STATE OF WASHINGTON

DEPARTMENT OF HEALTH

Olympia, Washington 98504

November 8, 2018

CERTIFIED MAIL # 7017 3380 0000 0863 8383

Thomas Kruse, SVP CSO
CHI Franciscan Health
1145 Broadway, #1000
Tacoma, Washington 98402

RE: Certificate of Need Application #18-21

Dear Mr. Kruse:

We have completed review of the Certificate of Need application submitted by CHI Franciscan Health. The application proposes the addition of 76 acute care beds to St. Joseph Medical Center in Tacoma, within Pierce 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 CHI Franciscan Health agrees to the following in its entirety.

Project Description

This certificate approves the addition of 76 general medical/surgical acute care beds to St. Joseph Medical Center located in Tacoma. The project will be completed in four phases. Below is the number of beds by phase, as well as a configuration of acute care beds at completion of this project.

Services Provided	Total Without Psych Conversion	Total With Psych Conversion
General Medical Surgical	370	393
Intermediate Care Nursery - Level II	18	18
Neonatal Intensive Care Nursery – Level III	16	16
Psychiatric [dedicated]	0	0
Dedicated Rehabilitation – PPS Exempt	0	0
Total	**404**	**427**

Phase	Phase 1	Phase 2	Phase 3	Phase 4
Beds Added	8	21	28	19

Conditions

1. Approval of the project description as stated above. CHI Franciscan Health 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. CHI Franciscan Health shall finance the project as described in the application.

3. St. Joseph Medical Center will provide charity care in compliance with its charity care policies reviewed and approved by the Department of Health, or any subsequent policies reviewed and approved by the Department of Health. St. Joseph Medical Center will use reasonable efforts to provide charity care in an amount comparable to or exceeding the average amount of charity care provided by hospitals in the Puget Sound Region. Currently, this amount is 1.14% gross revenue and 3.15% of adjusted revenue. St. Joseph Medical Center will maintain records of charity care applications received and the dollar amount of charity care discounts granted. The department requires these records to be available upon request.

Approved Costs:
The total estimated capital expenditure associated this project is $36,693,132, broken down by phase, below:

Phase 1	Phase 2	Phase 3	Phase 4	TOTAL
$5,261,956	$11,065,650	$13,986,367	$6,379,159	$36,693,132

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 the Certificate of Need Program at (360) 236-2955.

Sincerely,

Nancy Tyson, Executive Director
Health Facilities and Certificate of Need

Enclosure

EVALUATION DATED NOVEMBER 8, 2018 FOR THE CERTIFICATE OF NEED APPLICATION SUBMITTED BY CHI FRANCISCAN HEALTH PROPOSING TO ADD 76 ACUTE CARE BEDS TO ST. JOSEPH MEDICAL CENTER IN TACOMA, WITHIN PIERCE COUNTY

APPLICANT DESCRIPTION

Catholic Health Initiatives (CHI)[1] is a not-for-profit entity and the parent company of CHI Franciscan Health System (FHS). In Washington State, FHS operates as the governance of a board of directors and an executive team that consists of a CEO and a number of vice presidential roles in finance, nursing, strategy, ethics, operations, and others.

In Washington State, CHI Franciscan operates a variety of healthcare facilities. Below is a listing of the nine hospitals, hospice care center, hospice agency, and two ambulatory surgery centers owned or operated by CHI Franciscan in Washington State. [source: CN historical files]

Hospitals
CHI Franciscan Rehabilitation Hospital, Tacoma[2]
Harrison Medical Center, Bremerton
Highline Medical Center, Burien
Regional Hospital, Tukwila
St Anthony Hospital, Gig Harbor
St Clare Hospital, Lakewood
St Elizabeth Hospital, Enumclaw
St Francis Hospital, Federal Way
St Joseph Medical Center, Tacoma

Ambulatory Surgery Centers
Gig Harbor Ambulatory Surgery Center
Franciscan Endoscopy Center

Hospice Care Center
FHS Hospice Care Center

Hospice Agency
Franciscan Hospice, Tacoma

On April 29, 2016, CHI Franciscan Health received Certificate of Need approval to establish a three station dialysis center in the Bonney Lake area of Pierce County.[3] Construction of the dialysis center is not completed and the facility is not yet operational. [source: CN historical files]

In addition to the nine hospitals listed above, CHI Franciscan has ownership interest in a CN approved psychiatric hospital that is not yet operational. The project is described below.

- On February 1, 2016, Alliance for South Sound Health received Certificate of Need approval to establish a 120-bed psychiatric hospital in Tacoma, within Pierce County. Alliance for South Sound Health is 50% owned by CHI Franciscan Health and MultiCare Health System. The new psychiatric hospital is expected to be operational by December 31, 2018. [source: CN historical files]

[1] In early December 2017, Catholic Health Initiatives (CHI) and Dignity Health announced that the two organizations have signed an agreement to combine their ministries. CHI Franciscan does not anticipate that the planned transaction will result in any new or additional entity obtaining a 10% or greater financial interest, directly or indirectly, in CHI Franciscan. The planned transaction is not expected to close until at least late 2018. Importantly, no change is anticipated in the corporate membership of CHI Franciscan or of CHI prior to completion of the project proposed in this CN application.

[2] CHI Franciscan Rehabilitation Hospital is owned by Franciscan Specialty Care, LLC which is 51% owned by CHI Franciscan Health dba St Joseph Medical Center and 49% owned by RehabCare Development 4 – a 100% subsidiary of Kindred Healthcare, Inc.

[3] Certificate of Need #1574.

PROJECT DESCRIPTION

This project focuses on St. Joseph Medical Center (SJMC) located in Tacoma. The hospital has been in operation for many years and provides a variety of healthcare services to the residents of Pierce County and surrounding communities. As of the writing of this evaluation, SJMC is licensed for a total of 366 beds located at 1717 South 'J' Street in Tacoma [98401]. Table 1 below shows 366 beds broken down by service. [source: CN historical files]

Table 1
St. Joseph Medical Center
Current Configuration of Licensed Acute Care Beds

Services Provided	Total Beds
General Medical Surgical	294
Intermediate Care Nursery - Level II	18
Neonatal Intensive Care Nursery – Level III	5
Psychiatric [dedicated] [see below]	23
Dedicated Rehabilitation – PPS Exempt [see below]	26
Total	**366**

A condition attached to CN #1594 that approved CHI Franciscan Rehabilitation Hospital requires CHI Franciscan to relinquish the 26 rehabilitation beds at St. Joseph Medical Center once the rehabilitation hospital is operational. The rehabilitation hospital was issued its initial license on May 25, 2018. CN historical files shows that the 26 rehabilitation beds have not yet been relinquished. Once relinquished, the total number of acute care beds at St. Joseph Medical Center will be 340.

Focusing on the 23 psychiatric beds, once the 120-bed psychiatric hospital co-owned by CHI Franciscan and MultiCare Health Systems is operational, St. Joseph Medical Center will convert its 23 psychiatric beds to general medical surgical use.[4]

On September 28, 2018, the department issued a decision approving the addition of 11 Level III neonatal intensive care beds to their license. This focus of this evaluation is a project that proposes the addition of 76 acute care beds. The bed breakdown following the addition of the additional NICU bassinets and the 76-bed acute care addition, with and without the psychiatric bed conversion is shown on the following page:

[4] This is consistent with the Settlement Agreement among Department of Health, CHI Franciscan Health, MultiCare Health System, and Signature Healthcare Services, LLC, which was effective March 5, 2018. It should be noted that these 23 beds are **only** to be converted assuming that Signature Health Services meets the conditions set out in the settlement agreement. If this project is approved, the program would issue a CN showing both scenarios, preventing the need to issue an amended CN if the settlement does not go according to plan. It should also be noted that item 12 of the settlement agreement states *"intent to issue letters and CNs issued as part of this agreement are not relevant to or a basis for any future CN decisions or settlements."*

Table 2
St. Joseph Medical Center
Configuration of Licensed Acute Care Beds Following Project, With and Without Psych Conversion

Services Provided	Total Without Psych Conversion	Total With Psych Conversion
General Medical Surgical	370	393
Intermediate Care Nursery - Level II	18	18
Neonatal Intensive Care Nursery – Level III	16	16
Psychiatric [dedicated]	0	0
Dedicated Rehabilitation – PPS Exempt	0	0
Total	**404**	**427**

As of the writing of this evaluation, SJMC provides a variety of general medical surgical services, including intensive care, emergency services, and cardiac care. The hospital is currently a Medicare and Medicaid provider, holds a level II adult trauma rehabilitation designation from the Department of Health's Emergency Medical Services and Trauma office. SJMC holds a three-year accreditation from the Joint Commission[5]. [source: CN historical files]

This project proposes the addition of 76 acute care beds in 4 phases, outlined below:

Table 3
76-Bed Addition Phasing

Phase	Number of Beds	Timeline for Occupancy[6]	Location of Beds
1	8	October 2018	5th Floor
2	21	July 2019	3rd Floor South
3	28	October 2019	5th Floor
4	1	January 2020	6th Floor
	1		8th Floor
	8		11th Floor (Med/Surg)
	8		11th Floor (Family Birth Services)
	1		14th Floor
TOTAL	**76**		

The total estimated capital expenditure associated with the additional 76 beds is $36,646,494. Of that amount, approximately 64% is related to construction; 20% is related to equipment, and the remaining 16% is for sales tax and fees (consulting, architect, and engineering). [source: Application, p40]

The capital expenditure by phase is shown on the following page:

[5] 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. [source: Joint Commission website]

[6] Due to workload constraints, this decision was significantly delayed from summer 2018 to fall 2018. The timelines above are reflective of St Joseph Medical Center's estimates assuming a summer decision. The department fully expects that each of these phases will be delayed by approximately 3-4 months.

Table 4
Capital Expenditure by Phase

Phase 1	Phase 2	Phase 3	Phase 4	TOTAL
$5,261,956	$11,065,650	$13,986,367	$6,379,159	$36,693,132

APPLICABILITY OF CERTIFICATE OF NEED LAW

CHI Franciscan's application is subject to review as the change in bed capacity of a health care facility under the provisions of Revised Code of Washington (RCW) 70.38.105(4)(e) and Washington Administrative Code (WAC) 246-310-020(1)(c).

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;

(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 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).

TYPE OF REVIEW

This project was reviewed under the regular timeline outlined in WAC 246-310-160, which is summarized below.

APPLICATION CHRONOLOGY

Action	CHI Franciscan
Letter of Intent Submitted	September 1, 2017
Application Submitted	January 19, 2018
Department's pre-review activities	
• DOH 1st Screening Letter	February 9, 2018
• Applicant's Responses Received	March 26, 2018
• DOH 2nd Screening Letter[7]	N/A
• Applicant's Responses Received	N/A
Beginning of Review	April 23, 2018
End of Public Comment/No Public Hearing Conducted	
• Public comments accepted through end of public comment	May 28, 2018
Rebuttal Comments Received	June 12, 2018
Department's Anticipated Decision Date	July 27, 2018
Department's Actual Decision Date	November 8, 2018

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."

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.

[7] Under WAC 246-310-090(2)(a), the department reserves the right to screen an application a second time if necessary. Due to the scope of the project, the department elected to screen the application a second time to ensure it was complete. Following the 15-working day screening period, the department found no further deficiencies in the application and began the review process.

During the review of this project, three persons or health care providers sought interested person status. A brief description of each is below.

MultiCare Health System

MultiCare Health System is a not-for-profit health care organization that owns and operates five hospitals in King and Pierce counties. All five hospitals provide a variety of healthcare services to residents of King and Pierce counties and surrounding communities. MultiCare Health System also owns and operates a variety of healthcare clinics located in King, Kitsap, Pierce, Snohomish, and Thurston counties. [source: MultiCare Health System website] MultiCare Health System provided written comments on this project. MultiCare Health System meets the affected person qualifications identified above.

Providence Health & Services Washington

Providence Health & Services Washington submitted a request for interested and affected person status for this application. In Washington State, Providence Health & Services operates a variety of healthcare facilities, including St. Peter Hospital in Lacey, within Thurston County. While Providence St. Peter Hospital may provide healthcare services to residents of adjacent Pierce County, this does not meet the interested person criteria outlined in WAC 246-310-010(34) above. Further, Providence Health & Services did not provide public comment on this project. As a result, neither Providence Health & Services nor Providence St. Peter Hospital qualifies as an interested person and cannot qualify as an affected person for this project.

Swedish Health Services

Swedish Health Services submitted a request for interested and affected person status for this application. In Washington State, Swedish Health Services operates a variety of healthcare facilities, including hospitals in King and Snohomish Counties. While the King and Snohomish County hospitals may provide healthcare services to residents of adjacent Pierce County, this does not meet the interested person criteria outlined in WAC 246-310-010(34) above. Further, Swedish Health Services did not provide public comment on this project. As a result, Swedish Health Services does not qualify as an interested person and cannot qualify as an affected person for this project.

SEIU 1199NW

A representative from SEIU (**S**ervices **E**mployees **I**nternational **U**nion) 1199NW requested interested person status. SEIU 1199NW is a statewide union of nurses and healthcare workers. According to its website, SEIU 1199NW represents more than 30,000 nurses and healthcare workers across Washington State. [source: SEIU 1199NW website] Though SEIU 1199NW represents employees at St. Joseph Medical Center, it is not located within the applicant's health service area. SEIU 1199NW meets the definition of an 'interested person,' but does not qualify as an "affected person." As an interested person, SEIU 1199NW could provide public comments on the application. Since SEIU 1199NW does not meet the definition of an affected person, it could not provide rebuttal comments. SEIU 1199NW did not submit either public comments or rebuttal comments for this project.

SOURCE INFORMATION REVIEWED

- CHI Franciscan Health System's Certificate of Need application received January 19, 2018
- CHI Franciscan Health System's screening responses received March 26, 2018
- Public comments received by the close of business on May 28, 2018
- Rebuttal documents received by the close of business on June 12, 2018
- Department of Health's Hospital and Patient Data Systems' Comprehensive Hospital Abstract Reporting System data for years 2008 through 2017
- OFM Population Projections – medium series for 2017

- Claritas Population Projections for 2017
- Hospital/Finance and Charity Care (HFCC) Financial Review
- Department of Health Integrated Licensing and Regulatory System database [ILRS]
- Licensing and/or survey data provided by the Department of Health's Investigations and Inspections Office
- Licensing data provided by the Medical Quality Assurance Commission, Nursing Quality Assurance Commission, and Health Systems Quality Assurance Office of Customer Service
- Department of Health's Emergency Medical Services and Trauma designation dated October 2015
- CHI Franciscan Health System's website at www.chifranciscan.org
- St. Joseph Medical Center's website at www.chifranciscan.org/st-joseph-medical-center
- Joint Commission website at www.qualitycheck.org
- American Trauma Society website at www.amtrauma.org
- Certificate of Need historical files

CONCLUSIONS

For the reasons stated in this evaluation, the application submitted by CHI Franciscan Health proposing to add 76 acute care beds to St. Joseph Medical Center is consistent with applicable review criteria of the Certificate of Need Program, provided that CHI Franciscan Health agrees to the following in its entirety.

Project Description

This certificate approves the addition of 76 general medical/surgical acute care beds to St. Joseph Medical Center located in Tacoma. The project will be completed in four phases. Below is the number of beds by phase, as well as a configuration of acute care beds at completion of this project.

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Total	**404**	**427**

Phase	Phase 1	Phase 2	Phase 3	Phase 4
Beds Added	8	21	28	19

Conditions:

1. Approval of the project description as stated above. CHI Franciscan Health 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. CHI Franciscan Health shall finance the project as described in the application.

