



STATE OF WASHINGTON  
DEPARTMENT OF HEALTH  
*Olympia, Washington 98504*

April 18, 2016

CERTIFIED MAIL # 7012 1010 0000 5625 0532

Matthew Kollman, MS Chief Operating Officer  
Memorial Physicians, PLLC  
3800 Summitview Avenue  
Yakima, Washington 98902

RE: Certificate of Need Application #16-13A

Dear Mr. Kollman:

We have completed review of the Certificate of Need application submitted by Memorial Physicians, PLLC proposing to establish an ambulatory surgery center in Yakima County. Enclosed is a written evaluation of the application.

For the reasons stated in the enclosed decision, the application is consistent with the applicable criteria of the Certificate of Need Program, provided Memorial Physicians, PLLC agrees to the following in its entirety.

**Project Description**

This certificate approves the establishment of a three-operating room endoscopy ambulatory surgery center in Yakima, within Yakima County. The surgery center currently provides gastroenterology services that can be performed appropriately in an outpatient setting, such as colonoscopies, flexible sigmoidoscopies, esophageal dilation, and esophagogastroduodenoscopies. Memorial Physicians, PLLC does not intend to expand the scope of services beyond those currently provided at the surgery center.

**Conditions**

1. Memorial Physicians, PLLC agrees with the project description as stated above. Memorial Physicians, PLLC further agrees that any change to the project as described in the project description is a new project that requires a new Certificate of Need.
2. Before commencement of the project, Memorial Physicians, PLLC must provide to the department, for review and approval, a final copy of the Charity Care Policy for the surgery center. This policy must be facility-specific and shall include the required non-discrimination language referenced in this approval.

3. The ambulatory surgery center will provide charity care in compliance with the charity care policy provided in the application, or any subsequent policies reviewed and approved by the Department of Health. Memorial Physicians, PLLC will use reasonable efforts to provide charity care at the ambulatory surgery center in an amount comparable to or exceeding the average amount of charity care provided by the four hospitals in Central Washington Region. Currently, this amount is 2.05% for gross revenue and 4.78% for adjusted revenue. Memorial Physicians, PLLC will maintain records at the ambulatory surgery center documenting the amount of charity care it provides and demonstrating its compliance with its charity care policies.
4. Memorial Physicians, PLLC must maintain Medicare and Medicaid certifications at the surgery center.

**Approved Capital Costs:**

There is no capital expenditure associated with this project.

Please notify the Department of Health within 20 days of the date of this letter whether you accept the above project description, conditions, and capital costs for your project. If you accept these in their entirety, your application will be approved and a Certificate of Need sent to you.

If you reject any of the above provisions, your application will be denied. The department will send you a letter denying your application and provide you information about your appeal rights.

Send your written response 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

Physical Address:

Department of Health  
Certificate of Need Program  
111 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,



Bart Eggen, Acting Director  
Community Health Systems

Enclosure

**EVALUATION DATED APRIL 18, 2016, OF THE CERTIFICATE OF NEED APPLICATION  
SUBMITTED BY MEMORIAL PHYSICIANS, PLLC PROPOSING TO ESTABLISH AN  
AMBULATORY SURGERY CENTER IN YAKIMA COUNTY**

**APPLICANT DESCRIPTION**

On February 25, 2009, the corporation of Memorial Physicians, PLLC was created with the Washington State Secretary of State office. The corporation's sole member is Yakima Valley Memorial Hospital Association. [source: Secretary of State website] On April 1, 2009, the corporation registered with the Washington State Department of Revenue. [source: Department of Revenue website] On January 1, 2016, Virginia Mason Health System became the sole corporate member of Yakima Valley Memorial Hospital Association (YVMHA). Under the affiliation, the hospital association remains a separate legal entity with an independent board of directors. The association also remains as the sole member of Memorial Physicians, PLLC. [source: Application, p1]

YVMHA states that the purpose of the affiliation with Virginia Mason Health System is to ensure that care remains local and both healthcare systems are optimally positioned to proactively respond to changing reimbursements and shifting models of healthcare. While collaborative integration and service enhancements are expected to commence over the next several months at YVMHA, no anticipated changes in day-to-day operations of the hospital or the surgery center are expected to occur. Over time, the integration and enhancements are expected to reduce operating costs, improve outcomes, and better position both organizations to participate in value-based purchasing and receive other payments tied to quality. [source: January 28, 2016, supplemental information, pp3-5]

While YVMHA operates a variety of urgent and primary care facilities in Yakima and Kittitas counties, Memorial Physicians, PLLC only operates the outpatient ambulatory surgery center (ASC)<sup>1</sup> referenced in the application as 'Yakima Gastroenterology Associates or YGA.' This application was submitted by Memorial Physicians, PLLC, herein referenced as 'Memorial Physicians.' While the department considers Memorial Physicians to be the applicant, portions of this evaluation will include the healthcare facilities operated by YVMHA.

**BACKGROUND INFORMATION**

On December 21, 1995, Cornerstone Medical Group was issued an exemption from Certificate of Need review for the establishment of an ambulatory surgery center to be located within the office of private physicians in Yakima. In 2010, Memorial Physicians became the sole owner of the practice and began operating the associated surgery center under the 'doing business as' name of Yakima Gastroenterology Associates.<sup>2</sup> On August 25, 2014, Memorial Physicians submitted an exemption application for the surgery center.<sup>3</sup> Since Memorial Physicians is owned by YVMHA and the surgery center is not located on the hospital campus, on December 8, 2014, Memorial Physicians was notified that it did not qualify for

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<sup>1</sup> For purposes of Certificate of Need review, the terms "ambulatory surgery center" (ASC) and "ambulatory surgery facility" (ASF) are interchangeable. The department's review will consistently refer to these facilities as ASC; however, the applicant may reference ASF in the application and quotations from the applicant will reflect as such.

<sup>2</sup> When the change of ownership for the practice and the surgery center occurred, a new exemption was required. Since the department was not notified of the change of ownership, Memorial Physicians was not notified of the requirement.

<sup>3</sup> DOR #15-12.

the exemption.<sup>4</sup> As of the writing of this evaluation, Memorial Physicians continues to operate the surgery center under the Yakima Gastroenterology Associates name and the issued ASF license.<sup>5</sup> [source: CN historical files; Application, p2; and ILRS database]

### **PROJECT DESCRIPTION**

Based on the background information above, Memorial Physicians submitted this application to establish the ambulatory surgery center known as Yakima Gastroenterology Associates [YGA]. The surgery center would continue to operate at its current site of 3909 Creekside Loop #120, in Yakima [98902], within Yakima County. [source: Application, p6]

YGA currently has three operating rooms, recovery space and associated support space. The surgery center provides gastroenterology services that can be performed appropriately in an outpatient setting. Services currently provided at the ASC include colonoscopies, flexible sigmoidoscopies, esophageal dilation, and esophagogastroduodenoscopies. YGA provides these services to patients ages 18 and older. If this project is approved, Memorial Physicians does not intend to increase the number of operating rooms or expand services from those currently provided at YGA. [source: Application, p7 and Exhibit 4; December 14, 2015, supplemental information, p1]

This project was submitted based on the ownership and operation of the surgery center. The applicant does not propose expansion of procedures or operating rooms. Since the surgery center has been in operation under its current ownership of Memorial Physicians and has been at the same site since 2010, there is no capital expenditure associated with the project. [source: Application, p7]

If this project is approved, Memorial Physicians would continue to operate the surgery center under the current ASF license. With no increase in surgeries or operating rooms, Memorial Physicians expects to commence and complete the project as defined in WAC 246-310-010(13) immediately upon Certificate of Need approval. [source: Application, p10] Under this timeline, year 2017 would be YGA's first full calendar year of operation and year 2019 would be year three.

