



STATE OF WASHINGTON
DEPARTMENT OF HEALTH
Olympia, Washington 98504

June 2, 2022

Columbia Surgical Specialists
e-mail: ksudderth@spokaneent.com
e-mail: frankgfox@comcast.net

RE: Certificate of Need Application #21-65 Columbia Surgical Specialists, PS

Dear Ms. Sudderth and Dr. Fox:

The review of the Certificate of Need application submitted by Columbia Surgical Specialists, PS proposing to establish an ambulatory surgery center in Spokane County has been completed. Attached is a written evaluation of the application.

For the reasons stated in this evaluation, the project is consistent with applicable criteria of the Certificate of Need Program, provided that Columbia Surgical Specialists, PS agrees to the following in its entirety.

Project Description:

This certificate approves the establishment of a new surgery center in Spokane within Spokane County. The surgery center will have a total of four operating rooms (ORs). The outpatient surgical services will be provided to patients ages four months and older that can be appropriately and safely treated in an outpatient setting. Services include gastroenterology, gynecology, maxillofacial, ophthalmology, oral surgery, orthopedics, pain management, pediatric dentistry, podiatry, and urology to the existing ENT, colon and rectal surgery, general surgery, and plastic surgery.

Conditions:

1. Columbia Surgical Specialists, PS agrees with the project description as stated above. Columbia Surgical Specialists, PS further agrees that any change to the project as described in the project description above is a new project that requires a new Certificate of Need.
2. Columbia Surgical Specialists, PS will obtain and maintain both Medicare and Medicaid certification at the surgery center.
3. Columbia Surgical Specialists, PS will obtain and maintain a Washington State license.
4. Columbia Surgical Specialists, PS will provide charity care at the surgery center in compliance with its charity care policy reviewed for this project. Columbia Surgical Specialists, PS will use reasonable efforts to provide charity care in the amount consistent with the three-year average of charity care provided by the four hospitals operating in Spokane County within the Eastern Region. The three-year average for years 2018 – 2020 is 1.13% of gross revenues and 3.23% of adjusted revenues.

Kristie Sudderth, Columbia Surgical Specialists, PS
Frank Fox, Consultant
Certificate of Need Application #21-65
June 2, 2022
Page 2 of 2

5. Columbia Surgical Specialists, PS will maintain records of charity care applications received and the dollar amount of charity care discounts granted for the new surgery center. The records must be available upon request.
6. Prior to providing services at the new surgery center, Columbia Surgical Specialists, PS will submit an executed Patient Transfer Policy to the Certificate of Need Program for review and approval. The executed policy will be substantially consistent with the draft policy provided in the application.

Approved Costs:

There is no capital expenditure associated with this project.

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

If any of the above provisions are rejected, this 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 this e-mail address:

FSLCON@doh.wa.gov.

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,



Eric Hernandez, Program Manager
Certificate of Need
Office of Community Health Systems

Attachment

EVALUATION DATED JUNE 2, 2022, FOR THREE CERTIFICATE OF NEED APPLICATIONS EACH PROPOSING TO ESTABLISH AN AMBULATORY SURGERY CENTER IN SPOKANE COUNTY. THE THREE APPLICANTS ARE:

- **COLUMBIA SURGICAL SPECIALISTS, PS**
- **IRON BRIDGE SURGERY CENTER, LLC**
- **SIGHT PARTNERS PHYSICIANS, PC**

APPLICANT DESCRIPTIONS

Columbia Surgical Specialists, PS

Columbia Surgical Specialists, PS (CSS, PS) is registered with the Washington State Secretary of State office as a non-profit professional service corporation under the Unified Business Identifier (UBI) #600 047 769 and is the applicant for this project. Columbia Surgical Specialists currently operates a Certificate of Need (CN) exempt surgery center in Spokane, Washington. [source: Application, pdf 7 and Washington State Secretary of State website]

Iron Bridge Surgery Center, LLC

Iron Bridge Surgery Center, LLC (IBSC, LLC) is registered with the Washington State Secretary of State office as a for-profit limited liability company under UBI #604 724 042 and is identified in the application as the applicant for this project. The corporation is owned by the following six physicians each with 16.66% ownership interest.