3. St. Joseph Medical Center will provide charity care in compliance with its charity care policies reviewed and approved by the Department of Health, or any subsequent policies reviewed and approved by the Department of Health. St. Joseph Medical Center will use

reasonable efforts to provide charity care in an amount comparable to or exceeding the average amount of charity care provided by hospitals in the Puget Sound Region. Currently, this amount is 1.14% gross revenue and 3.15% of adjusted revenue. St. Joseph Medical Center will maintain records of charity care applications received and the dollar amount of charity care discounts granted. The department requires these records to be available upon request.

Approved Costs:

The total estimated capital expenditure associated this project is $36,693,132, broken down by phase, below:

Phase 1	Phase 2	Phase 3	Phase 4	TOTAL
$5,261,956	$11,065,650	$13,986,367	$6,379,159	$36,693,132

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 CHI Franciscan Health **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 does not contain an acute care bed forecasting method. The determination of numeric need for acute care hospital beds is performed using the Hospital Bed Need Forecasting method contained in the 1987 Washington State Health Plan (SHP). Though the SHP was "sunset" in 1989, the department has concluded that this methodology remains a reliable tool for predicting baseline need for acute care beds.[8]

The 1987 methodology is a twelve-step process of information gathering and mathematical computation. This forecasting method is designed to evaluate need for additional capacity in general, rather than identify need for a specific project.

CHI Franciscan Health

This project proposes to add 76 acute care beds to St Joseph Medical Center located in Tacoma, within Central Pierce County. CHI provided an acute care bed methodology based on historical CHARS[9] data for years 2007 through 2016. Below are the assumptions and factors used in the numeric methodology. [source: Application, Exhibit 6]

- Hospital Planning Area – Central Pierce County
- CHARS Data – Historical years 2007 through 2016
- Projected Population – Based on Claritas 2016 for Central Pierce County; Office of Financial Management medium series data for statewide. For each data source, historical and projected intercensal and postcensal estimates were calculated.
- Planning Horizon – CHI provided data through 2023, identifying a 7-year planning horizon following the base year. The base year is 2016; year seven is 2023.
- Excluded MDCs[10] and DRGs[11]
  - MDC 19 – patients, patient days, and DRGs for psychiatric
  - DRG385-391/789-795 – patients, patient days, and DRGs for neonates
  - DRG 462/945-946 – patients, patient days, and DRGs for rehabilitation
- Weighted Occupancy – Calculated consistent with the State Health Plan as the sum, across all hospitals in the planning area, of each hospital's occupancy rate times that hospital's percentage of total beds in the area. CHI's methodology calculated a weighted occupancy of 70.08%.
- Existing Acute Care Bed Capacity – Four acute care hospitals operate in the Central Pierce planning area.

In addition, CHI provided the following information:

[8] The acute care bed methodology in the 1987 SHP divides Washington State into four separate Health Service Areas (HSAs) that are established by geographic regions appropriate for effective health planning. Snohomish County is located in HSA #1, which includes ten counties: Clallam, Island, Jefferson, King, Kitsap, Pierce, San Juan, Skagit, Snohomish, and Whatcom.

[9] CHARS=Comprehensive Hospital Abstract Reporting System

[10] MDC=Major Diagnostic Category

[11] DRG=Diagnosis Related Group

"This CN application directly addresses the exceptionally high, and quite unprecedented, occupancy level that SJMC has experienced for more than five years. According to CHARS, SJMC now operates at the highest midnight occupancy on licensed beds of ***any*** *hospital—including Harborview—in the State. Current occupancy levels are compromising access and availability to timely care for patients, resulting in extended holding time in the emergency department, increasing costs, delayed initiation of care, and lowering patient satisfaction and increasing the cost of care. A report published in Health Affairs in 2017 found that reduced efficiency and ED backlogs begin to materialize at about 80-85% of bed capacity, and SJMC has been at or above that level since at least 2012.10 ED boarding can result in higher morbidity, delayed pain control, longer lengths of inpatient stay and increased costs.*

As [Application] *Table 8 demonstrates, based on internal data, the 294 acute beds at SJMC operated at an average midnight census of 89% during the 20 month period ending August 31, 2017, and the entire hospital operated at 91% average midnight occupancy. Importantly, and of concern, SJMC's 75 ICU beds were above 90% occupancy at midnight on 257 days, or about 40% of the time over the 20 month period.*

According to the 1987 State Health Plan, SJMC's 186 medical/surgical beds should average 75% midnight occupancy, but they exceeded that level on virtually 100% of the days. Similarly, SJMC's 33 bed OB unit, which per the State Health Plan should average 55% midnight occupancy, exceeded that occupancy level on 80% of the days over the past twenty months.

[Application] Table 8
Census by Acute Unit at SJMC
11/1/2016 to 8/31/2017

	ICU/CCU	*Med/Surg*	*OB*	*Total Acute*
Licensed Beds	*75*	*186*	*33*	*294*
ADC @ Midnight	*66.8*	*171.3*	*23.1*	*261.3*
Average Occupancy	*89.1%*	*92.1%*	*70.0%*	*88.9%*
	Estimated Actual Days Exceeding Given Occupancy on Licensed Beds			
100%	*6*	*123*	*17*	*26*
95%	*45*	*215*	*29*	*105*
90%	*257*	*349*	*75*	*250*
85%	*509*	*473*	*98*	*436*
80%	*596*	*561*	*162*	*563*
75%	*606*	*598*	*244*	*603*
70%	*608*	*608*	*285*	*609*
65%	*609*	*609*	*379*	*609*
60%	*609*	*609*	*452*	*609*
55%	*609*	*609*	*488*	*609*

According to CHARS, and as Table 9 demonstrates, four of CHI Franciscan's seven hospitals— and the ones physically closest to SJMC, are also operating at exceptionally high occupancy levels. While many other hospital and hospital systems have licensed bed counts that exceed their set-up capacity; this is not true for SJMC nor any other CHI Franciscan hospital. As such, as SJMC seeks to transfer

patients per their insurance requirements, or to respect patient/family desire to stay with their current provider or within the CHI Franciscan system, our ability to do so is compromised.

Excerpt from Application Table 9
Highest Midnight Occupancy, 2013-2017
[top 5 shown]

Hospital	*Licensed Beds*	*2015*	*2016*	*2017*	*2017 Target Occupancy per SHP*	*2017 % above Target Occupancy*
St Joseph Medical Center	*366*	*86%*	*86%*	*91%*	*70%*	*30.0%*
Harborview Medical Center	*413*	*87%*	*84%*	*85%*	*75%*	*13.3%*
St Anthony Hospital	*80*	*79%*	*79%*	*84%*	*60%*	*40.0%*
St Clare Hospital	*106*	*75%*	*78%*	*80%*	*65%*	*23.1%*
Providence St Peter Hospital	*340*	*72%*	*78%*	*81%*	*70%*	*15.7%*

[Application]Table 10 provides similar information for the four hospitals located in Central Pierce. While MultiCare's Tacoma General and Mary Bridge appear to have excess capacity, CHI Franciscan understands that neither operates 100% of their respective licensed capacity; meaning average occupancy (based on set up beds) is higher than depicted in Table 10. In fact, Tacoma General has operated below its licensed bed complement for decades; and according to various sources, it too operates at high occupancy levels on the number of beds it chooses to set-up.

[Application] Table 10
Pierce County Hospitals, Licensed and Setup Bed Capacity, 2015-2017 Occupancy

Hospital	*Ownership*	*Licensed Beds*	*Set-Up Beds*	*2015*	*2016*	*2017 ½ Year*
SJMC	*CHI*	*366*	*366*	*86%*	*86%*	*91%*
SAH	*CHI*	*80*	*80*	*79%*	*79%*	*84%*
Tacoma General/Allenmore	*MHS*	*567*	*380*	*48%*	*50%*	*52%*
MHS Mary Bridge	*MHS*	*82*	*75*	*46%*	*49%*	*51%*
Total		***1095***	***901***	***63%***	***64%***	***67%***

SJMC's current high occupancy means that access is compromised on all inpatient medical/surgical or acute care beds nearly every day, and nearly every hour of every day. These high occupancy levels cannot and should not be sustained because they result in increasing patient delays, holds, and diverts. Internal data [dated 9/2016 through 8/2017] demonstrates

- *The number of patients boarded in the emergency department awaiting an inpatient bed now ranges consistently between 250-550 patients per month (or 8 to 18 patients on an average day).*
- *SJMC is also using non-inpatient ED beds to hold patients awaiting admission. During the 12 month period ending August 31, 2017, an average of 22 patients per day were held in a non-inpatient bed awaiting admission. The peak census day saw 55 patients being held in non-inpatient beds.*
- *The high census at SJMC also impacts other hospitals needing to transfer to SJMC (either due to a need for a higher level of care or because the other hospital is also full. For example,*

for the three month period ending August 2017, a total of 270 patients were transferred to SJMC from another CHI Franciscan hospital.

- *For the three month period ending September 2017, a total of 1,322 transfer requests were made to SJMC. Of this number, only 28-30% were admitted, due to high census.*

The Program's acute care bed need projection methodology recognizes the high occupancy of SJMC and projects a need for additional beds in the Central Pierce Hospital Planning Area. In fact, the 76 additional beds are fully supported by the methodology by 2021. The 10 step methodology is included in Exhibit 6. This bed need is above and beyond the 32 beds approved in 2017 for our sister hospital, SAH, which also operates in the Planning Area.

While the acute care bed need projection methodology calculates a need for the beds, CHI Franciscan wholeheartedly concurs with the CN Program's 2004 conclusion that the result of the mathematical calculation is not the sole measure of determining need16. The State Health Plan's Criterion 2 identifies other scenarios under which providers can be awarded new beds, especially in Planning Areas where one or more hospitals are operating above capacity, but another may not be….

In the highly unlikely event that the CN Program finds numeric need for less than 76 acute beds proposed by SJMC, CHI Franciscan respectfully requests that the entire bed expansion be considered for approval based on its promise to allow expansion of a crowded institution.

For purposes of this application, CHI Franciscan is considering SJMC a "crowded institution" because its average midnight occupancy level is 30% higher than the target level identified in the State Health Plan. Unlike many hospitals, SJMC has 100% of its licensed bed capacity in operation. SJMC has historically operated with good cost, efficiency and productivity measures, but as census has escalated beyond 80% there have been impacts, and additional beds will both improve access and restore our cost and efficiency measures." [source: Application pp20-25]

CHI based its methodology on the available beds in the planning area and counted 825 beds. The 825 beds represent available medical/surgical beds between the four active hospitals in the planning area. The following bed types were excluded: NICU bassinets at all levels, rehabilitation beds, and psychiatric beds.

Table 5 below shows the results of CHI's numeric methodology for years 2016 through 2023 [source: Application Exhibit 6]

Table 5
CHI Acute Care Bed Mythology
Projection Years 2016-2023

	2016	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
Gross Bed Need	827	835	848	864	881	898	915	932
Minus Existing Capacity	793	793	825	825	825	825	825	825
Net Need (surplus)	**34**	**42**	**23**	**39**	**56**	**73**	**90**	**107**

Table 6 above shows need in excess of the 76 requested beds in the projection year.
In addition to numeric need, the applicant must also demonstrate that other services and facilities of the type proposed are not or will not be sufficiently available or accessible to meet that need. CHI provided the following statement:

"Midnight occupancy levels at the rates experienced by SJMC are simply unsustainable, as is the fact that SJMC's ability to continue to exceed 90% midnight occupancy for the majority of the year. The current high inpatient census compromises access to timely care, results in extended holding time in the emergency department, increases costs, delays initiation of care and results in lower patient satisfaction.

The four phased proposal put forth in this application represents a cost-effective and efficient means of providing the additional beds needed to mitigate current access concerns and capacity." [source: Application p11]

Public Comment

The department received several letters of support related to this project from CHI employees. Of these, all spoke to current occupancy constraints at St Joseph Medical Center, and the need for additional beds.

All four letters spoke to capacity constraints at the hospital. Below is an excerpt from Dr. Allister Stone, who is the Regional Medical Director for Emergency Services for CHI Franciscan Health. Dr. Stone's letter is representative of the four letters of support.

"I am a board-certified emergency medicine physician practicing full time at St. Joseph's Medical Center (SJMC) in Tacoma. Despite having many advance care features unparalleled in the community, SJMC is regularly compromised in its ability to timely care for the many patients presenting in the Emergency Department (ED). This is directly correlated to the lack of sufficient inpatient bed capacity.

The ED regularly experiences "gridlock"; we have patients in treatment rooms awaiting admission that cannot be moved to an inpatient room because no beds are available and we have patients in the waiting room that are not timely ***moved*** *to a treatment space. In an effort to mitigate these issues, SJMC established an ED observation area for patients that have been assessed and are waiting admission that is full most of the time and we have also created private areas within the waiting room where patients can be triaged, and* ***even*** *treated. The goal is to have a less than 180 minute length of stay for ED patients that need to be admitted and we currently operate at over 800 minutes. Patients and families are generally dissatisfied with the waits and lack of space, and providers are concerned about care delays. Of concern, in the last year, nearly 2,800 patients left the ED without being seen (LWBS); a rate of 5%. We would expect 2%, and the difference is likely due to the overcrowded situation. The situation must be corrected, and more acute care beds is the answer.*

Data from the State's CHARs database confirms what caregivers on the ground know all too well: SJMC operates at the highest midnight occupancy level of any hospital in the State. The ED observation area and the triage/treatment spaces in the waiting room have helped. However, the lack of available acute care beds continues to create throughput issues in the ED. Annually, SJMC has 4,000 to 5,000 ED patients awaiting admission that it cares for in non-inpatient "boarding" areas (such as the ED observation unit). Just yesterday (a typical day), SJMC had 28 patients in the ED waiting room, and 14 patients in ED observation awaiting admission. All ED rooms were in use, and no inpatient beds were available.

SJMC has a promise to care and a mission to heal. More acute care beds at SJMC are needed to better support the community and region. On behalf of the patients I serve, I urge a timely award of additional licensed bed capacity."

The department also received a letter from MultiCare Health System, which provides services to the planning area at Tacoma General/Allenmore Hospital and Mary Bridge. In their letter, MultiCare does not oppose the addition of beds to the planning area in general, but does not believe the need in the planning area is sufficient to warrant the full 76-bed request made by St Joseph Medical Center. MultiCare also asks the department to consider certain factors in its application of the numeric need methodology. MultiCare's comments are summarized and quoted below:

1. SJMC's bed supply figure for Tacoma General Hospital/Allenmore is incorrect

One of the final steps in the methodology concerns future bed capacity existing in the defined service area---in this case, the Central Pierce Planning Area. Therefore, an accurate accounting of existing bed supply in the planning area is required to perform the appropriate net need calculations. Unfortunately, SJMC used incorrect bed counts for Tacoma General Hospital and Allenmore Hospital. In SJMC's January 2018 application, it cites the Department's November 2016 evaluation of Franciscan's St. Anthony Hospital acute bed expansion as the basis for the 337-bed supply figure for Tacoma General Hospital/ Allen more which is subsequently used in its need model.8 In the cited November 2016 evaluation, the Department used the 337-bed figure because CN #1543 purportedly lists 337 "General Medical Surgical" beds at Tacoma General Hospital/ Allenmore. 9 This figure is correct for Tacoma General Hospital but completely excludes all 130General Medical Surgical beds at Allenmore Hospital which is also contained in CN #1543.