### **APPLICABILITY OF CERTIFICATE OF NEED LAW**

This project is subject to review as the establishment of a new healthcare facility under Revised Code of Washington 70.38.105(4)(a) and Washington Administrative Code 246-310-020(1).

### **EVALUATION CRITERIA**

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;*

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<sup>4</sup> On January 5, 2015, Memorial Physicians submitted a “Request for Adjudicative Proceeding” related to the department's denial of the exemption request. [M2015-101].

<sup>5</sup> ASF #60101652.

- (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, the applicant 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); 246-310-240 (cost containment).<sup>6</sup> Additionally, WAC 246-310-270 (ambulatory surgery) contains service or facility specific criteria for ASC projects and must be used to make the required determinations for applicable criteria in WAC 246-310-210.

### **TYPE OF REVIEW**

This application was reviewed under the regular review timeline outlined in WAC 246-310-160, which is summarized on the following page.

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<sup>6</sup> Each criterion contains certain sub-criteria. The following sub-criteria are not relevant to this project: WAC 246-310-210(3), (4), (5), and (6); WAC 246-310-220(3); and WAC 246-310-240(2) and (3).

**APPLICATION CHRONOLOGY**

<b>Action</b>	<b>Memorial Physicians, PLLC</b>
Letter of Intent Submitted	July 10, 2015
Initial Application Submitted	October 9, 2015
Department’s pre-review activities <ul style="list-style-type: none"> <li>• DOH 1st Screening Letter</li> <li>• Memorial Physicians Responses Received</li> </ul>	October 30, 2015 December 14, 2015
Amendment Application Submitted <sup>7</sup>	December 14, 2015
Department’s pre-review activities <ul style="list-style-type: none"> <li>• DOH 1st Screening Letter</li> <li>• Memorial Physicians Responses Received</li> </ul>	January 6, 2016 January 28, 2016
Beginning of Review	February 2, 2016
Public Hearing Conducted	N/A <sup>8</sup>
Public Comments accepted through the end of public comment	March 10, 2016
Rebuttal Comments Due	April 16, 2015 <sup>9</sup>
Department's Anticipated Decision Date	May 9, 2016
Department's Actual Decision Date	April 18, 2016

**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.”*

As noted above, WAC 246-310-010(2) requires an affected person to first meet the definition of an 'interested person.' WAC 246-310-010(34) defines 'interested person' as:

- (a) *The applicant;*
- (b) *Health care facilities and health maintenance organizations providing services similar to the services under review and located in the health service area;*
- (c) *Third-party payers reimbursing health care facilities in the health service area;*
- (d) *Any agency establishing rates for health care facilities and health maintenance organizations in the health service area where the proposed project is to be located;*
- (e) *Health care facilities and health maintenance organizations which, in the twelve months prior to receipt of the application, have submitted a letter of intent to provide similar services in the same planning area;*
- (f) *Any person residing within the geographic area to be served by the applicant; and*
- (g) *Any person regularly using health care facilities within the geographic area to be served by the applicant.*

<sup>7</sup> Once an amendment application is received, the initial application is no longer considered in this review. As a result, the initial application will not be discussed in this evaluation.

<sup>8</sup> No public hearing was requested or conducted.

<sup>9</sup> There were no public comments submitted for this application. As a result, no rebuttal comments could be accepted.



Providence Health and Services requested affected person status related to this project on behalf of Kadlec Regional Medical Center located in Richland, within Benton County. Based on the definitions of ‘interested person’ and ‘affected person’ above, neither Providence Health and Services nor Kadlec Regional Medical Center qualifies as interested or affected person related to this project. As a result, no entities qualified to receive affected person status for this project.

### **SOURCE INFORMATION REVIEWED**

- Memorial Physicians PLLC Certificate of Need amended application received on December 14, 2015
- Memorial Physicians PLLC supplemental information received December 14, 2015 and January 28, 2016
- Year 2015 Annual Ambulatory Surgery Provider Survey for Surgical Procedures Performed During Calendar Year 2014 for hospitals, ambulatory surgery centers, or ambulatory surgical facilities located in Yakima County
- Department of Health’s Hospital and Patient Data Systems 2015 Community Hospital Utilization and Financial Data report
- Department of Health's Integrated Licensing and Regulatory System [ILRS] data obtained for ambulatory surgery centers or ambulatory surgical facilities located in Yakima County.
- Office of Financial Management population data released May 2012
- Licensing data provided by the Medical Quality Assurance Commission
- Washington State Secretary of State website at [www.sos.wa.gov](http://www.sos.wa.gov)
- Washington State Department of Revenue website at [www.dor.wa.gov](http://www.dor.wa.gov)
- Yakima Gastroenterology Associates website at [www.cornerstone.com](http://www.cornerstone.com)
- Yakima Valley Memorial Hospital website at [www.yakimamemorial.org](http://www.yakimamemorial.org)
- Joint Commission website at [www.qualitycheck.org](http://www.qualitycheck.org)
- Certificate of Need historical files

### **CONCLUSION**

For the reasons stated in this evaluation, the application submitted by Memorial Physicians, PLLC proposing to establish a Certificate of Need approved ambulatory surgery center in Yakima County is consistent with applicable criteria of the Certificate of Need Program, provided Memorial Physicians, PLLC agrees to the following in its entirety.

### **Project Description:**

This certificate approves the establishment of a three-operating room endoscopy ambulatory surgery center in Yakima, within Yakima County. The surgery center currently provides gastroenterology services that can be performed appropriately in an outpatient setting, such as colonoscopies, flexible sigmoidoscopies, esophageal dilation, and esophagogastroduodenoscopies. Memorial Physicians, PLLC does not intend to expand the scope of services beyond those currently provided at the surgery center.

### **Conditions:**

1. Memorial Physicians, PLLC agrees with the project description as stated above. Memorial Physicians, PLLC further agrees that any change to the project as described in the project description is a new project that requires a new Certificate of Need.
2. Before commencement of the project, Memorial Physicians, PLLC must provide to the department, for review and approval, a final copy of the Charity Care Policy for the surgery

center. This policy must be facility-specific and shall include the required non-discrimination language referenced in this approval.