- Levi A. Deters, MD
- Michael A. Maccini, MD
- Shane M. Pearce, MD
- Raymond S. Lance, MD
- David J. Mikkelsen, MD
- Bryan B. Voelzke, MD

[source: Application pdf 10 and Washington State Secretary of State website]

Public Comments

Columbia Surgical Specialists provided the following public comments focusing on the applicant for this project. The comments are restated below. [source: Columbia Surgical Specialists, PS, public comment, pdfs 4-5]

Applicant Information

“Iron Bridge presents an unclear picture of its organizational relationships but bases its utilization forecast on the historical utilization and market share of Spokane Urology, PS, and states the “physicians who are anticipated to use Iron Bridge Surgery Center upon project completion are the physician owners and employees of Spokane Urology.” Furthermore, Iron Bridge references the two practices interchangeably. While Iron Bridge Surgery Center presents its application as a “New facility,” these statements suggest that the proposed project is actually a conversion and expansion of an existing 2-OR CN-Exempt facility to a 5-OR CN-Approved facility. Concurrent with these statements, Spokane Urology is also presented as the owner of Iron Bridge. Iron Bridge states “IBSC is a new start-up ASF. Spokane Urology does not own or manage any other ASF,” and has provided a Financial Commitment Letter for Spokane Urology, PS, which is listed as a guarantor for the Commercial Real Estate loans to Iron Bridge Surgery Center and the borrower for the lines of credit. In the alternative, it may be that Spokane Urology and Iron Bridge are distinct entities owned by the same set of physician owners, who intend to simultaneously operate both ASCs. However, given that the proposed project absorbs the entire market share of the physicians and employees of Spokane Urology, PS, we find this possibility unlikely.

Although unclear, based on the representations of Iron Bridge we find it most plausible the proposed project represents a conversion/expansion of an existing CN-Exempt facility to CN-Approved. If it is not a continuation of the existing CN-Exempt ASC, then the relationship between Iron Bridge and Spokane

Urology should be clarified, and Iron Bridge needs to explain how the given set of physicians and employees at Spokane Urology will be shared and/or transition between the two ASCs. Furthermore, the letter of financial commitment from First Interstate Bank is to Spokane Urology P.S., not Iron Bridge, the applicant. The First Interstate loan commitment letter for the Iron Bridge loan of \$798,000, apparently for equipment, lists Spokane Urology PS as the guarantor. The same is true for the line of credit to Iron Bridge for \$750,000. It seems very reasonable to have documentation that Spokane Urology P.S. has the financial capacity for these loans. However, Iron Bridge has not included a letter of financial commitment from Spokane Urology or any financials for that organization that demonstrates its ability to finance the project.

No historical financials or other required information has been provided for Spokane Urology, PS.
Spokane Urology, PS is an existing facility in operation since 2019, with historical utilization and presumably, historical financial statements.

We also note that the Department requested information on historical information from Spokane Urology, PS, which Iron Bridge declined to provide. However, given its relationship to the proposed project, these materials are necessary to satisfy financial feasibility.”

Rebuttal Comments from Iron Bridge Surgery Center, LLC

[source: April 19, 2020, rebuttal comments, pdfs 4-6]

“Spokane Urology, P.S. Is Not An Applicant.

Columbia Surgical Specialists claims that Iron Bridge Surgery Center omitted required financial and other information of Spokane Urology, P.S. (“Spokane Urology”). Its claim is without merit. Spokane Urology is not an applicant, and its financial information is not relevant to the Application.