In other words, the Department should have included 467 (i.e. 337 + 130) "General Medical Surgical" beds in its evaluation for Tacoma General Hospital/ Allenmore, not 337 beds. By following the Department, SJMC also makes the same mistake. Consequently, SJMC's bed forecast in Exhibit 6 overstates need in every year by 130 acute care beds. In summary, rather than showing net need in 2023 of 107 beds, the correct figure is actually a surplus of 23 beds {107-130 = -23) if using 2016 as the base year in the forecast model.

2. Update to Base Year 2017 for Acute Care Need Model

The data set used for examining patient day utilization in Washington State is the Comprehensive Hospital Abstract Reporting System ("CHARS"). In order to accurately reflect trends and utilization in the planning area, the most recent year available for CHARS is used in the need model; referred to as the 'base year.' This has important implications as the base year determines the scope of the analysis and potentially strongly impacts the use-rates and migrations statistics used throughout the forecast period to project demand for health services in planning area hospitals.

Demand projections, in turn, are compared to bed supply and used to quantify the net need for additional beds in the planning area. For example, using 2016 CHARS as the base year means the applicant analyzes in Step 1 of the acute care need methodology patient days for the previous 10 years (i.e. 2007-2016}, while 2017 CHARS would call for patient days occurring during the 2008-2017 time period . Additionally, Step 5 of the methodology is entirely limited in scope to the base year data. Step 5 serves as the basis for the migration statistics and use-rates at planning area hospitals for the entire forecast period. If significant changes occur between 2016 and 2017, then this could have potentially large impacts on the net need estimated for Central Pierce hospitals.

With respect to the SJMC application, its acute care need model incorporated 2016 CHARS as the base year. This was the correct base year at the time the application was submitted because 2016 CHARS was the most recent data available at that time. However, following SJMC's application submittal, the full calendar year 2017 CHARS data has since become available. During the screening period subsequent to SJMC's application, neither the Department nor SJMC have asked/provided an updated acute care model that incorporates base year 2017 CHARS as required by the need methodology. Despite this omission, the Department should use an updated acute care bed need model that includes 2017 CHARS as the base year to determine net need in the Central Pierce Planning Area. An update of the need model that incorporates 2017 as the base year projects net need by Year 7 (CY2024} for 53 beds. This is in sharp contrast to the 2016-based model that projects a surplus of 23 beds after the Tacoma General Hospital/ Allenmore bed counts are properly accounted for. ***In summary, SJMC's current request for 76 acute care beds is not supported under either the 2016 or 2017 base year models.***

3. Include the Agreement that increases the count of acute care beds at SJMC
As summarized above, MultiCare requests the Department update the bed need model for the Central Pierce Planning Area to include the impact on the supply of SJMC acute care beds, which has increased from 294 to 317 licensed beds. This impacts not only supply of acute care beds, but also the weighted occupancy estimates, which further reduces the net need estimates every year of the forecast.

4. The Department should evaluate all SJMC arguments in support of its request for 76 additional acute care beds, in light of recent developments, including the Agreement.
All SJMC analyses and arguments regarding need and occupancy issues should be evaluated in light of the Agreement, discussed above. MultiCare assumes the 23 psychiatric beds are still "on-line" as psychiatric beds, thus may not be able to be used for acute care. This would affect how the Department evaluates need, occupancy arguments and timing. However, MultiCare respectfully points out these are different issues the Department should evaluate, not an acute care bed need issue.

5. SJMC cites Criterion 2 as support for its project but fails to adequately justify its request.
Criterion 2 has been infrequently applied by the Department given the extraordinary conditions required, as described above, that must be thoroughly documented and justified. SJMC specifically relies upon the third condition listed above regarding "expansion of a crowded institution" to apply to SJMC's current project request.12 There is no support provided by SJMC for either of the first two standards/ specifically, "The proposed development would significantly improve the accessibility or acceptability of services for underserved groups; or the proposed development would allow expansion or maintenance of an institution which has staff who have greater training or skill, or which has a wider range of important services, or whose programs have evidence of better results than do neighboring and comparable institutions

Regarding the third Criterion 2 standard, SJMC provided reasonable data in its application showing its high historical occupancy. Consequently, it can reasonably be deemed a "crowded institution." ***However, SJMC failed to provide any further justification required by the third condition, such as showing that SJMC "...has good cost efficiency or productivity measures of its performance while underutilized services are located in neighboring and comparable institutions with higher costs, less efficient operations or lower productivity."***

Unfortunately, while the 1987 Health Plan contains the three conditions above where Criterion 2 may be applicable, there are not well-defined and agreed-upon, measurable criteria and standards with which to evaluate an applicant's request citing Criterion 2. One potential independent and publicly available data source that can be used to evaluate a hospital's efficiency and productivity relative to its Planning Area peers is the Center for Medicare and Medicaid Services' (CMS) Hospital Compare website. The CMS Hospital Compare website reports a measure called the Medicare Spending per Beneficiary (MSPB) ratio. The MSPB ratio is a suitable metric to use for evaluative purposes given CMS relies upon for its Hospital Value Based Purchasing (VBP) program. Table 1 below presents the MSPB ratio scores for all Central Pierce Planning Area providers. Note that a higher ratio means that Medicare spends more per patient for an episode of care initiated at this hospital.

[Public Comment] Table 1
Central Pierce Provider Medicare Spending per Beneficiary

Hospital	***Medicare Spending per Beneficiary***
St Anthony Hospital	*0.94*
St Joseph Medical Center	*0.96*
MultiCare Tacoma General/Allenmore	*0.94*
MultiCare Mary Bridge Children's Hospital	*N/A*

**A higher ratio means that Medicare spends MORE per patient for an episode of care initiated at this hospital. Source: CMS Hospital Compare Website*

As shown in Table 1 above, SJMC has a higher MSPB ratio than all other Central Pierce Planning Area hospital providers. 13 An important and valuable feature of the MSPB is that it is calculated using a payment standardization methodology that seeks to minimize bias of cost estimates:

The payments included in this measure are price-standardized and risk-adjusted. Price standardization removes sources of variation that are due to geographic payment differences such as wage index and geographic practice cost differences, as well as indirect medical education {!ME) or disproportionate share hospital {OSH} payments. Risk adjustment accounts for variation due to patient age and health status.

SJMC's relatively higher cost cannot simply be explained away due to potentially providing care for a sicker and/or complicated patient group than other Planning Area providers as the MSPB already accounts for these risk factor and other demographic and economic considerations. Therefore, the MSPB measure does not support SJMC's request for application of Criterion 2 in the present case as there are not neighboring and comparable institutions with higher costs, less efficient operations. In fact SJMC is the highest cost facility according to the MSPB ratio in the Planning Area for hospitals where scores are available.

In summary, SJMC simply does not demonstrate conformance to Criterion 2; it completely ignores the first two standards, and focuses, instead, on just part of the third standard-high occupancy. Finally, it is not a low-cost provider, compared to other hospitals in the planning area, based on CMS Hospital Compare statistics.

Rebuttal

CHI did not provide rebuttal to the letters of support, but did provide a letter meant to address the concerns outlined by MultiCare Health System. Excerpts from their letter that addresses MHS's comments are below:

"1. MHS' conclusion regarding the Recent Settlement Agreement between the Department of Health, Signature Healthcare Services, LLC, CHI Franciscan and MHS is Erroneous. The Agreement Does Not Provide for the Immediate Conversion of SJMC's 23 psychiatric beds to Acute Care, and In Fact, the Ability to Ever Convert the Beds is not under the Control of SJMC.
In March 2018, four parties: the Department of Health (Department), Signature Healthcare Services, LLC (Signature), CHI Franciscan and MHS entered into a Settlement Agreement that, in summary, resulted in the award of an "intent to issue CN" to Signature to establish a 105 bed psychiatric hospital in Pierce County. The award to Signature included a number of conditions. If and when Signature meets the conditions and a CN is issued, the Settlement provides that the Department will also issue a CN to SJMC granting it approval to convert its 23 psychiatric beds to acute care beds (without prior CN review), subject to certain conditions.

MHS suggests that the 23 beds that were the subject of settlement have been "granted" and therefore should not be part of this CN request. This statement is misleading. The grant of the CN to CHI Franciscan is far from guaranteed because it is linked to the grant of a CN to Signature. The Settlement Agreement, included as Attachment 1, includes the following conditions related to such a CN for Signature. The Settlement Agreement, included as Attachment 1, includes the following conditions related to such a CN for Signature

***Condition #3:** Signature may apply for an amendment of the intent-to-issue letter for a change of location, pursuant to the procedures for amendment of a CN set forth in WAC 246-310-570. Such application or amendment does not toll deadlines in this Agreement.*

***Condition #4:** Signature must obtain all required land use and environmental approvals necessary to commence construction of its project within two years from the date the Department issues the initial intent-to-issue letter referenced in paragraph 2.*

In addition, and importantly, condition #5 states that if Signature fails to comply with Condition #4, the Agreement is void, and the Department must not issue a CN to Signature. Related to the 23 beds at SJMC, Condition #7 goes on to state that "if the Department does not issue the CN to Signature, the Department must not issue a CN to St. Joseph Medical Center." In other words, the ability to convert the 23 psychiatric beds back to acute care is not a certainty, and it is likely to be at least two more years until it will be a known fact; especially if Signature is required to file an amendment due to a change in site.

As the Settlement Agreement demonstrates, the ability of SJMC to convert the 23 beds to acute care is dependent on a number of factors outside of SJMC's direct control. The occupancy levels at SJMC mean that CHI Franciscan cannot wait two or more years for certainty. Should SJMC be issued a CN for 76 beds in this application, CHI Franciscan would be willing to accept a condition issued on this CN rendering the Settlement Agreement's award of the 23 beds null and void.

2. The CN Request Remains Fully Supported with 2017 CHARS. MHS suggests that SJMC incorrectly "excluded all of the 130 beds on the MHS Allenmore Campus" and that it Operates all 467 of its Licensed Acute Care Beds. The Record Demonstrates that SJMC correctly accounted for MHS' beds.
MHS operates two licensed facilities in the Central Pierce Hospital Planning Area. Tacoma General/Allenmore (one license, two campuses) is licensed for 467 acute care beds and Mary

Bridge Children's Hospital is licensed for 82. Consistently over the years, in every publicly available filing regarding bed capacity, MHS has reported the capacity of TG/Allenmore to be significantly less than its license. Table 1 provides a chronology of the bed counts for Tacoma General/Allenmore as reported by MHS or the Department (supporting documentation is included in Attachment 2).

[Rebuttal] Table 1
MultiCare Tacoma General/Allenmore Chronology of Bed Count, 2010-2018

Date	***Source***	***Number of Acute Care Beds***
9/6/2012	*DOH CN Program Acute Bed Survey, as submitted by MHS (325 set up and 60 assignable not set up)*	*385*
12/31/2012	*DOH Year End Report, as submitted by MHS*	*402*
12/31/2013	*DOH Year End Report, as submitted by MHS*	*402*
12/31/2014	*DOH Year End Report, as submitted by MHS*	*373*
6/1/2016	*CN Program Acute Bed Survey, as submitted by MHS (identified 65 beds at Allenmore and 123 beds at TG as assignable but not set up)*	*497*
11/29/2016	*DOH CN Decision to award 32 bed addition to St Anthony*	*337*
12/31/2016	*DOH Year End Report, as submitted by MHS*	*393*
3/13/2018	*MultiCare Level IV NICU Screening Response (includes 65 beds at Allenmore and 77 beds at TG that are assignable but not set up)*	*467*

While CHI Franciscan recognizes that Tacoma General/Allenmore is licensed for 467 acute care beds, as far back as the 2004 evaluation to establish St. Anthony Hospital, MHS has consistently reported significantly fewer number of beds actually set-up and in use. Unlike MHS, SJMC operates ***100% of its licensed beds*** *and operates significantly above optimal occupancy every single hour of every single day. SJMC's ability to appropriately care for patients should not be impacted by a neighboring hospital's unused licensed bed capacity.*

The reality is that the number of beds available at TG/Allenmore does not have any real impact on our pending CN application. However, CHI Franciscan reran the Acute Care Bed Need Projection Methodology using 2017 CHARS data under three MHS bed count scenarios. Table 2 details the net bed need at the 7-year planning horizon for each scenario.

[continued on the following page]

[Rebuttal] Table 2
Central Pierce Bed Need (Per Step 10 of the methodology) under various MultiCare Tacoma General/Allenmore Bed Configuration

	Scenario 1	***Scenario 2***	***Scenario 3***
Scenario Description	*TG/Allenmore at 337 beds per the Department's count as detailed in the November 2016 Central Pierce Acute Care Bed Need Methodology used in the evaluation of the 32 bed addition at SAH. This represents the same bed count and is consistent with the bed numbers contained in the SJMC application.*	*TG/Allenmore at 393 beds as reported in its latest (2016) Department of Health Year End Report filing.*	*Tacoma General/ Allenmore at its licensed capacity of 467, this includes 65 beds at Allenmore and 77 beds at TG that MHS itself states are not set up.*
Bed Supply			
Tacoma General	*337*	*393*	*467*
Saint Anthony Hospital	*112*	*112*	*112*
St Joseph Medical Center	*294*	*294*	*294*
Mary Bridge	*82*	*82*	*82*
Total	***825***	***881***	***955***
Weighted Occupancy Standard	*70.37%*	*70.66%*	*71.00%*
Gross Bed Need	*1,011*	*1,007*	*1,002*
Net Bed Need/Surplus	*186*	*126*	*47*

In the highly unlikely event that the Program determines that Tacoma General/Allenmore's licensed bed count of 467 is the correct supply, there is still need for 47 of the requested 76 beds within 7 years (2024), and the request is fully supported between 2025 and 2026. As noted below, even without extending the planning horizon, the State Health Plan's Criterion 2 allows for full approval of the 76 bed addition.

3. Beyond any doubt, the Bed Crisis at SJMC Qualifies for Consideration and Approval Under Criterion #2 of the State Health Plan.
Page 24 of SJMC's CN application delineates the Criterion 2 requirements. While MHS alludes that all criteria in the standard must be met before it can be invoked, the Criterion states explicitly that not all of the individual conditions are required to be met.

'CRITERION 2: Need for Multiple Criteria
Hospital bed need forecasts are only one aspect of planning hospital services for specific groups of people. Bed need forecasts by themselves should not be the only criterion used to decide whether a

specific group of people or a specific institution should develop additional beds, services or facilities. Even where the total bed supply serving a group of people or planning area is adequate, it may be appropriate to allow an individual institution to expand.

Standards:
b. Under certain conditions, institutions may be allowed to expand even though the bed need forecasts indicate that there are underutilized facilities in the area. ***The conditions might include the following****:*

- *the proposed development would significantly improve the accessibility or acceptability of services for underserved groups; or*
- *the proposed development would allow expansion or maintenance of an institution which has staff who have greater training or skill, or which has wider range of important services, or whose programs have evidence of better results than do neighboring and comparable institutions; or*
- *the proposed development would allow expansion of a crowded institution which has good cost, efficiency or productivity measures of its performance while underutilized services are located in neighboring and comparable institutions with higher costs, less efficient operations or lower productivity.*

In such cases, the benefits of expansion are judged to outweigh the potential costs of possible additional surplus.'

SJMC should be considered a "crowded institution" because its average midnight occupancy level is 30% higher than the target level identified in the State Health Plan. Unlike many hospitals, SJMC has 100% of its licensed bed capacity in operation. As noted in our application (p. 52), SJMC has historically operated with good cost, efficiency and productivity measures, but as census has escalated beyond 80% it has taken a toll. CHI Franciscan is confident that additional beds will improve access and restore our historical cost and efficiency. This is consistent with other CN applications that delineated the consequence of overcrowding.