3. The ambulatory surgery center will provide charity care in compliance with the charity care policy provided in the application, or any subsequent policies reviewed and approved by the Department of Health. Memorial Physicians, PLLC will use reasonable efforts to provide charity care at the ambulatory surgery center in an amount comparable to or exceeding the average amount of charity care provided by the four hospitals in Central Washington Region. Currently, this amount is 2.05% for gross revenue and 4.78% for adjusted revenue. Memorial Physicians, PLLC will maintain records at the ambulatory surgery center documenting the amount of charity care it provides and demonstrating its compliance with its charity care policies.
4. Memorial Physicians, PLLC must maintain Medicare and Medicaid certifications at the surgery center.

**Approved Costs:**

There is no capital expenditure associated with this project.



## **CRITERIA DETERMINATIONS**

### **A. Need (WAC 246-310-210)**

Based on the source information reviewed and agreement to the conditions identified in the conclusion section of this evaluation, the department determines that Memorial Physicians, PLLC met the applicable need criteria in WAC 246-310-210.

- (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 numeric 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 ORs in a planning area using the current utilization of existing providers. The methodology separates Washington State into 54 secondary health services planning areas. YGA is currently located, and will continue to be located, in Yakima within the Yakima County planning area.

The methodology estimates OR need in a planning area using multiple 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 expected in the planning area in the target year, and examines the difference to determine:

- a) whether a surplus or shortage of ORs is predicted to exist in the target year; and
- b) if a shortage of ORs is predicted, the shortage of dedicated outpatient and mixed-use rooms are calculated.

Data used to make these projections specifically exclude special purpose and endoscopy rooms and procedures.

#### **Memorial Physicians Numeric Methodology**

[source: Application, pp12-13 and Exhibit 6]

Memorial Physicians determined existing capacity in the Yakima County planning area to be 9 dedicated outpatient ORs and 19 mixed use ORs. Based on 2014 utilization and population data, Memorial Physicians' methodology identified a use rate of 80.00/1,000 population. Focusing on year 2018, the applicant projected Yakima County's population to be 264,075. Applying the use rate to the projected population and subtracting the existing number of ORs in the planning area, Memorial Physicians projected a surplus of 6.73 mixed use ORs in Yakima County for projection year 2018.

#### **Department's Numeric Methodology and Review**

The numeric portion of the methodology requires a calculation of the annual capacity of the existing providers' inpatient and outpatient ORs in a planning area—Yakima County. According to the department's historical records, there are 11 planning area providers—including the applicant—with OR capacity. Of the 11 providers, four are hospital campuses and seven are ASCs. Table 1 on the following page shows a listing of the four hospital campuses. [source: CN historic files and DOH ILRS database]

**Table 1  
Yakima County Planning Area Hospitals**

<b>Hospitals</b>	<b>City/Zip</b>	<b>DOH License</b>
Sunnyside Community Hospital	Sunnyside/98944	HAC.FS.00000198
Toppenish Community Hospital	Toppenish/98944	HAC.FS.00000199
Yakima Regional Medical and Cardiac Center	Yakima/98902	HAC.FS.00000102
Yakima Valley Memorial Hospital	Yakima/98902	HAC.FS.00000058

For the four hospitals listed in Table 1 above, all known OR capacity and inpatient / mixed-use and outpatient procedures are included in the methodology calculations for the planning area.

Because there is no mandatory reporting requirement for utilization of ASCs or hospital ORs, the department sends an annual utilization survey to all hospitals and known ASCs in the state. When this application was submitted in December 2015, the most recent utilization survey was mailed in 2015 and collected data for year 2014.<sup>10</sup> The data provided in the utilization survey is used if available.

Three of the four hospitals completed and submitted the 2015 Annual Ambulatory Surgery Provider Survey. One hospital—Toppenish Community Hospital—did not submit a completed utilization survey that collected data for year 2014. To obtain data for Toppenish Community Hospital, the department used the number of ORs reported by the hospital in its 2014 survey collecting 2013 data. To determine the number of mixed use and outpatient surgeries, the department reviewed the 2014 number of surgery visits reported to the department’s Hospital and Patient Data Systems office by Toppenish Community Hospital.

Table 2 below is a listing of the eight ASCs in the planning area.

**Table 2  
Yakima County Planning Area Ambulatory Surgery Centers/Facilities**

<b>Ambulatory Surgery Centers</b>	<b>City/Zip</b>
Central Washington Podiatry Services	Yakima/98902
Creekside Surgery Center (Cascade Foot & Ankle)	Yakima/98902
Northwest Surgery Center of Yakima	Yakima/98902
Pacific Cataract & Laser Institute	Yakima/98902
Yakima Ambulatory Surgery Center	Yakima/98902
Yakima Gastroenterology Associates (applicant)	Yakima/98902
Yakima Urology Surgery Center	Yakima/98902
Yakima Valley Memorial Hospital-SurgiCenter	Yakima/98902

Of the eight ASCs shown above, one is dedicated to endoscopy services—the applicant, Yakima Gastroenterology Associates. The numeric methodology deliberately excludes the OR capacity and procedures from the numeric methodology.<sup>11</sup> As a result, the ORs and procedures for the applicant facility will not be counted in the numeric methodology.

<sup>10</sup> As of the writing of this evaluation, 2015 data has not been collected.

<sup>11</sup> WAC 246-310-270(9)(iv).

For the remaining seven ASCs, four are located within a solo or group practice (considered an exempt ASC) and the use of these ASCs is restricted to physicians that are employees or members of the clinical practices that operate the facilities. Therefore, these four facilities do not meet the ASC definition in WAC 246-310-010. For exempt ASCs, the utilization, but not ORs, is included in the methodology for the planning area.

The remaining three ASCs are CN approved facilities. Yakima Ambulatory Surgery Center was issued CN #1150 on August 7, 1996, and continues to operate as a freestanding surgery center. Both the ORs and the utilization for this facility will be counted in the numeric methodology.

Yakima Valley Memorial Hospital-SurgiCenter was issued CN #1148 on July 16, 1996. It was subsequently purchased by Yakima Valley Memorial Hospital and is licensed under the hospital's license. The 2015 utilization survey response submitted by the hospital on June 25, 2015, includes the ORs and utilization of Yakima Valley Memorial Hospital-SurgiCenter.

Yakima Urology Surgery Center was issued CN #1496 on January 18, 2013, and in late 2015, was purchased by Yakima Valley Memorial Hospital and is currently operating under the hospital's license.<sup>12</sup> The 2015 utilization survey response submitted by the hospital on June 25, 2015, does not include the utilization of Yakima Urology Surgery Center because the data collected is for year 2014 and the hospital purchased the surgery center in 2015. Yakima Urology Surgery Center submitted its own survey response with utilization data. As a result, the ORs and the utilization of Yakima Urology Surgery Center will be counted and are shown in the department's methodology as a separate line item from the hospital's capacity.