Under Washington’s certificate of need law and its implementing regulations, the term “applicant” is defined as follows:

(6) “Applicant,” means:

(a) Any person proposing to engage in any undertaking subject to review under chapter 70.38 RCW; or

(b) Any person or individual with a ten percent or greater financial interest in a partnership or corporation or other comparable legal entity engaging in any undertaking subject to review under chapter 70.38 RCW. WAC 246-310-010(6).

As indicated repeatedly in the Application and subsequent responses to screening questions, the Applicants are Iron Bridge Surgery Center, LLC and its six Members, each of whom holds a 16.66% interest in the company.

The Application form itself states the legal name of the applicant is Iron Bridge Surgery Center, LLC. In response to the question asking the legal names of all the applicants, the Application states:

The applicant is Iron Bridge Surgery Center, LLC (“Iron Bridge Surgery Center”). Its address is 1401 East Trent Avenue, Suite 100, Spokane, WA 99202. Iron Bridge Surgery Center is owned by the following physicians, each of whom is an owner of Spokane Urology, P.S.: Levi A. Deters, M.D. (MD60353727); Raymond S. Lance, M.D. (MD00039663); Michael A. Maccini, M.D. (MD60834533); David J. Mikkelsen, M.D. (MD00027440); Shane M. Pearce, M.D. (MD60939502); and Bryan B. Voelzke, M.D. (MD60011684). Each physician holds a 16.66% interest in Iron Bridge Surgery Center. Iron Bridge Surgery Center is seeking certificate of need (“CN”) approval for a 5-operating room (“OR”) ambulatory surgical facility (“ASF”) in the Spokane County secondary health services planning area.

In response to the question asking for an organizational chart that identifies the business structure of the applicants, the Application includes as Exhibit 1 an organizational chart for Iron Bridge Surgery Center, LLC, which shows its sole ownership by these six physicians. Additionally, in response to the question asking the legal structure of the applicant, the Application states, “Iron Bridge Surgery Center is a Washington limited liability company. Its UBI is 604 724 042.”

It is unambiguous. Iron Bridge Surgery Center and its six Members are the applicants, not Spokane Urology.

Iron Bridge Surgery Center Did Not Omit Necessary Documents and Information in its Certificate of Need Filings.

In Columbia Surgical Specialists’ Public Comments, it erroneously claims that Iron Bridge Surgery Center omitted necessary documents and information – specifically historical financial information of Spokane Urology – in its certificate of need filings. This claim is without merit. Iron Bridge Surgery Center did not omit necessary documents and information.

Proposed Project.

The proposed ambulatory surgical facility is not yet operational. The Application states: “There is no existing facility. Iron Bridge Surgery Center proposes to establish a 5-OR ASF at 1401 East Trent Avenue, Suite 100, Spokane, WA 99202.” Iron Bridge Surgery Center provided the estimated timeline for project implementation.

Event	Anticipated Month/Year
Design Complete	May 30, 2021
Construction Commenced	August 15, 2021
Construction Completed	January 30, 2022
Facility Prepared for Survey	March 15, 2022
Project Completion	June 30, 2022

Users of Proposed Project.

Spokane Urology urological surgeons will provide services at Iron Bridge Surgery Center. Currently, these physicians provide services at local hospitals on an inpatient basis instead – at a significantly higher cost to patients and payors than the same services would be if instead performed in an ambulatory surgery setting. In its Application filings, Iron Bridge Surgery Center provided these physicians’ historical case volumes and used the same as a basis for its projected case volumes, because these physicians will be performing their cases at Iron Bridge Surgery Center upon project completion. Providing these physicians’ case volumes cannot reasonably be interpreted as a basis for asserting that Spokane Urology – a distinct legal entity with no ownership interest whatsoever in Iron Bridge Surgery Center, LLC – is an applicant. Iron Bridge Surgery Center reiterated this in its screening responses:

‘The physicians who are anticipated to use Iron Bridge Surgery Center upon project completion are the physician owners and employees of Spokane Urology. Accordingly, in projecting the number of surgeries for the first three years of operation, Iron Bridge Surgery Center included the number of surgeries historically performed by these Spokane Urology physicians on an inpatient basis that are eligible to be performed on an outpatient basis – at significant savings to patients and payors.’”