In its public comments, MHS suggests that the SJMC's Medicare Spending Per Beneficiary ratio of 0.96 is significantly different than a 0.94 spending ratio. In fact, as CMS notes, a ratio of less than 1.0 "means that Medicare spends LESS per patient for an episode of care initiated at this hospital than it does per episode of care across all inpatient hospitals nationally". And, a further review of data specific to certain conditions, notes that SJMC's payments are consistently below the national average. CMS also indicates: "Payment alone does not provide all the information that people want to know about care in a particular hospital". In addition to payment, it is important to consider the quality of care received". A review of Medicare Compare indicates that SJMC has a higher 'star' rating than MHS. And, in fact, on mortality and safety rate higher than both MHS and the national average. Finally, it should be noted that given that Tacoma General/Allenmore currently operates at about 50% occupancy or a low productivity threshold. Clearly, this document 'bed crisis' at SJMC demonstrates the need for 76 additional acute care beds.

Department Evaluation

As shown above under the applicant's information, CHI relied on 2016 CHARS data. 2017 CHARS data became available prior to the end of public comment, so the department completed the methodology using 2017 as the base year. This is consistent with the request made by MultiCare Health System in their public comment. Below are the assumptions and factors used in the

department's acute care bed need methodology. The methodology is included in this evaluation as Appendix A.

- Hospital Planning Area – Central Pierce County
- CHARS Data – Historical years 2008 through 2018
- Projected Population – Based on Claritas 2017 for Central Pierce ZIP Codes; Office of Financial Management medium series data for statewide. For each data source, historical and projected intercensal and postcensal estimates were calculated.
- Excluded MDCs[12] and DRGs[13]
  - MDC 19 – patients, patient days, and DRGs for psychiatric
  - DRG385-391/789-795 – patients, patient days, and DRGs for neonates
  - DRG 462/945-946 – patients, patient days, and DRGs for rehabilitation
- Weighted Occupancy – Calculated consistent with the State Health Plan as the sum, across all hospitals in the planning area, of each hospital's occupancy rate times that hospital's percentage of total beds in the area. The department's methodology calculated a weighted occupancy of 70.66%.
- Existing Acute Care Bed Capacity – Four acute care hospitals operates in the Central Pierce planning area.

Below is a summary of the steps in the department's numeric need methodology. In this evaluation, the department will not compare its methodology with the one provided by CHI Franciscan, as the differences in the data sets used by each are not conducive to a practical comparison. The methodology operates the same way, regardless of base year.

Steps 1 through 4 develop trend information on historical hospital utilization.
In steps 1 through 4, the department focused on historical data for years 2008 through 2017 to determine the statewide and health service area [HSA] use trends for acute care services. The department computed a trend line for statewide and HSA utilization of inpatient acute care services. The HSA and state use trend line projected an increase in acute care use: 1.5687 and 0.8595, respectively. The SHP requires use of either the statewide or HSA trend line "*whichever has the slowest change."* The state trend line, with the slighter increase, showed the slowest change and is considered more statistically reliable. The department applied the data derived from those calculations to the projection years in the following steps.

Steps 5 through 9 calculate baseline, non-psychiatric bed need forecasts.
For these steps, the department calculates base-year use rates, broken down by population ages 0-64 and ages 65 and older, determining the rates at which different populations receive inpatient non-psychiatric care. This includes calculating in-migration to Central Pierce County (for Washington and out-of-state residents) and out-migration (to other Washington State hospitals and Oregon hospitals). This results in a use rate for the hospital in Central Pierce County. The department then multiplies this use rate by the slope acquired in Step 4 to project how this use rate may change during the projection period.

Table 6 below shows the use rates, broken down by age group that Providence and the department applied to the projected population for the base year:

[12] MDC=Major Diagnostic Category
[13] DRG=Diagnosis Related Group

Table 6
Department Numeric Need Methodology
Use Rates by Age Cohort

	0-64	65+
Department [2017]	282.12/1,000 population	1,158.99/1,000 population
CHI Franciscan [2016]	281.08/1,000 population	1,237.18/1,000 population

When the use rates are applied to the projected population, the result is the projected number of patient days for the planning area. The numeric methodology is designed to project bed need in a specified "target year." It is the practice of the department to evaluate need for a given project through at least seven years from the last full year of available CHARS data. Using 2017 CHARS data, seven years is 2024; and ten years is 2027.

Steps 10 through 12 are intended to determine the total baseline hospital bed need forecasts, including need for short-stay psychiatric services.

In step 10, the department projected the number of acute care beds needed in the planning area, subtracted the existing capacity, resulting in a net need for acute care beds.

The department and CHI largely agreed on the bed count for Central Pierce County, with the exception of Tacoma General/Allenmore Hospital. CHI Franciscan counted 337 beds. Using the most recently submitted end-of-year financial report submitted by MultiCare Health System, the department concluded Tacoma General/Allenmore should be counted at a maximum of 393 beds at this time.

The year-end set up beds for Tacoma General/Allenmore is shown below:

12	# of Beds Available	Beds	# of Beds Available	Beds
	Intensive Care	157	Skilled Nursing	0
	Semi -Intensive Care	37	Swing Beds	0
	Acute - Medical / Surg	150	Chemical Dependenc	0
	Acute - Pediatrics	0	Other (Excl Nursery)	0
	Acute - Obstetrical	49	Total Beds Available	420
	Acute - Rehabilitation	0	(Excluding Nursery)	
	Psychiatric	27	Total Beds Licensed	567
			Nursery - Bassinets	44

Source: MHS 2017 year-end financial report for Tacoma General Hospital,

Out of the 420 set-up beds, 27 are exclusively dedicated to psychiatric services, and 44 are dedicated to neonatal intensive care. These 71 beds were subtracted from the total of 420 for a total of 349.

The department rejects MultiCare Tacoma General's statement that St Joseph Medical Center should be counted at 317 acute care beds, rather than 294. The basis for this rejection can be found in item 12 of the Settlement Agreement, which states*: "Intent-to-issue letters and CNs issued as part of this Agreement* ***are not relevant to or a basis for any future CN decisions or settlements.****"* [**emphasis** added]

Table 7 below shows the department's methodology calculations for years 2018 through 2024. This table also shows the impact to the planning area as the beds are added by phase.

Table 7
Department of Health Methodology
Projection Years 2017 through 2023

	2018	2019	2020	2021	2022	2023	2024
Gross Number of Beds Needed	957	977	997	1,018	1,038	1,040	1,061
Minus Existing Capacity	837	837	837	837	837	837	837
Ned Bed Need/(Surplus)	**120**	**140**	**160**	**181**	**201**	**203**	**224**
Bed Additions	8	49	19	0	0	0	0
Net Bed Need/(Surplus) with project[14]	88	57	57	77	97	99	119

Step 11 projects need for short-stay psychiatric beds. Step 12 is the adjustment phase where any necessary changes are made to the calculations in the prior steps to reflect conditions which might cause the application of the methodology to over or understate the need for acute care beds. This application did not request short-stay psychiatric beds, nor are there any circumstances known to the department (or suggested by the applicant) to suggest that adjustments are necessary to any prior steps. Therefore, neither CHI nor the department completed steps 11 or 12. Neither of these steps will be discussed any further.

The primary difference between the result of the department's methodology and the methodology provided by CHI is the source material and the count in beds. Though both the department and CHI used OFM data for the state methodology, CHARS data for hospital discharges, and Claritas data for the Central Pierce planning area, the department's use of 2017 data rather than 2016 resulted in more gross need for acute care beds. This was offset slightly by the difference in the count of acute care beds. Ultimately, both models show need in excess of the request made by CHI Franciscan for St Joseph Medical Center.

The ZIP codes[15][16] used by the department are shown below in Table 8 [source: Application p11]

Table 8
Central Pierce County ZIP Codes

ZIP Code		
98303	98405	98443
98333	98406	98465
98335	98407	98466
98349	98408	98467
98351	98409	98329
98394	98416	98332
98402	98421	98418
98403	98422	98409
98404	98424	

[14] The occupancy standard shifts as a result of this project, which is why these numbers do not sum
[15] The following ZIP codes are included in the definition of Central Pierce County from the State Health Plan, but are PO Box ZIP codes without an associated population: 98395, 98401, 98411
[16] The following ZIP codes were created after the State Health Plan was released. Based on geographic reasonableness, the following ZIP codes were added to the planning area definition: 98329, 98332, 98418

Based on the department's need methodology alone, need for additional acute care beds in Central Pierce County is demonstrated.

In addition to the numeric need methodology, the department must determine whether other services or facilities of the type proposed are not or will not be sufficiently available and accessible to meet that need.

The public comment submitted by MultiCare suggested that numeric need is not sufficient to approve 76 beds, and that existing resources are available to meet this need. CHI's rebuttal pointed out that St Joseph Medical Center has operated significantly above ideal capacity for many years now. MultiCare did not provide a methodology to support their statement that there isn't sufficient need for the 76 bed addition.

Regardless of whether beds could be set up at Tacoma General Hospital, the occupancy levels at St Joseph Medical Center are the highest in the state. This would merit consideration under "Criterion 2" from the State Health Plan if numeric need was not already demonstrated.

Criterion 2 states:
"*Hospital bed need forecasts are only one aspect of planning hospital services for specific groups of people. Bed need forecasts by themselves should not be the only criterion used to decide whether a specific group of people or a specific institution should develop additional beds, services or facilities. Even where the total bed supply serving a group of people or planning area is adequate, it may be appropriate to allow an individual institution to expand.*

Item b under Criterion 2 specifically highlights the issue at hand – whether additional capacity should be awarded even if there are underutilized facilities in the planning area.

MultiCare provided public comment suggesting that the department should not approve St Joseph Medical Center's request for expansion using Criterion 2, based on cost data. The cost data provided by MultiCare shows that while Medicare spending is slightly higher at St Joseph Medical Center than at Tacoma General/Allenmore or St Anthony Hospital, it is still lower than the national average. This information is not sufficient to conclude that CHI's request should be denied.

Furthermore, public comment from CHI Franciscan's Medical Director for Emergency Services supported that St Joseph Medical Center is facing these occupancy issues partially as a result of emergency room volumes. These volumes have been consistent year-to year. The department was unable to find any data that would support MHS's position that patients can be adequately served by the existing healthcare system. And, even though MHS does have the ability to stand up additional beds at Tacoma General/Allenmore, historical performance has demonstrated that these beds are consistently not set-up or staffed. Absent documentation of consistent use of these beds, the department cannot conclude that these beds are available an accessible to the community. **This sub-criterion is met.**

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

To evaluate this sub-criterion, the department evaluates an applicant's admission policies, willingness to serve Medicare and Medicaid patients, and to serve patients that cannot afford to pay for services.

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 assurances regarding access to treatment. The admission policy must also include language to ensure all residents of the planning area would have access to the proposed 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.

Medicare certification is a measure of an applicant's willingness to serve the elderly. With limited exceptions, Medicare is coverage for individuals age 65 and over. It is also recognized that women live longer than men and therefore more likely to be on Medicare longer.

Medicaid certification is a measure of an applicant's willingness to serve low income persons and may include individuals with disabilities.

Charity care shows a willingness of a provider to provide services to individuals who do not have private insurance, do not qualify for Medicare, do not qualify for Medicaid, or are under insured.[17] With the passage of the Affordable Care Act in March 2010, the amount of charity care is expected to decrease, but not disappear.

CHI Franciscan Health

CHI Franciscan provided copies of the following policies currently in used at SJMC. [source: Application Exhibit 7]

- Admission Policy-Approved March 2014
- Non-Discrimination Policy – Updated August 2017
- Charity Care Policy-Updated March 2017

SJMC is currently Medicare and Medicaid certified. CHI Franciscan provided its current source of revenues by payer for SJMC and stated that the additional 76 beds would not change the payer mix. However, in order to add the NICU beds approved earlier in 2018, a number of rehabilitation and psychiatric beds and services will be relocated to other sites in years 2018 and 2019, respectively. The reduction in these beds and services change the payer mix slightly at SJMC. [source: March 26, 2018, screening response, p4]

Current and projected hospital-wide payer mix is shown below.

Revenue Source	Current	Projected
Medicare	46.0%	46.3%
Medicaid	22.6%	22.4%
Commercial	26.2%	26.1%
Other	5.2%	5.2%
Total	**100.0%**	**100.0%**

[17] WAC 246-453-010(4)

In addition to the policies and payer mix information, CHI Franciscan provided the following information related to uncompensated care provided by CHI Franciscan. [source: Application, p28]

"In addition to charity care as measured by the department, CHI Franciscan provides numerous uncompensated services to the communities served. In fiscal year 2016 alone, CHI Franciscan's quantifiable Community Benefit (including the cost of charity care) totaled $156 million. A sampling of local CHI Franciscan education and community outreach programs include:"

- *Our Congregational Health Ministries Program provides support to about 70+ congregations which includes program guidance, education and resources to area congregations with a faith community nurse/health ministry program. We provide support to the participating churches who are the ones who do the blood pressure checks, health fairs, walking programs, etc.*
  - *Provision of blood pressure clinics.*
  - *Offering of Nutrition and Fitness Programs (walking program, exercise classes)*
  - *Provision of health education resources;*
- *Dental care provided to low-income or unemployed adults without access to other low-cost dental services through the dental van.*
- *Neighborhood clinic: CHI Franciscan provides lab tests to Neighborhood Clinic patients.*
- *CHI Franciscan provided immunizations for nearly 3,000 individuals.*
- *CHI Franciscan donated hospital and clinic care are through Project Access*
- *Community Outreach and Sponsorship provides support for community programs (Communities in School, Reach Out and Fusion); sponsorship for various community events*
- *In FY2016, CHI Franciscan volunteers provided over 142,000 hours of service.*
- *The Foundation Grants Program provides funding for many programs related to the social determinants of health—homelessness, food/nutrition, domestic violence programs and transportation.*

Public Comments
None

Rebuttal Comments
None

Department Evaluation

CHI Franciscan has been providing healthcare services to the residents of King, Kitsap and Pierce counties through its hospitals and medical clinics for many years. Healthcare services are stated to be available to low-income, racial and ethnic minorities, handicapped and other underserved groups. [source: CHI Franciscan Health System website]

The Admission Policy describes the process SJMC uses to admit a patient and outlines rights and responsibilities for both SJMC and the patient. Included with the Admission Policy is the Patient Rights and Responsibilities Policy. This policy includes the following non-discrimination language. *"As a patient at Franciscan Health system you have the right to…. not be discriminated against because of your race, beliefs, age, ethnicity, religion, culture, language, physical or mental disability, socio-economic status, sex, sexual orientation, gender identity or expression and your ability to pay for care. Be treated with dignity and respect including cultural and personal beliefs, values and preferences."*

The Non-Discrimination Policy includes the following language.

"As a recipient of Federal financial assistance, CHI Franciscan Health (CHI FH) is dedicated to providing services to patients and welcoming visitors in a manner that respects, protects, and promotes patient rights. CHI FH does not exclude, deny benefits to, or otherwise discriminate against any person on the basis of age, race, color, creed, national origin, ethnicity, religion, marital status, sex, sexual orientation, gender identity or expression, physical , mental or other disability, citizenship, medical condition, or any other basis prohibited by federal, state, or local law in admission to, participation in, or receipt of the services and benefits under any of its programs and activities, whether carried out by CHI FH directly or through a contractor or any other entity with which CHI FH arranges to carry out its programs and activities."