In summary, of the seven remaining ASCs, data will be used for four CN exempt ASCs, two CN approved ASCs, and the hospital survey data includes one CN approved ASC operating under the hospital license. If an ASC does not complete and return a utilization survey, then the other data source that can be used is the department's internal database known as Integrated Licensing and Regulatory System [ILRS].

The data points used in the department's numeric methodology are identified on the following page in Table 3. The methodology and supporting data used by the department is provided in Appendix A attached to this evaluation.

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<sup>12</sup> DOR #15-23.

**Table 3  
Department's Methodology Assumptions and Data**

<b>Assumption</b>	<b>Data Used</b>
Planning Area	Yakima County
Population Estimates and Forecasts	Age group: 15+ to capture patients ages 18 and 19 Office of Financial Management Population Data released May 2012 Year 2014 – 188,735 Year 2019 – 198,788
Use Rate	Divide calculated surgical cases by 2014 population results in the service area use rate of 91.303/1,000 population
Year 2014 Total Surgical Cases	Inpatient or mixed use – 12,626 Ambulatory (outpatient) – 4,606 Total = 17,232
Percent of surgery : ambulatory (outpatient) and inpatient	Based on DOH survey and ILRS data Inpatient – 73.27% Ambulatory (outpatient) – 26.73%
Average minutes per case ambulatory (outpatient) and inpatient	Based on DOH survey and ILRS data Inpatient cases – 106.94 minutes Ambulatory (outpatient) cases – 59.00 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/ORs	Based on listing of Yakima County providers. Inpatient or mixed-use – 19 Ambulatory (outpatient) – 9
<b>Department's Methodology Results</b>	<b>Surplus of 7.45 inpatient or mixed use ORs</b>

When comparing the applicant's and department's methodologies, the department notes differences in the projected population and use rate. Memorial Physicians' use population projections for Yakima residents ages 0-85+; since the applicant proposes to serve patients 18 and older, the department subtracted population figures for residents 0-14, focusing on residents age 15 and older. For projection year 2019, the department's projected population of 198,788 is 65,287 less than the 2018 projected population of 264,075 used by the applicant. These differences in population affect the calculated use rate. The department will rely on its own methodology for this project. Based on the assumptions described in the table above, the department's application of the numeric methodology indicates a surplus of 7.45 inpatient or mixed use ORs in year 2019.

Memorial Physicians also provided the following statements related to the numeric methodology and the continued need for the endoscopy services currently provided at YGA. [source: Application, pp12-13]

*"...while the department will calculate need for all ASC types as part of the initial review of this application, in Step 2 it recognizes that dedicated endoscopy ORs (capacity and utilization) are excluded from the methodology in WAC, and then—regardless of whether the methodology in WAC shows a need for additional ORs or a surplus, focuses its remaining analysis on the specific need for the endoscopy and gastro services proposed within the application."*

The applicant recognized that its numeric methodology resulted in a surplus of inpatient or mixed use ORs in Yakima County and provided the additional information to support its project as referenced above. Memorial Physicians began with providing six-years of historical utilization of the surgery center, which is summarized in Table 4 below. [source: Application, p7]

**Table 4  
Yakima Gastroenterology Associates  
Six-Year Historical Utilization**

<b>Year</b>	<b># of Procedures</b>	<b>% Increase / (Decrease) from Previous Year</b>
2010	8,516	
2011	6,198	(27.2)%
2012	6,768	9.2%
2013	7,218	6.6%
2014	6,269	(13.1)%
2015*	6,606	5.4%

\* Annualized through August 2015.

While years 2012, 2013, and 2015 show an increase in procedures, years 2011 and 2014 show significant decreases in procedures. Within its application Memorial Physicians provided an explanation for the decreases. In late year 2010, two physicians left the practice which resulted in a decrease in procedures performed in year 2011. In 2014, three physicians went from full time to part time at the practice. This action resulted in the decrease in procedures performed in 2014. [source: Application, p6]

Memorial Physicians also provided its year 2014 patient origin data which is summarized in Table 5 below. [source: Application, p15]

**Table 5  
Yakima Gastroenterology Associates  
Year 2014 Patient Origin By County**

<b>County</b>	<b>% of Patients</b>
Yakima	95.2%
Kittitas	2.3%
Benton	0.5%
Klickitat	0.4%
Grant	0.3%
Other	1.3%
<b>Total</b>	<b>100.0%</b>

Table 5 shows that the majority of patients—approximately 95%—are from the applicant’s planning area of Yakima County.

Based on its historical number of procedures and patient origin data, Memorial Physicians concluded there is need for the dedicated endoscopy ORs in the planning area and the ASC is needed to continue to provide a much needed endoscopy services in Yakima County.

There was no public comment submitted related to the numeric methodology.

WAC 246-310-270(6)

WAC 246-310-270(6) requires a minimum of two ORs in an ASC. Memorial Physicians is currently operating the surgery center with three ORs and intends to maintain all ORs currently in operation. [source: Application, p7 and December 14, 2015, supplemental information, p2] Based on this information, this standard is met.

There was no public comment submitted related to this standard.

Based solely on the department's numeric methodology, numeric need for additional OR capacity in the Yakima County planning area is not demonstrated. However, the department recognizes the numeric methodology deliberately excludes special purpose rooms, such as endoscopy ORs. As a result, the numeric methodology should not be solely relied on to determine need for dedicated endoscopy ORs such as those proposed in this project. If this project is not approved, more than 6,000 endoscopic procedures would need to be performed in other facilities. No existing provided indicated it could absorb these procedures. Based on the applicant's supporting data demonstrating historical services and the ability to meet the standard under WAC 246-310-270(6), the department concludes **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.

Even though Memorial Physicians has been providing healthcare services for many years, for CN purposes, the ASC is considered a new healthcare facility as it transitions from its previous status as a Certificate of Need-exempt to a Certificate of Need-approved surgery center. To demonstrate that all residents of the service area would have access to the services provided by YGA, the applicant must demonstrate availability to all residents of the service area, including low income, racial and ethnic minorities, handicapped, and other underserved groups. YGA must also participate in the Medicare and Medicaid programs and commit to providing a percentage of charity care in the planning area.

Patient Rights Policy and Pre-Procedure Assessment (Admission) Policy

To determine whether all residents of the 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. The admission policy must also include language to ensure all residents of the service area would have access to services. This is accomplished by providing an admission policy that states patients would be admitted without regard to race, ethnicity, national origin, age, sex, pre-existing condition, physical, or mental status.

