Go to c.11. and ignore any value here.

1,885,000
\- 2,458,340
-573,340 / 94,250 = **-6.08**

c.ii. if b.iv. > a.iv., divide (inpatient part of b.iv - a.iv.) by 94250 to determine shortage of inpatient OR's
USE THESE VALUES

1,020,673
\- 1,885,000
(864,327) / 94,250 = **-9.17**

divide outpatient part of b.iv. By 68,850 to determine shortage of dedicated outpatient OR's
1,437,666 / 68,850 = **20.88**

Prepared by: Janis Sigman/Mark Thomas

APPENDIX A
ASC Need Methodology
East King County

Facility	Special rms	Ded. Inpat	Ded. Outpat	Mixed use	closed /not used	op hrs	op wks	ip hrs	ip wks	mixed hrs	mixed wks	ip min/case	ip clean	2009 ip cases	2009 ip min	op min/case	op clean	2009 op case	2009 op min	Comments
Evergreen Hospital Medical Center				8																Used Applicant reported ORs
Overlake Hospital Medical Center		15	4			47	52	143	52			142	38	6614	986025	66	27	7329	495328	
Snoqualmie Valley Hospital				2																No surgeries reported to CHARS in 2009. Surgeries reported in 2006 and 2007. Used previously Reported ORs
Swedish Issaquah Hospital	4.00			10																14 ORs reported (including 2 endoscopy and 2 caths) Used 10 these other 4 are specical purposes & not counted
Allure Laser Center																		815	40750	Reported 2 ILRS
Aysel Sanderson MD																		175	8750	Reported 2 ILRS
Ambulatory Sergery Center at the GH Bellevue MC																		5070	253500	Reported 2 ILRS
Anderson Cosmetic Surgery																		160	8000	Reported 2 ILRS
Belevue Spine Specialist																		2500	125000	Reported 2 ILRS
Bellevue Urology Associates						16	26									60	30	1700	85000	Survey did not ID No. of cases. Number of Cases obtained from ILRS. Minutes calculated using default outpatient #
Bel Red																		200	10000	Reported 2 ILRS
Cosmetic Surgery & Dermatology of Issaquah																		511	25550	Reported 2 ILRS
Eastside Endoscopy-Bellevue Applicant 11-15						50	52									60	30	12079	603950	
*Evergreen Orthopedic Surgery Center			3															2600	130000	Reported 2 ILRS
*Evergreen Surgical Center			8															9000	450000	Reported 2 ILRS
Evergreen Surgical Clinic Ambulatory Surgery Center																		1550	77500	Reported 2 ILRS
La Provence Esthetic Surgery																		105	5250	Reported 2 ILRS
Naficy Plastic Surgery & Rejuvenation Center																		410	20500	Reported 2 ILRS
North Pacific Dermatology																		625	31250	Reported 2 ILRS
Northwest Center for Aesthetic Plastic Surgery																		200	10000	Reported 2 ILRS
*Northwest Nasal Sinus Center			2													92.9	15	4009	85746	Number of ORs obtained from ILRS
*Overlake Surgrey Center			6		1	50	52									35	15	7272	253762	
Pacific Cataract & Laser Institute																		3749	187450	Reported 2 ILRS
Plastic Surgery North West Surgery Center																		520	26000	Reported 2 ILRS
Pratt Plastic Surgery Ctr																		100	5000	Reported 2 ILRS
Proliance Highlands Surgery Center																		3000	150000	Reported 2 ILRS
Remington Plastic Surgery						24	48									180	30	177	31860	Used survey responses op min/case times # of cases reported in survey to calculate surgery minutes.
Retina Surgery Center, The																		1500	75000	Reported 2 ILRS
*Seattle Children's-Bellevue ASC			2																	Specialized - limited to pediatric patients
Sammamish Center for Facial Plastic Surgery																		100	5000	Reported 2 ILRS
Sephehr Egrari MD FACS Plastic Surgery Center																		326	16300	Reported 2 ILRS
Skin Surgery Center																		1256	62800	Reported 2 ILRS
Swedish Health Services -Bellevue ASC																				On July 1, 2011, the department issued CN1264R2A for a change in site for the Swedish-Bellevue ASC. That CN approved moving the ASC's 5 ORs to the outpatient surgery space of the new Issaquah hospital. In this way, the ORs could be used to provide outpatient surgery before the rest of the hospital was operational. Once the hospital became operational, these 5 ORs became the hospital's outpatient surgery within the hospital's license. Since the hospital is now open, these 5 ORs are included in the **hospital's count of OR capacity and are not counted as a separate ASC.**
*Swedish Health Services-Issaquah ASC			3																	CN1330R Expires 10.1.12 Est. commencement stated Ukwn-June Progress Report
*Swedish Lakeside Surgery Center			2			40	52									90	45			This facility was previously known as Issaquah Surgery Center. On October 10, 2006, CN1338 was issued to Proliance Surgeons, Inc. The Issaquah Surgery Center began offering services in November 2006. In approximately January 2010, Issaquah Surgery Center, LLC was formed to operate the ASC. Swedish Health Services and two physicians were the sole members of the LLC. Under the terms of the LLC agreement, Swedish was required to buy out the interest of the two physicians. This occurred sometime in 2010. [Source: DoR11-16]
Stern Center for Aesthetic Surgery, The																		250	12500	Reported 2 ILRS
Virginia Mason-Bellevue Ambulatory Surgical Center																		1350	67500	Reported 2 ILRS
Washington Institute Orthopedic Center																		500	25000	Reported 2 ILRS
Totals	4.00	15	30	20	1	227	282	143	52	0	0	142	38	6614	986025	583.9	192	69138	3384246	
												Average min/case			149.081	Ave min/case			48.94915	