SJMC currently provides services to both Medicare and Medicaid patients. CHI Franciscan does not anticipate any changes in Medicare or Medicaid percentages resulting in approval of this project, however, as clarified by CHI Franciscan, upcoming changes in both psychiatric and rehabilitation services at SJMC may result in a slight shift in payer mix.

SJMC's current Medicare revenues are approximately 46.0% of total revenues, which may increase by a fraction of a percentage; likewise, Medicaid revenues are currently 22.6%, which may decrease by a commensurate fraction. Commercial and other revenues are expected to remain largely consistent at approximately 26% and 5%, respectively. Financial data provided in the application also shows both Medicare and Medicaid revenues.

The Financial Assistance Policy (Charity Care) provided in the application has been reviewed and approved by the Department of Health's Hospital Financial/Charity Care Program (HFCCP). The policy outlines the process one would use to obtain financial assistance or charity care. The policy was approved in March 2017. This is the same policy posted to the department's website for SJMC. The pro forma financial documents provided in the application include a charity care 'line item' as a deduction of revenue

Charity Care Percentage Requirement

For charity care reporting purposes, Washington State is divided into five regions: King County, Puget Sound (less King County), Southwest, Central, and Eastern. CHI Franciscan proposes to add 76 acute care beds to SJMC located in Pierce County within the Puget Sound Region. Currently there are 19 hospitals operating within the region. Of the 19 hospitals, some did not report charity care data for years reviewed.[18]

Table 9 below compares the three-year historical average of charity care provided by the hospitals currently operating in the Puget Sound Region and SJMC's historical charity care percentages for years 2014-2016. The table also compares the projected percentage of charity care. [source: March 28, 2018, screening response, Attachment 2 and HFCCP 2014-2016 charity care summaries]

Table 9
Charity Care Percentage Comparisons

	Percentage of Total Revenue	Percentage of Adjusted Revenue
Puget Sound Region Historical 3-Year Average	1.14%	3.15%
St. Joseph Medical Center Historical 3-Year Average	0.84%	2.33%
St. Joseph Medical Center Projected Average	1.05%	--

[18] For year 2014, the following three hospitals did not report data: Forks Community Hospital in Forks; Whidbey General Hospital in Coupeville; and EvergreenHealth-Monroe [formerly Valley General Hospital, Monroe]. For year 2016, USS/BHC Fairfax Hospital North did not report data.

As noted in Table 10 above, the three-year historical average shows SJMC has been providing charity care below both the total and adjusted regional averages. For this project, CHI Franciscan projects that SJMC would provide charity care below the regional average for total revenues and above the average for adjusted revenues.

CHI Franciscan has been providing health care services at SJMC for many years. Charity care is health care provided through the hospital at no cost or reduced cost to low income patients. Charity care is a state-mandated and partially state-funded program that allows uninsured or underinsured people to receive inpatient and outpatient care at a reduced cost. Only people who meet certain income and asset criteria are eligible to receive charity care. Information provided in the application indicates that CHI Franciscan offers a variety of community outreach programs throughout Pierce, King, and Kitsap counties. Outreach programs help offset costs for healthcare services in the communities, but it is not charity care and cannot be counted toward the percentage of charity care provided by a hospital under Certificate of Need rules.

The focus of this sub-criterion is charity care percentages specific to SJMC. In past hospital CN applications, the department has been attaching a charity care condition to the approvals, based, in part, on the fluctuation of charity care percentages since the passage of the Affordable Care Act in March 2010.

If this project is approved, the department concludes that CHI Franciscan must agree to the charity care condition stated below. [19]

> St. Joseph Medical Center will provide charity care in compliance with its charity care policies reviewed and approved by the Department of Health, or any subsequent policies reviewed and approved by the Department of Health. St. Joseph Medical Center will use reasonable efforts to provide charity care in an amount comparable to or exceeding the average amount of charity care provided by hospitals in the Puget Sound Region. Currently, this amount is 1.14% gross revenue and 3.15% of adjusted revenue. St. Joseph Medical Center will maintain records of charity care applications received and the dollar amount of charity care discounts granted. The department requires these records to be available upon request.

Based on the information provided in the application and with CHI Franciscan's agreement to the condition, the department concludes t**his sub-criterion is met.**

(3) The applicant has substantiated any of the following special needs and circumstances the proposed project is to serve.

(a) The special needs and circumstances of entities such as medical and other health professions schools, multidisciplinary clinics and specialty centers providing a substantial portion of their services or resources, or both, to individuals not residing in the health service areas in which the entities are located or in adjacent health service areas.

Department Evaluation
This sub-criterion is not applicable to this application.

[19] The condition related to the percentage of charity care and its impact on SJMC's revenue and expense statement is further addressed in the financial feasibility section of this evaluation.

(b) The special needs and circumstances of biomedical and behavioral research projects designed to meet a national need and for which local conditions offer special advantages.

Department Evaluation
This sub-criterion is not applicable to this application.

(c) The special needs and circumstances of osteopathic hospitals and non-allopathic services.

Department Evaluation
This sub-criterion is not applicable to this application.

(4) The project will not have an adverse effect on health professional schools and training programs. The assessment of the conformance of a project with this criterion shall include consideration of:

(a) The effect of the means proposed for the delivery of health services on the clinical needs of health professional training programs in the area in which the services are to be provided.

Department Evaluation
This sub-criterion is not applicable to this application.

(b) If proposed health services are to be available in a limited number of facilities, the extent to which the health professions schools serving the area will have access to the services for training purposes.

Department Evaluation
This sub-criterion is not applicable to this application.

(5) The project is needed to meet the special needs and circumstances of enrolled members or reasonably anticipated new members of a health maintenance organization or proposed health maintenance organization and the services proposed are not available from nonhealth maintenance organization providers or other health maintenance organizations in a reasonable and cost-effective manner consistent with the basic method of operation of the health maintenance organization or proposed health maintenance organization.

Department Evaluation
This sub-criterion is not applicable to this application.

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 CHI Franciscan 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.

CHI Franciscan

CHI Franciscan relied mostly on the acute care bed methodology for their volume projections, along with the following assumptions. [source: Application p38]

"In addition to the forecast of bed need in the Planning Area, the following assumptions were used to develop the SJMC specific patient day projections…

- *Projected annual inpatient patient day growth rate for the period of 2018-2019 was assumed to be 3.5% as new beds were added. From 2019-2022 the annual growth rate is assumed to be 2.0%. Without the project, the annual growth rate was assumed to be only 0.5% beginning in 2018; simply because the hospital functions at virtual capacity nearly every day.*
- *Average length of stay was held flat at the actual 2017 level of 5.1.*
- *No market share increase was assumed.*

Using the assumptions stated above, CHI Franciscan projected the number of discharges, patient days, average daily census, and occupancy with the 76 bed increase. The projections shown in Table 10 below beginning with calendar year 2018. [source: Application, p38]

Table 10
St. Joseph Medical Center
Utilization Projections

Year	Discharges	Patient Days	ADC	No. of Beds	Occupancy
2018	19,084	97,328	266.7	302	88.3%
2019	19,756	100,756	276.0	351	78.6%
2020	20,151	102,772	281.6	370	76.1%
2021	20,554	104,827	287.2	370	77.6%
2022	20,965	106,924	292.9	370	79.2%

The assumptions CHI Franciscan used to project revenue, expenses, and net income for the projection years are below. [source: March 26, 2018, screening response, p7]

- The acute rehabilitation service was assumed to close by June 2018.
- The inpatient psychiatric service was assumed to close at the end of Quarter 1 2019.
- Gross patient revenue was calculated using the same rates and utilization of services as in the baseline period of 2017. Payer mix associated with med/surg volumes was kept constant. No reimbursement changes were used in the pro forma. Thus, the net patient revenue per case is the same as the baseline period of 2017.
- Salary expense corresponds to the FTEs needed to provide the service. FTEs increase in accordance with the increase in patient days. This level of productivity is based upon the productivity that occurred in 2017. The statement does not include any compensation increases.
- Employee benefits are kept at the same percentage of salary as 2017 or 28.88% throughout the projection period.
- Supplies expense increases proportionate to the increase in patient days. There is no inflation associated with this expense or any expenses in the statement.
- The remainder of the operating expenses were separated into fixed versus variable portions as outlined below. The fixed portion of each expense category was kept constant from 2017.

The variable portion of each expense category changed proportionate to the change in patient days. There is no inflation associated with any expenses in this statement.
  - Professional fees were assumed to be 90% fixed and 10% variable.
  - Utilities expense was assumed to be 95% fixed and 5% variable.
  - Purchased Services were assumed to be 30% fixed and 70% variable.
  - Rents and leases were assumed to be 95% fixed and 5% variable.
  - Insurance was assumed to be 90% fixed and 10% variable.
  - Other Direct expenses are assumed to be 75% fixed and 25% variable.
- The project anticipates capital spending of $36,693,128 with an associated annual depreciation expense of $1,761,293 for the years 2020-2022. The combined assets of the project have a 21 year depreciable life. For the "without project" pro forma, no additional capital expending or associated depreciation expense was assumed.

Based on the assumptions above, CHI Franciscan provided the following revenue and expense statement for SJMC. The statement shows both current year 2018 and projected years 2019 through 2022. [source: February 26, 2018, screening response, Attachment 3]

Table 11
St. Joseph Medical Center
Projections for Years 2018 through 2022

	2018	2019	2020	2021	2022
Net Revenue	$725,593,443	$719,745,693	$725,916,059	$734,737,412	$743,762,858
Total Expenses	$652,704,649	$648,614,115	$653,059,397	$658,176,829	$663,411,822
Net Profit/(Loss)	$72,888,794	$71,131,578	$72,856,662	$76,560,583	$80,351,036

The 'Net Revenue' line item is gross inpatient and outpatient hospital revenue, plus any non-operating revenue. The 'Total Expenses' line item includes all expenses related to hospital operations, including all staff salaries/wages and allocated costs from SJMC to CHI Franciscan.

Public Comments
During the review of this project, MultiCare Health System provided comments related to this sub-criterion, but were solely concerned with SJMC not having provided financials to support a bed addition of less than 76. Seeing as SJMC met the need-related criteria under WAC 246-310-210, and that MultiCare's comments were contingent upon an award of less than 76 beds, their comments will not be discussed [source: May 8, 2018, public comment]

Rebuttal Comments
Not applicable

Department Evaluation
To evaluate this sub-criterion, the department first reviewed the assumptions used by CHI Franciscan to determine the projected number of admissions, patient days, and occupancy of the hospital with the additional 76 beds. Since SJMC will continue to be operational during the bed addition project, CHI Franciscan provided its patient days and discharge projections beginning with year 2018 through year 2022. When compared to historical data [years 2015, 2016, and 2017] obtained from the Department of Health's Hospital and Patient Data Systems' Hospital Census and Charges Report, the projections are reasonable. The department can reasonably substantiate CHI Franciscan's assumptions. After reviewing CHI Franciscan's admission and patient day assumptions for SJMC, the department concludes they are reasonable.

CHI Franciscan based its revenue and expenses for SJMC on the assumptions referenced above. CHI Franciscan also used its current operations as a base-line for the revenue and expenses projected for SJMC as a whole, with limited adjustments for psychiatric and rehabilitation services. A review of SJMC's fiscal year historical data reported to the Department of Health shows that CHI Franciscan operated SJMC at a profit for fiscal years 2013 through 2016. [source: DOH Hospital and Patient Data Systems' Hospital Census and Charges Report-year 2013, 2014, and 2015]

In the 'need' section of this evaluation, the department discussed the low percentage of charity care projected at SJMC and concluded that a charity care condition is necessary. The revenue and expense statement in Table 11 is based on CHI Franciscan's projections that charity care dollars and percentages at SJMC would be below the regional average. Table 13 below shows SJMC revenue and expense summary with the lower percentage of charity care and a revised revenue and expense summary using the recalculated charity care dollars consistent with the charity care condition.

Table 12
St. Joseph Medical Center
Current Year 2018 and Projection Years 2020 through 2022

	Projected by CHI Franciscan		
	CY 2020	**CY 2021**	**CY 2022**
Net Revenue	$725,916,059	$734,737,412	$743,762,858
Total Expenses	$653,059,397	$658,176,829	$663,411,822
Net Profit / (Loss)	$72,856,662	$76,560,583	$80,351,036

	Projected with Revised Charity Care Amounts		
	CY 2020	**CY 2021**	**CY 2022**
Net Revenue	$723,463,076	$732,251,866	$741,243,997
Total Expenses	$653,059,397	$658,176,829	$663,411,822
Net Profit / (Loss)	$70,403,679	$74,075,037	$77,832,175

As shown in Table 12 above, with the increase in charity care dollars, SJMC would continue to operate at a profit.

To assist in the evaluation of this sub-criterion, the Department of Health's Hospital/Finance and Charity Care Program (HFCCP) reviewed the pro forma financial statements submitted by CHI Franciscan for SJMC. To determine whether CHI Franciscan would meet its immediate and long range capital costs, HFCCP reviewed the 2017 historical balance sheet for both CHI Franciscan Health and SJMC. The information shown in Table 13 below is for CHI Franciscan as a whole. [source: HFCCP analysis, p2]

Table 13
CHI Balance Sheet for Year 2017

Assets		**Liabilities**	
Current Assets	$ 4,542,088,000	Current Liabilities	$ 4,697,502,000
Board Designated Assets	$ 6,786,471,000	Other Liabilities	$ 2,919,312,000
Property/Plant/Equipment	$ 8,569,313,000	Long Term Debt	$ 6,588,202,000
Other Assets	$ 2,033,878,000	**Equity**	**$ 7,726,734,000**
Total Assets	**$ 21,931,750,000**	**Total Liabilities and Equity**	**$ 21,931,750,000**

The information shown in Table 14 below is the 2017 historical balance sheet for SJMC alone. [source: HFCCP analysis, p2]

Table 14
St. Joseph Medical Center
Balance Sheet for Current Year 2017

Assets		Liabilities	
Current Assets	$ 226,644,000	Current Liabilities	$ 94430,000
Board Designated Assets	$ 54,812,000	Other Liabilities	$ 0
Property/Plant/Equipment	$ 195,868,000	Long Term Debt	$ 10,267,000
Other Assets	$ 6,647,000	**Equity**	**$ 379,274,000**
Total Assets	**$ 483,971,000**	**Total Liabilities and Equity**	**$ 483,971,000**

For hospital projects, HFCCP provides a financial ratio analysis assesses the financial position of an applicant, both historically and prospectively. The financial ratios typically analyzed are **1)** long-term debt to equity; **2)** current assets to current liabilities; **3)** assets financed by liabilities; **4)** total operating expense to total operating revenue; and **5)** debt service coverage. Historical and projected balance sheet data is used in the analysis. CHI Franciscan's 2017 balance sheet and SJMC's 2017 balance sheets were both used to review applicable ratios and pro forma financial information.