To demonstrate compliance with this sub-criterion, Memorial Physicians provided copies of the current Patient Rights Policy, Pre-Procedure Assessment (Admission) Policy, and YVMHA's Non-Discrimination Policy. The Patient Rights Policy provides a detailed description of each patient's rights related to any proposed treatment or procedure at the surgery center. This policy also includes the required non-discrimination language referenced above. [source: Application, Exhibit 7]

The Pre-Procedure Assessment (Admission) Policy focuses on the step-by-step process used to admit a patient to the surgery center. It references physical examinations and tests that will be performed on all patients prior to the procedure. The policy does not include the non-discrimination language referenced above, but does not provide guidance for admission of patients to the surgery center. [source: December 14, 2015, supplemental information, Attachment 4]

The YVMHA Patient/Family/Visitor Nondiscrimination Policy is used in conjunction with both the Patient Rights and the Pre-Procedure (Admission) policies referenced above. This policy includes specific language to ensure that the ASC will not exclude, or deny services to, any person based on age, race, color, creed, ethnicity, religion, national origin, marital status, sex, sexual orientation, gender identity or expression, disability, veteran or military status. It is also the policy published on the hospital's website. [source: December 14, 2015, supplemental information, Attachment 4]

#### Medicare and Medicaid Programs

The department uses Medicare certification to determine whether the elderly would have access, or continue to have access, to services. The department uses the facility's Medicaid certification to determine whether low-income residents would have access, or continue to have access, to services.

Memorial Physicians stated that the ASC currently provides services to Medicare and Medicaid patients and if this project is approved, would continue to be accessible to these patients. The surgery center would also continue to be licensed as an ASF. To demonstrate compliance with this sub-criterion, Memorial Physicians provided its current and projected percentages of payer mix, which do not change from current to projected. Memorial Physicians expects 37.5% of its gross revenues to be from Medicare and 17.4% from Medicaid. Financial documents provided in the application also demonstrate that Memorial Physicians intends to continue providing services to the Medicare and Medicaid population at the ASC. [source: Application, pp9 & 20 and Exhibit 8]

#### Charity Care Policy

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, Memorial Physicians provided a copy of its current Charity Care Policy used at the surgery center. The current policy is available in both English and Spanish and provides the process one must use to access charity care. The policy also includes a table showing year 2015 poverty guidelines used to qualify for charity care. The current policy does not include any of the non-discrimination language referenced above. The pro forma financial documents provided in the application also include a charity care 'line item.' [source: Application, Exhibits 7 & 9]

#### WAC 246-310-270(7)

WAC 246-310-270(7) requires that ASCs shall implement policies to provide access to individuals unable to pay consistent with charity care levels reported by the hospitals affected by the proposed ASC. For charity care reporting purposes, HPDS, divides Washington State into five regions: King County, Puget Sound, Southwest, Central, and Eastern. YGA is located in Yakima County within the Central Washington Region. Currently, there are 21 hospitals operating in the region. Of those, four



are acute care hospitals located in Yakima County and could be affected by approval of this project. The four hospitals are listed below.

- Sunnyside Community Hospital in Sunnyside;
- Toppenish Community Hospital in Toppenish
- Yakima Regional Medical and Cardiac Center in Yakima
- Yakima Valley Memorial Hospital in Yakima;

For this project, the department reviewed the most recent three years of charity care data for the 21 existing hospitals currently operating within the Central Washington Region and focused on the four general acute care hospitals located in Yakima County. The three years reviewed are 2012, 2013, and 2014.<sup>13</sup> Table 6 below is a comparison of the average charity care for the Central Washington Region as a whole; the applicant's hospital—Yakima Valley Memorial Hospital; the combined charity care percentages for the four hospitals in Yakima County; and Memorial Physicians' projected charity care for YGA. [source: 2012-2014 HPDS charity care summaries]

**Table 6**  
**Charity Care Percentage Comparisons**

	% of Total Revenue	% of Adjusted Revenue
Central Washington Region	2.05%	4.78%
Yakima Valley Memorial Hospital	2.17%	5.59%
Four Hospital's Combined	1.64%	3.66%
YGA Projected	2.01%	4.47%

As shown in the table above, the regional average is higher than the calculated average provided by the four hospitals in the planning area. Yakima Valley Memorial Hospital's average is higher than the regional average. Memorial Physicians projects that the surgery center's average percentage of charity care would be comparable to the regional average and higher than the four hospitals combined. [source: Application, Exhibit 8]

There was no public comment submitted related to this sub-criterion.

Given that the YGA's charity care policy does not include the required non-discrimination language, if this project is approved, the department would attach a condition requiring Memorial Physicians to provide a revised charity care policy with non-discrimination language. Since the surgery center is a new healthcare facility in the planning area, the department would also attach a condition related to the percentage of charity care to be provided at YGA. With the conditions described above, the department concludes Memorial Physicians demonstrated that all residents of the service area would have access to YGA. **This sub-criterion is met.**

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<sup>13</sup> As of the writing of this evaluation, year 2015 charity care data is not available.

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

Based on the source information reviewed and agreement to the conditions identified in the conclusion section of this evaluation, the department determines that Memorial Physicians, PLLC met the applicable 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 evaluate this sub-criterion, the department first reviewed the assumptions used by Memorial Physicians to determine the projected number of surgical cases for YGA. The assumptions used are summarized below. [source: Application, p16 and December 14, 2015, supplemental information, pp1-2]

- Currently, YGA is a highly-used three OR dedicated endoscopy facility. Memorial Physicians reviewed the historical number of procedures for years 2010 through 2015 at YGA.
- Procedures/services include colonoscopies, flexible sigmoidoscopy, esophageal dilation, and esophagogastroduodenoscopies.
- Memorial Physicians does not anticipate expanding the types of procedures or services or the number of ORs identified above.
- Memorial Physicians assumed the number of procedures and services would remain basically the same as the 2015 volume. This assumption is based on the current maturity of YGA; the current number of ORs at YGA; and the number of physicians using the surgery center is not expected to increase.

Using the assumptions stated above, Memorial Physicians' projected the number of procedures for YGA to be 6,606 for years 2016 through 2020. [source: Application, p16]

The number of surgeries projected by the applicant appears to be reasonable when compared to the historical volumes at the surgery center shown in Table 4 of this evaluation.

Memorial Physicians also provided their assumptions used to project revenue, expenses, and net income for years 2016 through 2018. The assumptions are summarized below. [source: Application, p9 & p20 and Exhibit 8; December 15, 2015, supplemental information, p5]

- Revenues were calculated using actual revenues and reimbursements based on the current procedures.
- No inflation was assumed for gross revenues.
- The projected payer mix is not expected to change from the current payer mix. The percentages are shown in Table 7 below.
- Deductions were calculated based on actual reimbursement rates negotiated between Memorial Physicians and their payers (Medicare, Medicaid, Commercial, HMO, etc.)
- Charity care is estimated at 2.01% of gross revenue
- Bad debt is estimated at 1.3% of gross revenue consistent with actual

- Wages and salaries are calculated based on current staffing of the surgery center and includes all costs associated with physician staffing, including the medical director
- Allocated costs are included in the expense category and assumed to be \$258,074 consistent with historical cost allocations.