Department's Determination of the Applicant

Public comments provided by CSS, PS focus on two topics:

- 1) Who is the IBSC, LLC applicant?
- 2) If the applicant is the same physicians and practice of Spokane Urology, PS, then IBSC, LLC should have provided historical data for the urology services.

In response to the public comments, IBSC, LLC states that:

- 1) Spokane Urology, PS is not the applicant and has no ownership interest in IBSC, LLC.
- 2) Historical data that was relied upon for this project is utilization projections because "*physicians who are anticipated to use Iron Bridge Surgery Center upon project completion are the physician owners and employees of Spokane Urology.*"

To determine the applicant for the IBSC, LLC project, the department reviewed the Spokane Urology, PS facility file; information from the Washington State Secretary of State website; IBSC, LLC application #22-06; and Department of Health Construction Review Services project #61166009.

Spokane Urology, PS-Facility File

On May 7, 2019, Spokane Urology, PS applied for exemption from CN review for a surgery center associated with the entity known as Spokane Urology, PS.¹ Within the exemption application, Spokane Urology, PS stated the surgery center and the practice would be located at 1401 Trent Avenue, #200, in Spokane, within Spokane County. On July 11, 2019, the CN Program notified Spokane Urology, PS that the exemption was granted for a surgery center with two operating rooms (ORs) solely dedicated to urology services. According to the exemption application, Spokane Urology, PS is owned by five physicians, each with 20% ownership and the five physician owners are: Mihai Alexianu, MD; Levi Deters, MD; Trisha Kruger, MD; Raymond Lance, MD; and David Mikkelsen, MD. As a side note, the surgery center is not required to obtain a Washington State ASF license and did not obtain licensure.

Iron Bridge Surgery Center, LLC Application

Based on pdfs 10-11 of the application, the address of the applicant and the surgery center is 1401 Trent Avenue, #100 in Spokane. Aside from the suite number, it appears that Spokane Urology, PS and IBSC, LLC are the same facility. However, after comparing the ownership structure in the application with the facility file, they are different. IBSC, LLC is owned by six separate physicians, each with 16.66% ownership and of the six physicians, only three are the same physicians identified as owners of Spokane Urology.²

For this project, the department concludes that the applicant for this project is the separate legal entity known as Iron Bridge Surgery Center, LLC or 'IBSC, LLC.' This conclusion is consistent with the information in the Secretary of State website for IBSC, LLC³ when compared to Spokane Urology, PS⁴. This conclusion is also consistent with information provided in the IBSC, LLC application and rebuttal comments above. Given that some of the owners of IBSC, LLC are also owners of Spokane Urology, PS, the applicant appropriately relied on historical urology procedures of Spokane Urology, PS.

In summary, the department understands the confusion regarding the applicant identified in the CSS, PS, public comment. For CN project review, it is important to understand whether projected utilization in the

¹ Determination of Reviewability (DOR) #19-17.

² The three overlapping physicians are Levi Deters, MD; Raymond Lance, MD; and David Mikkelsen, MD.

³ UBI #604 724 042.

⁴ UBI #600 300 112.

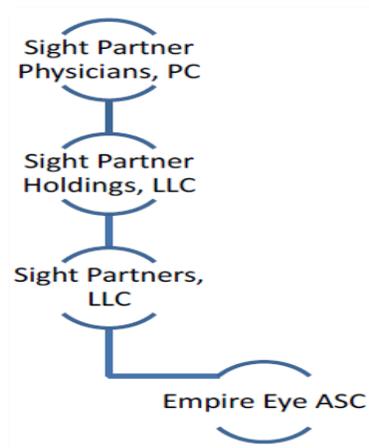
application is based on historical use or some other assumption. If historical data is used for the foundation for projected utilization, it is important to provide the historical utilization to allow a comparison with projected utilization. IBSC, LLC provided the historical information within its February 22, 2022, screening responses.