Table 15 compares statewide data for historical year 2017, CHI Franciscan and SJMC historical year 2017, and projected years 2020 through 2022. [source: HFCCP analysis, p3]

Table 15
Current and Projected Debt Ratios
CHI Franciscan and St. Joseph Medical Center

CHI-Franciscan-St. Joseph					2018	2019	2020	2021	2022	
Ratio Category	Trend	State17	CHI-17	SJMC-17	CONy1	CONy2	CONy3	CONy4	CONy5	
Long Term Debt to Equity	B	0.442	0.853	0.027	0.023	0.020	0.017	0.015	0.014	
Current Assets/Current Liabilities	A	3.326	0.967	2.400	2.358	2.103	2.059	2.191	2.339	
Assets Funded by Liabilities	B	0.372	0.515	0.216	0.188	0.165	0.149	0.135	0.123	
Operating Expense/Operating Revenue	B	0.980	1.038	0.793	0.903	0.905	0.903	0.899	0.896	
Debt Service Coverage	A	4.758	4.231	151.039	36.922	36.435	37.496	38.925	40.387	
Long Term Debt to Equity	Long Term Debt/Equity									
Current Assets/Current Liabilities	Current Assets/Current Liabilities									
Assets Funded by Liabilities	Current Liabilities+Long term Debt/Assets									
Operating Expense/Operating Revenue	Operating Expense/Operating Revenue									
Debt Service Coverage	Net Profit+Depr and Interest Exp/Current Mat. LTD and Interest Exp									*

A is better if above the ratio; and B is better if below the ratio.

After reviewing the financial ratios above, staff from HFCCP provided the following statements. [source: HFCCP analysis, p3]

> *"Each year's fiscal year end ratios for SJMC are within preferred range of the 2017 State average, with the exception of Current Assets to Current Liabilities. That value is below the state average, but within acceptable bounds and demonstrating an improving trend. The hospital is breaking even in each year of the projections. CHI corporate ratios are generally weaker than the desired range for this project, but SJMC itself has assets and financial strength sufficient to support this project."*

Based on the information above, 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.

CHI Franciscan

The capital expenditure associated with the addition 76 acute care beds is $36,693,132. The table below shows the breakdown of the costs by phase. [source: Application, p40]

Table 16
St. Joseph Medical Center
Estimated Capital Expenditure Breakdown

Item	Phase 1	Phase 2	Phase 3	Phase 4	Total	% of total
Building Construction	$2,500,000	$7,244,438	$9,659,250	$4,160,000	$23,563,688	64.2%
Equipment	$1,980,000	$2,011,350	$2,011,350	$1,180,270	$7,182,970	19.6%
Architect/Engineering Fees	$250,000	$651,999	$869,333	$374,400	$2,145,732	5.8%
Taxes	$430,080	$888,556	$1,120,378	$512,666	$2,951,680	8.0%
Other	$101,876	$269,307	$326,056	$151,823	$849,062	2.3%
Total	**$5,261,956**	**$11,065,650**	**$13,986,367**	**$6,379,159**	**$36,693,132**	**100.0%**

CHI Franciscan provided a letter from 'Cumming' a contractor in Seattle attesting that the costs identified above are reasonable. [source: Application, Exhibit 8]

Since SJMC is currently operational, no start-up costs are required. [source: Application, p42]

Public Comments
None

Rebuttal Comments
None

Department Evaluation

CHI Franciscan provided a letter from a contractor, attesting that the construction estimate within the application is reasonable. CHI Franciscan confirmed that SJMC would continue full operations during construction and the addition of 76 beds. As a result, no start-up costs are required.

In its financial review, the HFCCP provided the following information and review regarding the rates proposed by CHI Franciscan for SJMC. [source: HFCCP Program analysis p4]

"SJMC's rates are similar to the Washington statewide averages"

CHI Franciscan stated under WAC 246-310-220(1) that the payer mix is not expected to change significantly with the addition of these beds. Further, CHI Franciscan stated that all assumptions related to costs and charges are based on current rates at SJMC with no proposed changes.

Based on the above information, the department concludes that SJMC's expansion would probably not have an unreasonable impact on the costs and charges for healthcare services in Pierce County and surrounding communities. **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.

CHI Franciscan

The total estimated capital expenditure associated with the additional 76 acute care beds is $36,693,132. Of that amount, approximately 64% is related to construction; 20% is related to equipment, and the remaining 16% is for sales tax and fees (consulting, architect, and engineering). [source: Application, p40]

CHI Franciscan intends to fund the project using CHI Franciscan reserves and provided a letter of financial commitment for the project. There are no start-up costs associated with this project. [source: Application, Exhibit 9]

Public Comments

None

Rebuttal Comments

None

Department Evaluation

After reviewing the balance sheet, the HFCCP provided the following statements. [source: HFCCP analysis, p4]

"The CN project capital expenditure is $36,693,128. SJMC will use existing reserves. This investment represents 7.6% of total assets, and 66.9% of Board Designated Assets of the hospital itself as of 2015.

The financing methods used are appropriate business practice."

If this project is approved, the department would attach a condition requiring CHI Franciscan to finance the project consistent with the financing description in the application. With the financing condition, 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 CHI Franciscan Health 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 [full time equivalents] 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.

CHI Franciscan

SJMC currently operates 294 acute care beds. Table 17 provides a breakdown of current and projected FTEs [full time equivalents]. [source: Application, pdf36]

Table 17
St. Joseph Medical Center
Current and Proposed FTEs

	2017	2018	2019	2020	2021	2022
Total Nursing	969	959	915	924	946	968
Total Ancillary/Support	1,773	1,781	1,789	1,797	1,805	1,813
Total	**2,742**	**2,740**	**2,704**	**2,721**	**2,751**	**2,781**
Increase/(Decrease)		**(2)**	**(36)**	**17**	**30**	**30**

CHI Franciscan provided the following description of the FTEs referenced in the table.

- Nursing FTEs = nursing managers, RNs, LPNs, patient care assistants, technicians and professional staff, and support staff
- Ancillary/Support FTEs = ancillary/support managers, RNs, patient care assistants, technicians, and support staff

CHI Franciscan provided the following rationale for the "dip" in staffing between 2017 and 2020. [source: March 26, 2018 screening response p4]

"The staffing detailed in [Application] *Table 20 is expected to decrease in several disciplines during the period of 2018-2020 because of the closure of the acute rehabilitation and the psychiatric units. Beginning in 2020 (after the closure of psychiatric and rehabilitation units and their conversion to acute care beds) total FTEs are expected to increase."*

In addition to the table above, CHI Franciscan provided the following statements related to this sub-criterion. [source: Application, p47-48]

"For an organization the size of CHI Franciscan and because this project proposes an expansion of an existing facility, the staffing needs noted in Table 19 are relatively small. In an effort to assure that we always have the staff needed to support our existing and proposed new programs, CHI Franciscan offers a competitive wage and benefit package as well as numerous other recruitment and retention strategies. Specific strategies for clinical, ancillary and support staff include:

- *CHI Franciscan offers, and will continue to offer, a generous benefit package for both full and part time employees that includes: Medical, Dental, Paid Time Off/Extended Illness/Injury Time, Employee Assistance Plans, and a Tuition Reimbursement Program, among other benefits.*
- *CHI Franciscan posts all of its openings on our website via our online applicant tracking system. In addition to our own website, CHI Franciscan has agreements with several job boards including Indeed.com, Health-e-Careers, and Washington HealthCare News to name a few.*
- *CHI Franciscan currently has contracts with more than 40 technical colleges, community colleges, and four-year universities throughout the United States that enable us to offer either training and/or job opportunities. In addition, CHI Franciscan Education Services staff serves on healthcare program advisory boards and as clinical or affiliate faculty at a number of local institutions. CHI Franciscan constantly monitors the "wage" market, making adjustments as necessary to ensure that our hospitals' wage structures remains competitive.*
- *In partnership with Pierce County Health Careers Council, CHI Franciscan provides a career counselor who is available to all staff to encourage development and growth within the healthcare industry. This is further supported through a tuition reimbursement program and referrals to state and federal funds for continuing education. In addition, the Franciscan Foundation has annual scholarships available for current employees to advance their education.*
- *CHI Franciscan's various facilities serve as clinical training sites for healthcare specialties such as nursing, diagnostic imaging, physical/occupational therapy, and pharmacy, (to name a few).*
- *CHI Franciscan also offers various other recruitment strategies (i.e., nursing new grad events, nursing school class visits, job fairs, career days, direct e- mail campaigns, etc.) as other ways to bring new healthcare workers to the CHI Franciscan organization.*
- *CHI Franciscan works closely with agency personnel, not only to negotiate rates but to also ensure that agency staff is able to provide the same high-quality skill level that CHI Franciscan requires of our own employees.*
- *CHI Franciscan holds residency program RN career fairs twice a year to help recruit and train new RNs. They go through a formal residency program at the site and in the department, they are hired into. CHI Franciscan also attends campus career fairs and speaks with graduating RN classes about our opportunities and training for new nurses. We advertise on popular job boards as well as specialty niche sites.*

Based on the above, SJMC has demonstrated that it has the necessary infrastructure in place to recruit the additional staff needed for this project."

Public Comments
None

Rebuttal Comments
None

Department Evaluation

SJMC is currently licensed for 366 acute care beds. With an additional 76 beds, staff of the unit would increase by approximately a net of 41 FTEs. The increase in staff coincides with the increase in admissions and patient days for the hospital.

For this project, CHI Franciscan intends to use the strategies for recruitment and retention of staff it has successfully used in the past. The strategies identified by CHI Franciscan are consistent with those of other applicants reviewed and approved by the department.

Information provided in the application demonstrates that CHI Franciscan is a well-established provider of healthcare services Pierce County and surrounding areas. Information provided in the application demonstrates that CHI Franciscan has the ability and expertise to recruit and retain a sufficient supply of qualified staff for this project.

There was no public comment related to this sub-criterion. Based on the above information, the department concludes that CHI Franciscan demonstrated adequate staffing at SJMC is available or can be recruited. **This sub criterion is met.**

(2) The proposed service(s) will have an appropriate relationship, including organizational relationship, to ancillary and support services, and ancillary and support services will be sufficient to support any health services included in the proposed project.

WAC 246-310 does not contain specific WAC 246-310-230(2) 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 relationships, ancillary and support services should be for a project of this type and size. Therefore, using its experience and expertise the department assessed the materials contained in the application.

CHI Franciscan

CHI Franciscan provided the following statements related to this sub-criterion. [source: Application, p48, March 26, 018 supplemental information p4]

"Existing hospital support departments will be more than adequate to meet the additional demands resulting from the 76 bed addition"

"By internal arrangements, CHI Franciscan is assuming that this assumes no outside contract. As indicated on page 48, SJMC's existing ancillary and support services are more than adequate to support this project. These ancillary and support services are provided via "internal arrangements". Please note that with the closing of the rehabilitation and psychiatric services, the ancillary and support departments will, in essence, have additional capacity available to support the additional services that will be needed with the acute care bed expansion."

Public Comments
None

Rebuttal Comments
None

Department Evaluation

SJMC has been in operation for many years. All ancillary and support services are already in place. With the addition of 76 more acute care beds, CHI Franciscan expects some ancillary and support needs may increase, but that existing arrangements are sufficient to account for this increase.

Based on the information reviewed in the application, the department concludes that there is reasonable assurance that CHI Franciscan will continue to maintain the necessary relationships with ancillary and support services with the addition of 76 beds. The department concludes that approval of this project would not negatively affect existing healthcare relationships. **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.

CHI Franciscan

CHI Franciscan provided the following statements related to this sub-criterion. [source: Application, p50]

"Neither SJMC nor CHI Franciscan nor any of the entities it owns or operates have any history with respect to the actions noted in Certificate of Need regulations WAC 248-19-390(5)(a) (now WAC 246-310-230). SJMC operates in conformance with all applicable federal laws, rules, and regulations for the operation of a health care facility."

Public Comments

None

Rebuttal

None

Department Evaluation

As part of this review, the department must conclude that the proposed services provided by an applicant would be provided in a manner that ensures safe and adequate care to the public.[20] To accomplish this task, the department reviewed the quality of care compliance history for the healthcare facilities owned, operated, or managed by CHI Franciscan or its subsidiaries.

CHI Franciscan Health System is part of Catholic Health Initiatives (CHI), which is one of the largest not-for-profit healthcare systems in the United States. CHI operates several healthcare facilities and services nationwide through a number of subsidiaries. Its Washington facilities are operated under the CHI Franciscan Health subsidiary. [sources: Application, p1 and Exhibit 1]

[20] WAC 246-310-230(5).

Washington State Survey Data

The nine CHI Franciscan hospitals currently operating include CHI Franciscan Rehabilitation Hospital, Harrison Medical Center in Bremerton and Silverdale, Highline Medical Center in Burien, Regional Hospital located in Burien, St Anthony Hospital located in Gig Harbor, St Clare Hospital located in Lakewood, St Elizabeth Hospital located in Enumclaw, St Francis Community Hospital located in Federal Way, and St Joseph Medical Center located in Tacoma.

Eight of the nine hospitals are accredited by the Joint Commission.[21] Highline Medical Center and St Joseph Medical Center have additional advanced certification as Primary Stroke Centers. [source: Joint Commission website, CN historical files]

In addition to the nine hospitals, department also reviewed the compliance history for the two ambulatory surgery centers,[22] one hospice care center, and one hospice agency owned and operated by CHI Franciscan. All four of these CHI Franciscan facilities are operational. Using its own internal database, the survey data showed that more than 25 surveys have been conducted and completed by Washington State surveyors since year 2011. All surveys resulted in no significant non-compliance issues. [source: ILRS survey data and Department of Health Investigations and Inspections Office]

Other States

In addition to a review of all Washington State facilities owned and operated by CHI Franciscan, the department also examined a sample of CHI facilities nationwide. According to information in the application and its website, CHI operates healthcare facilities in 19 states. The department reviewed information from the licensing authorities for each of the facilities listed, and concluded that these facilities are substantially compliant with state licensure and Medicare conditions of participation. The department did not identify facility closures or decertification.

Table 18
CHI Rehabilitation Hospitals

Hospital Name	Location	Joint Commission Accredited?
St Vincent Rehabilitation Hospital	Sherwood, AR	yes
St Anthony Hospital	Lakewood, CO	yes
Jewish Hospital	Louisville, KY	yes
CHI Mercy Hospital	Devils Lake, ND	yes
Good Samaritan Hospital	Dayton, OH	yes
CHI Mercy Medical Center	Roseburg, OR	yes
CHI Memorial	Chattanooga, TN	yes
CHI St Luke's Health Memorial	Lufkin, TX	yes

[sources: Joint Commission website]

In addition to the facility review above, CHI Franciscan provided the names and credential numbers for its current Vice President for Medical Operations, Dr. Kimberly L Moore. Her license shows no sanctions.

[21] CHI Franciscan Rehabilitation Hospital is accredited through mid-year 2021; Harrison Medical Center through January 2019, Highline Medical Center through 2019, Regional Hospital through 2018, St Anthony Hospital through 2018, St Clare Hospital through early year 2020, St Francis Community Hospital through 2020, and St Joseph Medical Center through 2018. St Elizabeth Hospital does not hold Joint Commission accreditation.

[22] Gig Harbor Ambulatory Surgery Center is operated under St. Joseph Medical Center's hospital license and Franciscan Endoscopy Center is operated under the St. Francis Hospital license.

Based on the above information, the department concludes that CHI Franciscan demonstrated reasonable assurance that SJMC would continue to operate in compliance with state and federal requirements if this project is approved. **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.

CHI Franciscan

CHI Franciscan provided the following statements related to this review criterion. [source: Application, p49]

"CHI Franciscan, including SJMC, has a comprehensive discharge planning process that begins prior to or at admission. Depending upon the needs of the patient, the discharge planning team can have the stay extended or work with the physician(s) to determine the most appropriate plan of care. Each patient is screened either at, or before, admission and a tentative discharge plan is developed. As the stay progresses and discharge gets closer, the plan is either modified or implemented, depending upon the needs of the patient. SJMC also works closely with area nursing homes and other CHI Franciscan programs (acute rehabilitation and home health/hospice, for example), as well as other community-based programs.