Table 7 below provides the current and proposed payer mix percentages for YGA. [source: Application p9 & p20]

**Table 7  
Current/Projected Payer Mix**

<b>Payer Mix</b>	<b>Current and Projected Percentages</b>
Medicare	37.5%
Medicaid	17.4%
Commercial	44.0%
Other <sup>14</sup>	1.1%
<b>Total</b>	<b>100.0%</b>

Using the assumptions stated above, Memorial Physicians projected revenue, expenses, and net income for YGA. It is noted that all financial statements assumed the ASC would continue operations under its current ownership with no changes. As a result, year 2016 is the first full calendar year of and year 2018 is year three. The projections are shown in Table 8 below. [source: Application, Exhibit 8 and December 15, 2015, supplemental information, p5]

**Table 8  
Yakima Gastroenterology Associates  
Projected Years 2016 through 2018**

	<b>Year 2016</b>	<b>Year 2017</b>	<b>Year 2018</b>
Net Revenue	\$ 3,751,736	\$ 3,751,736	\$ 3,751,736
Total Expenses	\$ 3,167,993	\$ 3,167,993	\$ 3,167,993
Net Profit / (Loss)	\$ 583,743	\$ 583,743	\$ 583,743

The 'Net Revenue' line item is gross patient revenue, minus any deductions from revenue for contractual allowances, bad debt, and charity care. The 'Total Expenses' line item includes salaries and wages and all costs associated with operations of YGA. The 'Total Expense' line item also includes allocated costs, leases, depreciation of building and equipment, repair and maintenance, and medical director costs. [source: December 15, 2015, supplemental information, p5]

As shown above, Memorial Physicians projected net profits in projection years 2016 through 2018. Memorial Physicians asserts the projections are reasonable because the surgery center has already established its niche in the community, it would remain at its current location at 3909 Creekside Loop in Yakima [98902]; no additional services will be provided at the surgery center; and no new physicians are anticipated to begin providing services at the center.

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<sup>14</sup> 'Other' payers include self-pay and other government payers.

Memorial Physicians provided a copy of the executed lease agreement between Wide Hollow Development, LLC [landlord] and Yakima Valley Memorial Hospital [tenant]. The lease identifies the space for YGA and was executed on May 30, 2006. Terms of the agreement show 10-years with two 5-year extensions, for a total of 20 years. All costs are identified in the agreement. [source: Application, Exhibit 5]

Memorial Physicians identified the medical director for YGA to be Robert Williams, MD and provided a copy of the current 'Medical Director Employment Contract Addendum' executed on September 1, 2015. Since the medical director is also an employee of Memorial Physicians, the addendum focuses on the additional roles and responsibilities for the medical director responsibilities only. The addendum includes a job description and identifies an expected average of 12 hours each month to perform the job duties. Costs associated with the contract addendum are included as a separate line item in the revenue and expense statement summarized above. [source: Application, Exhibit 8 and December 15, 2015, supplemental information, p5 and Attachment 3]

For operational purposes, while YGA is owned and operated by Memorial Physicians and has a separate ASF license, it is included under the hospital's balance sheets. For this review, Memorial Physicians also provided projected revenue and expense statements for Yakima Valley Memorial Hospital showing the impact of this project. Since the surgery center is currently operating and no growth in utilization or revenue is projected, the hospital's revenue and expense statement is not impacted by this project. [source: December 15, 2015, supplemental information, p4 and Attachment 5]

There was no public comment submitted related to this sub-criterion.

Based on the source documents evaluated, the department concludes that the projected revenues and expenses at the proposed ASC are reasonable and can be substantiated for this application. The department concludes that the immediate and long-range 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.

There are no construction or equipment costs associated with this project. These costs were incurred in 1995 when the facility first became operational. Memorial Physicians became sole owner in 2010, and construction or equipment costs, if any, would have been expended at that time. The impact of these costs would already be included in the current operating and revenue expenses of the facility. Under these circumstances, converting the previously exempt surgery center to a Certificate of Need approved facility is expected to have minimal impact on the costs and charges of the surgeries performed at YGA. [source: Application, p6 & Exhibit 8 and December 15, 2015, supplemental information, p5]

There was no public comment submitted related to this sub-criterion.

Based on this information, the department concludes **this sub-criterion is met.**

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

Based on the source information reviewed and agreement to the conditions identified in the conclusion section of this evaluation, the department determines that Memorial Physicians, PLLC met the applicable structure and process of care criteria in WAC 246-310-230.

*(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.

The department recognizes that YGA is currently operational and fully staffed. Memorial Physicians states that all currently employed staff is expected to remain employed. Further, since no new services or projected growth in procedures is anticipated, no new staff would be added. [source: Application, p25 and February 19, 2015, supplemental information, p3, p9, ]

As an operational surgery center, the applicant employs 17.0 full-time equivalent (FTE) employees. To demonstrate compliance with this sub-criterion, Memorial Physicians provided a breakdown of the current/projected number of FTEs for YGA. The breakdown of is shown is Table 9 below. [source: Application, p24 and January 28, 2016, supplemental information, p2]

**Table 9  
Yakima Gastroenterology Associates  
Current and Projected FTEs**

<b>Staff/FTEs</b>	<b>Current Year 2015</b>	<b>Projected Years 2016-2018</b>
Registered Nurses	9.00	9.00
OR Techs	4.50	4.50
Other*	3.50	3.50
<b>Total FTE's</b>	<b>17.00</b>	<b>17.00</b>

\*=other staff includes medical assistants, laundry staff,  
and administrative/support staff

Since existing staff is already in place at YGA, Memorial Physicians also provided a listing of current licensed or credentialed staff, which includes gastroenterologists and nursing staff. [source: December 14, 2015, Attachment 1]

There was no public comment submitted related to this sub-criterion.

Based on the source documents evaluated, the department concludes adequate and qualified staffing for the surgery center is available. **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(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.

Since YGA has been operational at its current site in Yakima, ancillary and support services are already in place. This project does not include relocation or expansion of services. Ancillary and support services already in place at YGA and are not expected to change. The most common ancillary and support services used by YGA are scope processing, laundry, and pathology, and these services are in place and not expected to change. [source: Application, p22 and December 14, 2015, supplemental information, p3]

Since Memorial Physicians is solely owned by Yakima Valley Memorial Hospital, patients requiring transfer to an acute care hospital would be transferred to the owning hospital in Yakima. Memorial Physicians provided a copy of the existing patient transfer agreement between the surgery center and the hospital. The agreement identifies roles and responsibilities for both entities and became effected August 1, 2007. [source: Application, Exhibit 9]

As previously stated, Memorial Physicians identified the medical director for YGA to be Robert Williams, MD and provided a copy of the current 'Medical Director Employment Contract Addendum' executed on September 1, 2015. Since the medical director is also an employee of Memorial Physicians, the addendum focuses on the additional roles and responsibilities for the medical director responsibilities only. This agreement is not expected to change as a result of this project. [source: December 15, 2015, supplemental information, p5 and Attachment 3]

There was no public comment submitted related to this sub-criterion.