*ASCs that have CoNs and are counted in supply for methodology

Outpatient minutes calculated at default 50 minutes/case for those ASCs not responding to survery.
ILRS: Intergrated Licensing & Regulatory System
Population data source: Claritas

Total Surgeries 2009	75,752
Area population 2010	534,496
Use Rate 2009 per survey or ILRS	141.726
Planning Area projected population for 2013	553,278
*ASCs that have CoNs and are counted in supply for methodology	
% Outpatient of total surgeries	91.27%
% Inpatient of total surgeries	8.73%

Prepared by Janis Sigman

APPENDIX B

APPENDIX B
ASC Need Methodology Mock-up
Based on applicant survey data

Service Area Population: 201[illegible] — 558,109 Per CN program files
Surgeries @ 142.262/1,000: — 79,398

a.i.	94,250 minutes/year/mixed-use OR				
a.ii.	68,850 minutes/year/dedicated outpatient OR				
a.iii.	20 dedicated outpatient OR's x 68,850 minutes =			1,377,000 minutes dedicated OR capacity	28,131 Outpatient surgeries
a.iv.	29 mixed-use OR's x 94,250 minutes =			2,733,250 minutes mixed-use OR capacity	18,334 Mixed-use surgeries
b.i.	projected inpatient surgeries =	12,840	=	1,914,155 minutes inpatient surgeries	
	projected outpatient surgeries =	66,558	=	3,257,959 minutes outpatient surgeries	
b.ii.	Forecast # of outpatient surgeries - capacity of dedicated outpatient OR's				
	66,558 -	28,131	=	38,427 outpatient surgeries	
b.iii.	average time of inpatient surgeries		=	149.08 minutes	
	average time of outpatient surgeries		=	48.95 minutes	
b.iv.	inpatient surgeries*average time		=	1,914,155 minutes	
	remaining outpatient surgeries(b.ii.)*ave time		=	1,880,959 minutes	
				3,795,115 minutes	

c.i. if b.iv. < a.iv. , divide (a.iv.-b.iv.) by 94,250 to determine surplus of mixed-use OR's

Not Applicable - Go to c.11. and ignore any value here.

2,733,250
\- 3,795,115
-1,061,865 / 94,250 = **-11.27**

c.ii. if b.iv. > a.iv., divide (inpatient part of b.iv - a.iv.) by 94250 to determine shortage of inpatient OR's

USE THESE VALUES

1,914,155
\- 2,733,250
(819,095) / 94,250 = **-8.69**

divide outpatient part of b.iv. By 68,850 to determine shortage of dedicated outpatient OR's

1,880,959 / 68,850 = **27.32**

Prepared by: Mark Thomas

APPENDIX B
Applicant ASC Need Methodology figures

Facility	Special rms	Ded. Inpat	Ded. Outpat	Mixed use	closed/not used	op hrs	op wks	ip hrs	ip wks	mixed hrs	mixed wks	ip min/case	ip clean	2009 ip cases	2009 ip min	op min/case	op clean	2009 op case	2009 op min	Comments
Application - Exhibit 8		0	24	29										12286	2E+06			63688	3098299	Used Applicant reported ORs
Totals	0.00	0	24	29	0	0	0	0	0	0	0	0	0	12286	2E+06	0	0	63688	3098299	
											Average min/case				126.42	Ave min/case			48.64808	

Population data source: Claritas		pop pg 17 2010	2015
Total Surgeries 2009	75,974	125139	129019
Area population 2010	534,044	182309	175499
Applicant Use Rate 2009	142.262	165103	174153
Planning Area projected population for 2015	558,109	36127	50803
*ASCs that have CoNs and are counted in supply for methodology		17382	20008
% Outpatient of total surgeries	83.83%	7984	8627
% Inpatient of total surgeries	16.17%		
		534044	558109

Prepared by: Mark Thomas