"The additional acute care beds will greatly assist SJMC in promoting continuity of care. As discussed in the Need Section, SJMC's increasing inpatient utilization is impacting its ability to promote timely access to inpatient services. The additional beds will enhance SJMC's ability to serve the community. Additionally, it will allow SJMC to be more responsive to all of the patients presenting in the ED and in need of an inpatient bed."

Public Comments

See public comment under WAC 246-310-210(1) on pages 13 and 14 of this evaluation.

Rebuttal Comments

None

Department Evaluation

The letters sent by CHI Franciscan medical staff focused on the necessity to avoid delays in admissions or preventable diversions. These clinical perspectives are valuable for this review.

Information in the application demonstrates that as a current provider, SJMC has the infrastructure in place to expand. Additionally, CHI Franciscan provided information within the application to demonstrate it intends to continue existing relationships and establish new relationships as necessary.

Based on the information provided in the application, the department concludes there is reasonable assurance that this project will continue to promote continuity in the provision of health care services in the community with the expansion. **This sub-criterion is met.**

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

This sub-criterion is addressed in sub-section (3) above and **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 CHI Franciscan Health 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, in terms of cost, efficiency, or effectiveness, the department takes a multi-step approach. First the department determines if the application has met the other criteria of WAC 246-310-210 thru 230. If the project has failed to meet one or more of these criteria then the project cannot be considered to be the best alternative in terms of cost, efficiency, or effectiveness as a result the application 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 adopted 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 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.

CHI Franciscan

Step One

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

Step Two

Before submitting this application, CHI Franciscan considered two other options. The options and CHI Franciscan's rationale for rejecting them is below. [source: Application, pp51-52]

"Doing nothing was summarily rejected because it does not address any of the access, patient care, mission or efficiency issues detailed throughout this application. Given high census, there is really no option for SJMC other than adding capacity. The following options were evaluated: 1)

constructing a new tower on the SJMC campus, 2) building a new hospital at a greenfield location, or 3) remodeling existing space.

The option of constructing a new tower at SJMC may, in fact be a good long-term solution, but our needs are short term and FHS's facility staff has determined that adding new inpatient bed capacity at SJMC is significantly costlier and definitely a more disruptive and lengthy process than an internal, phased remodel. This is due to the confined construction area and the high-rise nature of the existing SJMC facility.

A new greenfield hospital is another option that was considered, but in the current environment, sufficient land is difficult and expensive to secure. Development timelines were estimated at about 5 years post CN approval. Further, a new hospital would need to duplicate much of the infrastructure already in place at SJMC (ancillary, support, administrative, etc.). With only 75-80 beds, the new hospital would be a relatively small community hospital, with primary and secondary level services. As a result, even after SJMC was decanted, there would be millions in investment needed to add more intensive and critical care spaces at the tertiary level. The costs and timelines associated with a new, small community hospital, coupled with the need to still invest in tertiary level services and beds at SJMC ranked this option inferior to a remodel at SJMC.

For each of the reasons outlined in detail in this application, the addition of 76 acute care beds to SJMC was found to be the only option that addresses, simultaneously and comprehensively, the needs of service area's population for accessible, high quality care and the institutional needs of SJMC to reduce census pressures."

Step Three
This step is applicable only when there are two or more approvable projects. CHI Franciscan's application is the only application under review to add acute care capacity in Tacoma, within Central Pierce County. Therefore, this step does not apply.

Public Comments
None

Rebuttal Comments
None

Department Evaluation
Information provided in the CHI Franciscan application and within public comments demonstrates that that the additional acute care beds are needed at SJMC. CHI Franciscan discussed the occupancy constraints and appropriately concluded that a "do nothing" option was not the best option.

CHI Franciscan provided information in the application that supports rejection building an additional tower or a new hospital. Though both options could be appropriate, they would not allow for any immediate relief to occupancy constraints.

The department did not identify any alternative that was a superior alternative in terms of cost, efficiency, or effectiveness that is available or practicable.

The department concludes that the project as submitted by CHI Franciscan is the best available option for the planning area and surrounding communities. **This sub-criterion is met.**

(2) In the case of a project involving construction:

(a) The costs, scope, and methods of construction and energy conservation are reasonable;

CHI Franciscan

"The remodeled space will be designed with a focus on value. Capital cost reductions will be achieved by comparing the methods and materials selected for this project against completed projects both within and outside of the healthcare industry for proven cost reduction strategies. These capital cost reduction ideas will be evaluated based on initial cost savings, lifecycle cost savings and impact to operations. Capital cost reduction opportunities that provide immediate and long term value without impacting operations will be incorporated in the project." [source: Application, p52]

Public Comments
None

Rebuttal Comments
None

Department Evaluation

As part of its analysis, HFCCP provided the following statements regarding the construction costs, scope, and method. [source: HFCCP analysis, p4]

"The costs of the project are the cost for construction, planning and process. SJMC's projections are below.

St. Joseph	
Total Capital	$ 36,693,128
Beds/Stations/Other (Unit)	76
Total Capital per Unit	$ 482,804.32

The costs shown are within past construction costs reviewed by this office. Also construction cost can vary quite a bit due to type of construction, quality of material, custom vs. standard design, building site and other factors. SJMC is remodeling existing space and will construct the facility to the latest energy and hospital standards.

Staff is satisfied the applicant plans are appropriate."

Based on the information provided in the application and the analysis from HFCCP, the department concludes **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.

CHI Franciscan

"CHI Franciscan has provided compassionate, quality health care to the residents of the South Sound for more than 125 years. As a mission-driven organization, we have displayed a continuing commitment to outreach and to development of quality services accessible to the people they are intended to serve. Throughout our existence, CHI Franciscan has demonstrated the proven ability to effectively manage resources, and to provide services that are responsive to community need."

[source: Application, p19]

Public Comments
None

Rebuttal Comments
None

Department Evaluation
As part of its analysis, HFCCP provided the following statements related to this sub-criterion. [source: HFCCP analysis, p5]

"Staff is satisfied that adding additional acute care beds to the existing facility will not have an unreasonable impact of the costs and charges to the public of providing services by other persons."

The department concludes **this sub-criterion is met.**

(3) The project will involve appropriate improvements or innovations in the financing and delivery of health services which foster cost containment and which promote quality assurance and cost effectiveness.

CHI Franciscan Health
"*As noted throughout this application, SJMC currently operates at extremely high census. As a result, clinical staff often find themselves spending considerable time and energy engaged in non-clinical activity (i.e., monitoring/managing patients in hallways, moving patients from one area to another, calling other units to arrange logistics, etc.). Alleviating this problem through the addition of acute beds will result in a much more efficient use of staff time and skill. In addition, while not specific to staff and system efficiencies, the ability for SJMC to be able to care for patients needing care in a timely manner is expected to improve overall patient satisfaction and ultimately, outcomes.* [source: Application, p52]

Public Comments
None

Rebuttal Comments
None

Department Evaluation
This project has the potential to improve delivery of acute care services to the residents of Central Pierce County and surrounding communities with the addition of 76 beds to SJMC. The department is satisfied the project is appropriate and needed. **This sub-criterion is met.**

APPENDIX A

Central Pierce County Acute Care Bed Need
Step 1

2008 to 2017 HSA TOTAL NUMBER OF RESIDENT PATIENT DAYS

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	10-YEAR TOTAL
HSA #1	1,283,791	1,278,317	1,272,789	1,298,227	1,282,023	1,300,706	1,339,663	1,406,654	1,432,521	1,515,233	**13,409,924**
STATEWIDE TOTAL	2,069,175	2,065,777	2,055,241	2,068,011	2,054,931	2,067,274	2,116,496	2,210,893	2,274,457	2,387,290	**21,369,545**

Central Pierce County Acute Care Bed Need
Step 2

2008 to 2017 HSA TOTAL NUMBER OF RESIDENT PATIENT DAYS

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	10-YEAR TOTAL
HSA #1	1,283,791	1,278,317	1,272,789	1,298,227	1,282,023	1,300,706	1,339,663	1,406,654	1,432,521	1,515,233	13,409,924
STATEWIDE TOTAL	2,069,175	2,065,777	2,055,241	2,068,011	2,054,931	2,067,274	2,116,496	2,210,893	2,274,457	2,387,290	21,369,545

2007 TO 2016 HSA TOTAL NUMBER OF PSYCHIATRIC PATIENT DAYS

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	10-YEAR TOTAL
HSA #1	13,947	13,145	14,127	14,165	14,474	12,941	18,538	25,933	24,318	25,342	**176,930**
STATEWIDE TOTAL	17,292	16,685	17,392	17,964	16,983	20,118	22,239	29,898	29,562	31,607	**219,740**

HSA #1 Hospitals include: BHC Fairfax in Kirkland, BHC Fairfax North in Everett, Fairfax Behavioral Health Monroe in Monroe, , Cascade Behavioral Health in Tukwila, Navos (formerly West Seattle Psychiatric Hospital) in Seattle, and Smokey Point Behavioral Hospital in Marysville (no reported 2017 datal)

2007 to 2016 HSA TOTAL NUMBER OF PATIENT DAYS MINUS PSYCH DAYS

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	10-YEAR TOTAL
HSA #1	1,269,844	1,265,172	1,258,662	1,284,062	1,267,549	1,287,765	1,321,125	1,380,721	1,408,203	1,489,891	**13,232,994**
STATEWIDE TOTAL	2,051,883	2,049,092	2,037,849	2,050,047	2,037,948	2,047,156	2,094,257	2,180,995	2,244,895	2,355,683	**21,149,805**

Prepared by Beth Harlow - October 2018

Central Pierce County Acute Care Bed Need
Step 3

2007 to 2016 HSA TOTAL NUMBER OF PATIENT DAYS MINUS PSYCH DAYS

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	10-YEAR TOTAL
HSA #1	1,269,844	1,265,172	1,258,662	1,284,062	1,267,549	1,287,765	1,321,125	1,380,721	1,408,203	1,489,891	**13,232,994**
STATEWIDE TOTAL	2,051,883	2,049,092	2,037,849	2,050,047	2,037,948	2,047,156	2,094,257	2,180,995	2,244,895	2,355,683	**21,149,805**

TOTAL POPULATIONS

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	10-YEAR TOTAL
HSA #1	4,107,840	4,156,106	4,204,534	4,249,515	4,294,496	4,339,478	4,384,459	4,429,440	4,507,526	4,585,612	**43,259,005**
STATEWIDE TOTAL	6,558,454	6,641,495	6,724,540	6,791,914	6,859,288	6,926,662	6,994,036	7,061,410	7,176,813	7,292,215	**69,026,826**

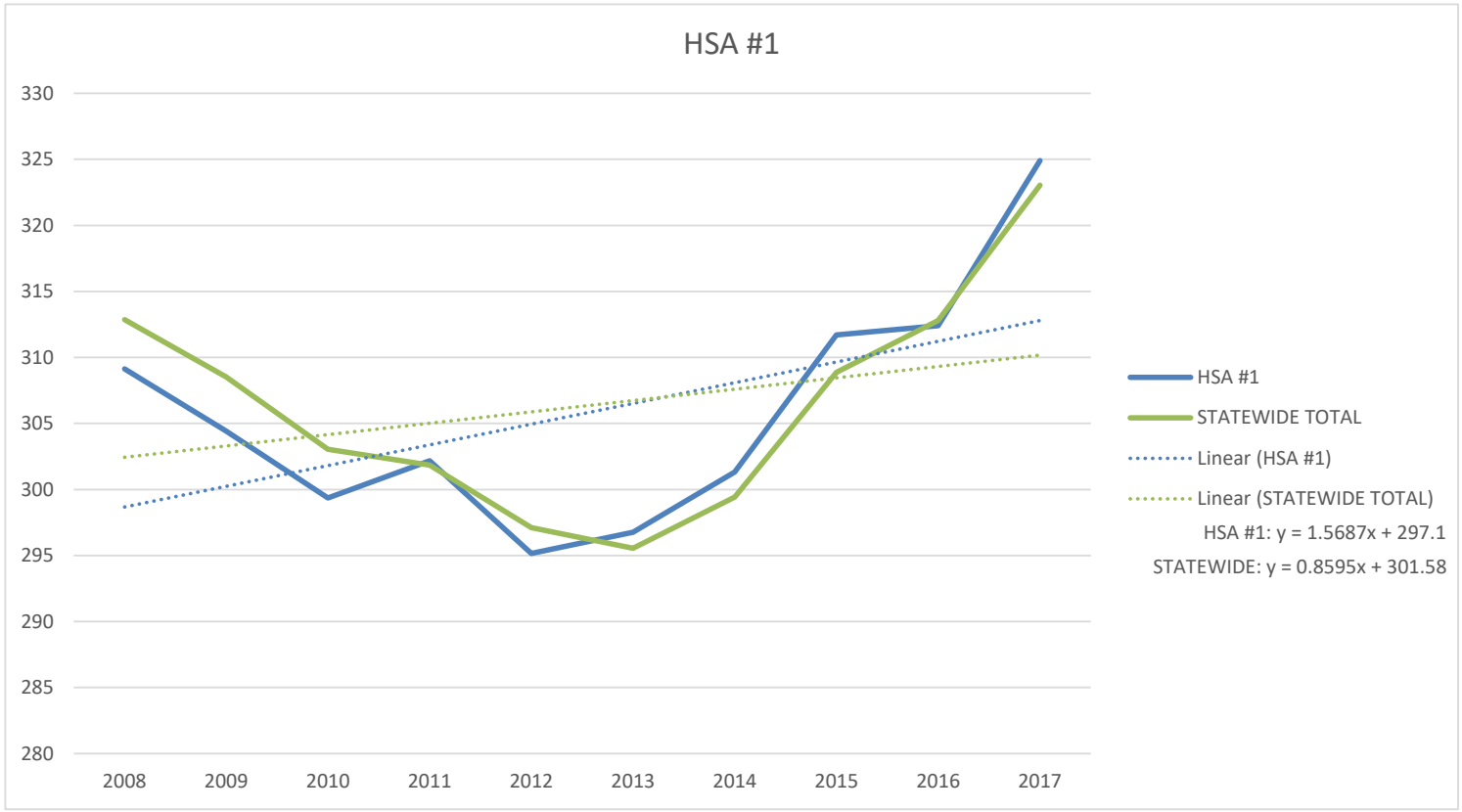
RESIDENT USE RATE PER 1,000

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	10-YEAR TOTAL
HSA #1	309.127	304.4128	299.3583	302.1667	295.1566	296.7558	301.32	311.7146	312.4115	324.9056	3057.328858
STATEWIDE TOTAL	312.8608	308.5287	303.0466	301.8364	297.1078	295.5473	299.4347	308.8611	312.7983	323.0408	3063.06257

Central Pierce County Acute Care Bed Need
Step 4

RESIDENT USE RATE PER 1,000

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	TREND LINE
HSA #1	309.127	304.4128	299.3583	302.1667	295.1566	296.7558	301.32	311.7146	312.4115	324.9056	1.5687
STATEWIDE TOTAL	312.8608	308.5287	303.0466	301.8364	297.1078	295.5473	299.4347	308.8611	312.7983	323.0408	0.8595



Prepared by Beth Harlow - October 2018

Central Pierce County Acute Care Bed Need
Steps 5 & 6

STEP #5
2017

HOSPITAL PATIENT DAYS

	Total Patient Days in Central Pierce Hospitals	-	Out of State (OOS) Resident Patient Days in Central Pierce Hospitals	=	Total Patient Days in Central Pierce Hospitals, Minus OOS	%
0-64	130,096		982		129,114	0.75%
65+	96,563		953		95,610	0.99%
TOTAL	**226,659**		**1,935**		**224,724**	0.85%