The department concludes that adequate ancillary and support services are available for the ASC.  
**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 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 and Medicaid certified. 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.

Memorial Physicians has been a healthcare provider in Yakima County since 2010 through its surgery center known as YGA. The surgery center's owning entity—Yakima Valley Memorial Hospital—has been a healthcare provider in the County for many years and operates a variety of urgent and primary care facilities in Yakima and Kittitas counties. While Yakima Valley Memorial Hospital has recently entered into an affiliation agreement with Virginia Mason Health System, Yakima Valley Memorial Hospital remains a separate legal entity. None of the three main entities—Yakima Valley Memorial

Hospital, Virginia Mason Health System, and Memorial Physicians—own or operate any out of state healthcare facilities. [source: Application, Exhibit 1 and January 28, 2016, supplemental information, pp3-5]

As part of this review, the department must conclude that the proposed services provided by Memorial Physicians at the ASC would be provided in a manner that ensures safe and adequate care to the public.<sup>15</sup> To accomplish this task, the department reviewed the quality of care compliance history for all healthcare facilities either owned, operated, or managed by Memorial Physicians or its owning entity, Yakima Valley Memorial Hospital.

Yakima Valley Memorial Hospital is currently accredited by the Joint Commission.<sup>16</sup> According to the Joint Commission website, the hospital received its Joint Commission accreditation renewal in 2013. In addition, the hospital has also achieved special quality awards in years 2013 and 2014 from the Joint Commission.<sup>17</sup> [source: Joint Commission website]

Using the department's internal database, the department reviewed survey data for the hospital in Yakima and its home health and hospice care center. Since 2012, five surveys have been conducted and completed by Washington State surveyors. All surveys resulted in no significant non-compliance issues.<sup>18</sup> [source: ILRS survey data]

In addition to the facilities owned and operated by Yakima Valley Memorial Hospital, the department also reviewed the compliance history for the staff currently employed at YGA, including the medical director. All current YGA employees, including the medical director, will continue employment at the surgery center. Table 10 on the following page is a summary of each licensed/credential staff and current status. [source: December 14, 2015, supplemental information, p7 and Medical Quality Assurance Commission website]

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<sup>15</sup> WAC 246-310-230(5).

<sup>16</sup> The Joint Commission accredits and certifies more than 20,000 health care organizations and programs in the United States. Joint Commission accreditation and certification is recognized nationwide as a symbol of quality that reflects an organization's commitment to meeting certain performance standards. Joint Commission accreditation is awarded to a health care organization that is in compliance with all standards at the time of the onsite survey or has successfully addressed requirements for improvement in an Evidence of Standards Compliance within 45 or 60 days following the posting of the Accreditation Summary Findings Report. [source: Joint Commission website]

<sup>17</sup> A 2013 award recognizes the hospital as a top performer on key quality measures; two 2014 awards focus on cardiac services provided at the hospital.

<sup>18</sup> Quality of care surveys conducted in May 2013, March 2014, and July 2015 for the home health and hospice care center; and August 2012 and June 2013 for the hospital. Joint Commission surveys were completed in June 2010 and June 2013.



**Table 10  
Yakima Gastroenterology Associates - Current and Projected Staff**

Name	Credential Status	Notes
Jaime Aranda-Michel	Active	
Thomas Attaway	Active	
Timothy Brown	Active	
Shannon Cook	Active	
Ruth Dwarshuis	Active	
Allen Gonzalez	Active	
Praveen Guturu	Active	
Molly Jaffe	Active	
Kathryn Johnson	Active	
Kathleen Kroth	Active	
Vu Le	Active	
Gail Mazhari	Active	
Timothy Melhorn	Active	
Brian Mortimer	Active	
Gilbert Ong	Active	
Tara Rath	Active	
Harini Rathinamanickam	Active	
Diana Saltos	Active	
Mary Taylor	Active	
Lisa Telles	Active	Supervisor
Leah Vandyke	Active	RN staff supervisor
Robert Williams	Active	Medical Director
Lei Yu	Active	

The review revealed no recorded sanctions for staff.

Given the compliance history of the health care facilities owned and operated by Yakima Valley Memorial Hospital and the staff at YGA, including the medical director, there is reasonable assurance that the ASC would be operated and managed in conformance with applicable state and federal licensing and certification requirements.

There was no public comment submitted related to this sub-criterion.

Based on the above information, the department concludes that Memorial Physicians demonstrated reasonable assurance that the ASC would continue to be operated in compliance with state and federal 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 criterion, Memorial Physicians asserts the project promotes continuity of care in a number of ways. First, the ASC would remain in operation at its current site and continue to provide existing needed services in the planning area. Additionally, since the ASC would continue to be part of the YVMHA health system, YGA would continue to assume the hospital's mission to assure access to healthcare services to all individuals. For YGA, this means it would continue to be available for all patients, regardless of payer source. Additionally, as previously discussed, the January 1, 2016, affiliation with Virginia Mason Health System will ensure that care remains local and both healthcare systems are optimally positioned to proactively respond to changing reimbursements and shifting models of healthcare. Additionally, over time, the integration and enhancements are expected to reduce operating costs, improve outcomes, and better position both organizations to participate in value-based purchasing and receive other payments tied to quality. [source: Application, p22 and January 28, 2016, supplemental information, pp3-5]

There was no public comment submitted related to this sub-criterion.

Based on this information, the department concludes that approval of this project would promote continuity in the provision of health care for the planning area, and would not result in an unwarranted fragmentation of services. Further, Memorial Physicians demonstrated the ASC would continue its appropriate relationships with the service area's existing health care system within the planning area. **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.*

WAC 246-310 does not contain specific WAC 246-310-230(5) 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 and Medicaid certified. 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. The department's review of this sub-criterion includes historical quality of care of the applicant to assess whether the applicant's history could be a positive indicator of the future.

This sub-criterion is evaluated in sub-section (3) above and based on that evaluation, the department concludes that this sub-criterion is met.

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

Based on the source information reviewed and agreement to the conditions identified in the conclusion section of this evaluation, the department determines that Memorial Physicians, PLLC met the applicable 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 has met the applicable criteria in WAC 246-310-210 through 230 criteria, the department then assesses the other options considered by the applicant. If the department determines the proposed project is better or equal to other options considered by the applicant and the department has not identified any other better options this criterion is determined to be met unless there are multiple applications.

If there are multiple applications, the department's assessment is to apply any service or facility superiority criteria contained throughout WAC 246-310 related to the specific project type. The superiority 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 type superiority criteria as directed by WAC 246-310-200(2) (a)(i), then the department would use 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.

This application is not competing with any other applications. For this project, Memorial Physicians met the applicable review criteria under WAC 246-310-210, 220, and 230.