	Total Patient Days in Washington State Hospitals Minus Central Pierce	-	Out of State (OOS) Resident Patient Days in Washington State Hospitals Minus Central Pierce	=	Total Patient Days in Washington State Hospitals, Minus OOS, Minus Central Pierce	%
0-64	1,149,374		65,487		1,083,887	5.70%
65+	1,011,257		43,767		967,490	4.33%
TOTAL	**2,160,631**		**109,254**		**2,051,377**	5.06%

	Total Central Pierce Resident Patient Days in Central Pierce Hospitals	+	Total Central Pierce Resident Patient Days in Other Washington State Hospitals	=	Total Central Pierce Resident Patient Days	+	Central Pierce Resident Patient Days Provided in Oregon	=	Total Central Pierce Resident Patient Days - All Settings
0-64	56,589		21,588		78,177		224		78,401
65+	49,838		12,374		62,212		127		62,339
TOTAL	**106,427**		**33,962**		**140,389**		**351**		**140,740**

	Total Other Washington State Resident Patient Days in Central Pierce Hospitals	+	Total Other Washington State Resident Patient Days in Other Washington State Hospitals	=	Total Other Washington State Resident Patient Days	+	Other Washington State Resident Patient Days Provided in Oregon	=	Total Other Washington State Resident Patient Days - All Settings
0-64	72,525		1,062,299		1,134,824		55,390		1,190,214
65+	45,772		955,116		1,000,888		20,699		1,021,587
TOTAL	**118,297**		**2,017,415**		**2,135,712**		**76,089**		**2,211,801**

Central Pierce County Acute Care Bed Need
Steps 5 & 6

MARKET SHARES

PERCENTAGES OF PATIENT DAYS

CENTRAL PIERCE RESIDENT PATIENT DAYS

	In Central Pierce Hospitals	In Other Washington State Hospitals	In Oregon Hospitals
0-64	72.18%	27.54%	0.29%
65+	79.95%	19.85%	0.20%

OTHER WASHINGTON STATE RESIDENT PATIENT DAYS

	In Central Pierce Hospitals	In Other Washington State Hospitals	In Oregon Hospitals
0-64	6.09%	89.25%	4.65%
65+	4.48%	93.49%	2.03%

2017

POPULATION BY PLANNING AREA

	Central Pierce County	Other Washington State
0-64	283,957	5,879,989
65+	54,068	1,074,201
TOTAL	338,025	6,954,190

STEP #6

USE RATE BY PLANNING AREA

	Central Pierce County	Other Washington State
0-64	276.10	202.42
65+	1,152.97	951.02

Central Pierce County Acute Care Bed Need
Step 7A

USE RATE BY PLANNING AREA
2017
Central Pierce County

0-64	**276.10**
65+	**1,152.97**

PROJECTED POPULATION - CENTRAL PIERCE COUNTY

PROJECTION YEAR	**2024**
0-64	291,591
65+	67,150
TOTAL	358,742

PROJECTED USE RATE

PROJECTION YEAR	**2024**
USE RATES	
0-64 Using HSA #1 Trend	287.08
0-64 Using Statewide Trend	**282.12**
65+ Using HSA #1 Trend	1,163.95
65+ Using Statewide Trend	**1,158.99**

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Central Pierce County Acute Care Bed Need
Step 8

PROJECTED USE RATE

PROJECTION YEAR	**2024**
USE RATES	
0-64	282.12
65+	1,158.99

PROJECTED POPULATION

PROJECTION YEAR	**2024**
0-64	291,591
65+	67,150
TOTAL	**358,742**

PROJECTED NUMBER OF PATIENT DAYS

PROJECTION YEAR	**2024**
0-64	82,263
65+	77,827
TOTAL	**160,090**

Central Pierce County Acute Care Bed Need
Step 9

PROJECTED NUMBER OF PATIENT DAYS

PROJECTION YEAR **2024**

	CENTRAL PIERCE COUNTY RESIDENTS	ALL OTHER WASHINGTON STATE	TOTAL WASHINGTON STATE
0-64	82,263	1,407,122	1,489,385
65+	77,827	1,408,431	1,486,257
TOTAL	**160,090**	**2,815,553**	**2,975,642**

MARKET SHARE (% PATIENT DAYS FROM STEP 5)

CENTRAL PIERCE RESIDENT PATIENT DAYS

	In Central Pierce Hospitals	In Other Washington State Hospitals	In Oregon Hospitals
0-64	72.18%	27.54%	0.29%
65+	79.95%	19.85%	0.20%

OTHER WASHINGTON STATE RESIDENT PATIENT DAYS

	In Central Pierce Hospitals	In Other Washington State Hospitals	In Oregon Hospitals
0-64	6.09%	89.25%	4.65%
65+	4.48%	93.49%	2.03%

PROJECTED RESIDENT PATIENT DAYS BY LOCATION, WITH MARKET SHARE ASSIGNED

CENTRAL PIERCE RESIDENT PATIENT DAYS

	In Central Pierce Hospitals	In Other Washington State Hospitals	In Oregon Hospitals
0-64	59,377	22,651	235
65+	62,220	15,448	159
TOTAL	**121,597**	**38,100**	**394**

OTHER WASHINGTON STATE RESIDENT PATIENT DAYS

	In Central Pierce Hospitals	In Other Washington State Hospitals	In Oregon Hospitals
0-64	85,742	1,255,895	65,484
65+	63,104	1,316,789	28,537
TOTAL	**148,847**	**2,572,684**	**94,022**

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Central Pierce County Acute Care Bed Need
Step 9

NUMBER OF PATIENT DAYS PROJECTED IN CENTRAL PIERCE HOSPITALS

0-64	145,119
65+	125,324
TOTAL	**270,443**

NUMBER OF PATIENT DAYS PROJECTED IN ALL OTHER WASHINGTON STATE HOSPITALS

2,610,784

NUMBER OF WASHINGTON STATE PATIENT DAYS PROJECTED IN OREGON HOSPITALS

94,415

PERCENTAGE OF OUT OF STATE RESIDENT PATIENT DAYS IN WASHINGTON STATE HOSPITALS

CENTRAL PIERCE

0-64	0.75%
65+	0.99%

ALL OTHER WASHINGTON STATE

0-64	5.70%
65+	4.33%

PROJECTED NUMBER OF PATIENT DAYS IN PROJECTION YEAR, PLUS OUT OF STATE RESIDENTS

PROJECTION YEAR **2024**

PATIENT DAYS IN CENTRAL PIERCE IN PROJECTION YEAR

		Ratio - Projected Patient Days in Planning Area Hospitals over Planning Area Resident Patient Days
0-64	146,214	1.777395256
65+	126,561	1.626192918
TOTAL	**272,775**	

Central Pierce County Acute Care Bed Need
Step 10A

CENTRAL PIERCE PLANNING AREA

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
POPULATION 0-64	283,957	285,229	286,502	287,774	289,047	290,319	290,319	291,591	292,864	294,136	295,409
0-64 USE RATE	276.10	276.96	277.82	278.68	279.54	280.40	281.26	282.12	282.98	283.84	284.70
POPULATION 65+	54,068	56,248	58,429	60,609	62,790	64,970	64,970	67,150	69,331	71,511	73,692
65+ USE RATE	1,152.97	1,153.83	1,154.69	1,155.55	1,156.41	1,157.27	1,158.13	1,158.99	1,159.85	1,160.71	1,161.57
TOTAL POPULATION	338,025	341,478	344,931	348,383	351,836	355,289	355,289	358,742	362,195	365,647	369,100
TOTAL CENTRAL PIERCE RESIDENT DAYS	140,740	143,899	147,063	150,234	153,411	156,593	156,899	160,090	163,287	166,491	169,700
TOTAL DAYS IN CENTRAL PIERCE HOSPITALS	240,725	245,952	251,189	256,436	261,692	266,959	267,494	272,775	278,067	283,369	288,681
AVAILABLE BEDS PER MOST RECENT DATA AVAILABLE - EITHER ACUTE CARE SURVEY OR YEAR-END FINANCIAL REPORT											
CHI-St Joseph	294	294	294	294	294	294	294	294	294	294	294
CHI-St Anthony	112	112	112	112	112	112	112	112	112	112	112
MultiCare Tacoma General	349	349	349	349	349	349	349	349	349	349	349
Multicare Mary Bridge	82	82	82	82	82	82	82	82	82	82	82
TOTAL	**837**	**837**	**837**	**837**	**837**	**837**	**837**	**837**	**837**	**837**	**837**
Market Share By Hospital											
CHI-St Joseph	35.13%	35.13%	35.13%	35.13%	35.13%	35.13%	35.13%	35.13%	35.13%	35.13%	35.13%
CHI-St Anthony	13.38%	13.38%	13.38%	13.38%	13.38%	13.38%	13.38%	13.38%	13.38%	13.38%	13.38%
MultiCare Tacoma General	41.70%	41.70%	41.70%	41.70%	41.70%	41.70%	41.70%	41.70%	41.70%	41.70%	41.70%
Multicare Mary Bridge	9.80%	9.80%	9.80%	9.80%	9.80%	9.80%	9.80%	9.80%	9.80%	9.80%	9.80%
Occupancy Standard by Hospital											
CHI-St Joseph	70.00%	70.00%	70.00%	70.00%	70.00%	70.00%	70.00%	70.00%	70.00%	70.00%	70.00%
CHI-St Anthony	65.00%	65.00%	65.00%	65.00%	65.00%	65.00%	65.00%	65.00%	65.00%	65.00%	65.00%
MultiCare Tacoma General	75.00%	75.00%	75.00%	75.00%	75.00%	75.00%	75.00%	75.00%	75.00%	75.00%	75.00%
Multicare Mary Bridge	60.00%	60.00%	60.00%	60.00%	60.00%	60.00%	60.00%	60.00%	60.00%	60.00%	60.00%
WEIGHTED OCCUPANCY STANDARD	70.44%	70.44%	70.44%	70.44%	70.44%	70.44%	70.44%	70.44%	70.44%	70.44%	70.44%
GROSS BED NEED	**936.34**	**956.67**	**977.04**	**997.45**	**1,017.90**	**1,038.38**	**1,040.46**	**1,061.00**	**1,081.59**	**1,102.21**	**1,122.87**
NET BED NEED/(SURPLUS)	**99.34**	**119.67**	**140.04**	**160.45**	**180.90**	**201.38**	**203.46**	**224.00**	**244.59**	**265.21**	**285.87**

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Central Pierce County Acute Care Bed Need
Step 10B

CENTRAL PIERCE PLANNING AREA	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
POPULATION 0-64	283,957	285,229	286,502	287,774	289,047	290,319	290,319	291,591	292,864	294,136	295,409
0-64 USE RATE	276.10	276.96	277.82	278.68	279.54	280.40	281.26	282.12	282.98	283.84	284.70
POPULATION 65+	54,068	56,248	58,429	60,609	62,790	64,970	64,970	67,150	69,331	71,511	73,692
65+ USE RATE	1,152.97	1,153.83	1,154.69	1,155.55	1,156.41	1,157.27	1,158.13	1,158.99	1,159.85	1,160.71	1,161.57
TOTAL POPULATION	338,025	341,478	344,931	348,383	351,836	355,289	355,289	358,742	362,195	365,647	369,100
TOTAL CENTRAL PIERCE RESIDENT DAYS	140,740	143,899	147,063	150,234	153,411	156,593	156,899	160,090	163,287	166,491	169,700
TOTAL DAYS IN CENTRAL PIERCE HOSPITALS	240,725	245,952	251,189	256,436	261,692	266,959	267,494	272,775	278,067	283,369	288,681
AVAILABLE BEDS											
CHI-St Joseph	294	302	351	370	370	370	370	370	370	370	370
CHI-St Anthony	112	112	112	112	112	112	112	112	112	112	112
MultiCare Tacoma General	349	349	349	349	349	349	349	349	349	349	349
Multicare Mary Bridge	82	82	82	82	82	82	82	82	82	82	82
TOTAL	**837**	**845**	**894**	**913**	**913**	**913**	**913**	**913**	**913**	**913**	**913**
Market Share by Hospital											
CHI-St Joseph	35.13%	35.74%	39.26%	40.53%	40.53%	40.53%	40.53%	40.53%	40.53%	40.53%	40.53%
CHI-St Anthony	13.38%	13.25%	12.53%	12.27%	12.27%	12.27%	12.27%	12.27%	12.27%	12.27%	12.27%
MultiCare Tacoma General	41.70%	41.30%	39.04%	38.23%	38.23%	38.23%	38.23%	38.23%	38.23%	38.23%	38.23%
Multicare Mary Bridge	9.80%	9.70%	9.17%	8.98%	8.98%	8.98%	8.98%	8.98%	8.98%	8.98%	8.98%
Occupancy Standard by Hospital											
CHI-St Joseph	70.00%	75.00%	75.00%	75.00%	75.00%	75.00%	75.00%	75.00%	75.00%	75.00%	75.00%
CHI-St Anthony	65.00%	65.00%	65.00%	65.00%	65.00%	65.00%	65.00%	65.00%	65.00%	65.00%	65.00%
MultiCare Tacoma General	75.00%	75.00%	75.00%	75.00%	75.00%	75.00%	75.00%	75.00%	75.00%	75.00%	75.00%
Multicare Mary Bridge	60.00%	60.00%	60.00%	60.00%	60.00%	60.00%	60.00%	60.00%	60.00%	60.00%	60.00%
WEIGHTED OCCUPANCY STANDARD	70.44%	72.22%	72.37%	72.43%	72.43%	72.43%	72.43%	72.43%	72.43%	72.43%	72.43%
GROSS BED NEED	**936.34**	**933.05**	**950.91**	**970.04**	**989.93**	**1,009.85**	**1,011.87**	**1,031.85**	**1,051.87**	**1,071.93**	**1,092.02**
NET BED NEED/(SURPLUS)	**99.34**	**88.05**	**56.91**	**57.04**	**76.93**	**96.85**	**98.87**	**118.85**	**138.87**	**158.93**	**179.02**

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Central Pierce County Acute Care Bed Need
Hospital Patient Day Data

HOSPITAL PATIENT DAY DATA
2017

PATIENT DAYS WORKSHEET

Total Patient Days in Central Pierce Hospitals

	CHI-St Joseph	CHI-St Anthony	Tacoma General	Mary Bridge	HOSPITAL 5	TOTAL
Total 0-64	56,449	9,558	51,622	12,467	n/a	**130,096**
Total 65+	45,047	14,941	36,575	n/a	n/a	**96,563**

Out of State (OOS) Resident Patient Days in Central Pierce Hospitals

	CHI-St Joseph	CHI-St Anthony	Tacoma General	Mary Bridge	HOSPITAL 5	TOTAL
OOS 0-64	500	164	247	71	n/a	**982**
OOS 65+	383	192	378	n/a	n/a	**953**

Central Pierce Resident Patient Days in Central Pierce Hospitals

	CHI-St Joseph	CHI-St Anthony	Tacoma General	Mary Bridge	HOSPITAL 5	TOTAL
0-64	23,465	3,881	26,680	2,563	n/a	**56,589**
65+	20,532	7,865	21,441	n/a	n/a	**49,838**

Central Pierce Resident Patient Days in All Other Washington State Hospitals

0-64	21,588
65+	12,374

Central Pierce Resident Patient Days in Oregon Hospitals

0-64	224
65+	127

Total Washington State Resident Patient Days in Washington State Hospitals

0-64	1,279,470
65+	1,107,820

Total Out of State Resident Patient Days Within Washington State

0-64	66,469
65+	44,720