Once Memorial Physicians was notified by the Certificate of Need Program in December 2014 that the surgery center no longer qualified for an exemption, its options were limited. Before submitting this application, Memorial Physicians considered and rejected the following two options. [source: Application, p24]

- Close the surgery center  
Memorial Physicians evaluated closing the facility but rejected the option because it has been providing a much needed service in the planning area. If YGA closed, patients would be required to obtain endoscopic services at the hospital or from another provider in the planning area.
- Relocate the surgery center to the hospital and operate as a hospital outpatient department  
This option would allow the continued operation of an endoscopy center, however, Yakima Valley Memorial Hospital does not currently have space to accommodate the facility. Further, operating the surgery center as an outpatient department of the hospital has the potential of increasing costs to the patients when hospital facility fees are included in the costs for services.

Memorial Physicians chose to continue operations of the surgery center at its current location, which allows continued, seamless endoscopic services to patients at the current lower costs.

Department's Review

No public comments were submitted for this sub-criterion.

The department recognizes Memorial Physicians' option were limited once it was notified that the surgery center no longer qualified for an exemption based on its current ownership and operations. The department concurs that this project is more cost effective than relocating the surgery center and services to the hospital. Taking into account the historical utilization of the surgery center, the department concludes that the project as submitted is the best available alternative for the community.

Based on the requirement of Memorial Physicians to submit an application to establish an ASC, the department concludes that that this option was its only alternative. **This sub-criterion is met.**

# APPENDIX A



**APPENDIX A  
ASC Need Methodology  
Yakima County**

CN APP NO.:16-13A

Service Area Population: 2019	198,788	OFM	Age:15+																
Surgeries @ 91.303/1,000:	18,150																		
a.i.	94,250	minutes/year/mixed-use OR																	
a.ii.	68,850	minutes/year/dedicated outpatient OR																	
a.iii.	9	dedicated outpatient OR's x 68,850 minutes =			619,650	minutes dedicated OR capacity	10,502	Outpatient surgeries											
a.iv.	19	mixed-use OR's x 94,250 minutes =			1,790,750	minutes mixed-use OR capacity	16,745	Mixed-use surgeries											
b.i.		projected inpatient surgeries =	13,299	=	1,422,169	minutes inpatient surgeries													
		projected outpatient surgeries =	4,851	=	286,246	minutes outpatient surgeries													
b.ii.		Forecast # of outpatient surgeries - capacity of dedicated outpatient OR's																	
		4,851	-		10,502	=	-5,651	outpatient surgeries											
b.iii.		average time of inpatient surgeries		=	106.94	minutes													
		average time of outpatient surgeries		=	59.00	minutes													
b.iv.		inpatient surgeries*average time		=	1,422,169	minutes													
		remaining outpatient surgeries(b.ii.)*ave time		=	-333,404	minutes													
					1,088,765	minutes													
c.i.		if b.iv. < a.iv. , divide (a.iv.-b.iv.) by 94,250 to determine surplus of mixed-use OR's																	
		<b>USE THIS VALUE</b>																	
		1,790,750																	
		-			1,088,765														
		701,985	/		94,250	=	7.45												
c.ii.		if b.iv. > a.iv., divide (inpatient part of b.iv - a.iv.) by 94,250 to determine shortage of inpatient OR's																	
		<b>Not Applicable - Ignore the following values and use results of c.i.</b>																	
		1,422,169																	
		-			1,790,750														
		(368,581)	/		94,250	=	-3.91												
		<b>divide outpatient part of b.iv. By 68,850 to determine shortage of dedicated outpatient OR's</b>																	
		-333,404	/		68,850	=	-4.84												



**APPENDIX A  
ASC Need Methodology  
Yakima County**

Facility	Special Procedure Rooms	Dedicated Inpatient ORs	Dedicated Outpatient ORs	Mixed Use ORs	Mixed Use min/case	Inpatient Cases in Mixed Use ORs	Inpatient Mins. In Mixed Use ORs	Outpatient Min/Case	Outpatient Cases	Outpatient Mins.	Data Source
Sunnyside Community Hospital	0	0	0	3	113.7	1,351	153,650	0.0	0	0	Year 2014 data obtained from year 2015 survey.
Toppenish Community Hospital	0	0	0	2	120.0	543	65,160	0.0	0	0	Facility did not respond to year 2015 survey; 2014 data obtained from HPDS Community Hospital Utilization and Financial Data report. Mixed use minutes calculated using 100 x # of cases.
Yakima Regional Medical & Cardiac Center	0	0	0	6	140.6	3,334	468,684	0.0	0	0	Year 2014 data obtained from year 2015 survey.
Yakima Valley Memorial Hospital	0	0	4	8	89.6	7,398	662,754	0.0	0	0	Year 2014 data obtained from year 2015 survey for hospital. CN #1148 issued for SurgiCenter that operates under hospital license.
Central Washington Podiatry Services	0	0	1	0	0.0	0	0	50.0	132	6,600	Per ILRS; outpatient minutes calculated using 50 x # of cases. Data for 2009
Creekside Surgery Center (Cascade Foot & Ankle)	0	0	1	0	0.0	0	0	50.0	300	15,000	Per ILRS; outpatient minutes calculated using 50 x # of cases. Data for 2009
Northwest Surgery Center of Yakima	0	0	2	0	0.0	0	0	50.0	28	1,400	Year 2014 data obtained from year 2015 survey. Outpatient minutes calculated using 50 x # of cases.
Pacific Cataract & Laser Institute (Yakima)	0	0	1	0	0.0	0	0	50.0	1,085	54,250	Year 2014 data obtained from year 2015 survey. Outpatient minutes calculated using 50 x # of cases.
Yakima Ambulatory Surgical Center	0	0	3	0	0.0	0	0	64.3	2,521	162,120	Year 2014 data obtained from year 2015 survey. Minutes/surgery calculated.
Yakima Gastroenterology Associates (applicant)					ENDOSCOPY ORS & MINUTES NOT COUNTED						
Yakima Urology Surgery Center	0	0	2	0	0.0	0	0	60.0	540	32,400	Year 2014 data obtained from year 2015 survey. Minutes/surgery calculated.
<b>Totals</b>	<b>0</b>	<b>0</b>	<b>14</b>	<b>19</b>	<b>463.9</b>	<b>12,626</b>	<b>1,350,248</b>	<b>324</b>	<b>4,606</b>	<b>271,770</b>	
					Avg min/case inpatient		<b>106.94</b>	Avg min/case outpatient		<b>59.00</b>	
<b>ORs counted in numeric methodology</b>			<b>9</b>	<b>19</b>							
ILRS: Integrated Licensing & Regulatory System											
Population data source: OFM May 2012											
Total Surgeries	17,232										
Area population 2014 [15+]	188,735										
Use Rate	91.303										
Planning Area projected population Year: 2019	198,788										
% Outpatient of total surgeries	26.73%										
% Inpatient of total surgeries	73.27%										