Sight Partners Physicians, PC

Sight Partners Physicians, PC (SPP, PC) is a registered professional service corporation registered with the Washington State Secretary of State office under UBI #601 699 481. The corporation is governed by the following six physicians. Information in the application shows that each physician has varying ownership percentages.

- Kristi Bailey, MD - 18.18%
- Brett Bence, OD - 9.09%
- Werner Cadera, MD - 18.18%
- Bruce Cameron, MD - 18.18%
- Aaron Kuzin, MD - 18.18%
- Audrey Talley-Rostov - 18.18%

The Secretary of State website also identified two other entities registered under the ‘Sight Partner’ name: Sight Partners, LLC and Sight Partners Holding, LLC.⁵ For clarification, the applicant provided an organizational chart to show the relationship of the ownership entities and proposed surgery center. [source: Application, pdf 3 and December 13, 2021, pdf 2]



Public Comments

The department received public comments focusing on the ownership of Sight Partners, LLC. The comments are restated below. [source: Columbia Surgical Specialists public comments, pdfs 10-11]

“In its original application, Empire Eye Physicians, PS was the applicant entity and owned the clinic and ASC. Empire Eye Land, LLC, owned by the owners of Empire Eye Physicians, PS, Christopher Sturbaum and Mark Kontos, was formed in 2018 to act as owner of the land and building on which the ASC exists. Empire Eye Land, LLC leased this facility to Empire Eye Physicians, PS.

The original application was amended “to incorporate the new ownership of the Empire Eye organization by Sight Partners, LLC.” However, Sight Partners is neither clear nor consistent in which of these entities were included in its purchase of the “Empire Eye organization” or how the new organization is structured. In its provided organizational chart, Sight Partners, LLC is presented as the 100% owner of Empire Eye ASC, however in its February 15, 2022, Screening Responses, it stated “Sight Partners, LLC did not purchase the ASC but subleases the space from Empire Eye Physicians, PS who holds a lease with Empire Eye Land, LLC.”

⁵ UBI #604 390 827 and #604 491 467, respectively.

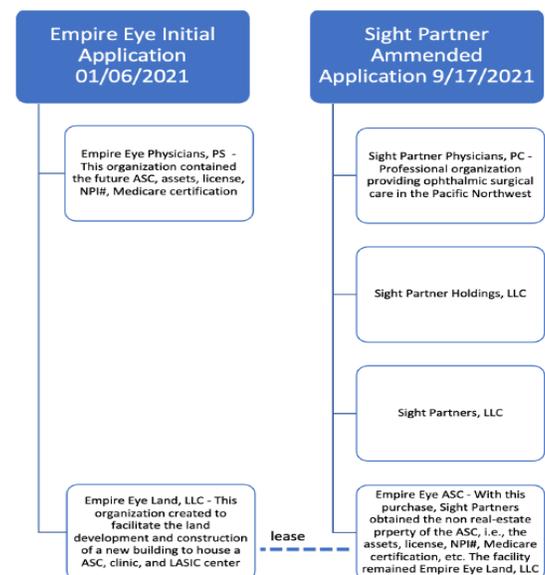
A series of unknown ownership and/or relationships between the Sight Partners and Empire Eye entities exists. We identify four relevant entities for the Sight Partners’ proposed project: Sight Partners, LLC; Empire Eye ASC; Empire Eye Physicians, PS; and Empire Eye Land, LLC. Sight Partners presents both that it owns the ASC, and that it did not purchase the ASC but subleases the space from Empire Eye Physician, PS. At the same time, Sight Partners states it has ownership of the Empire Eye organization, which would include Empire Eye Physicians, PS, and perhaps Empire Eye Land, LLC.

Clarification of the Sight Partners and Empire Eye entities is essential for the demonstration of both site control and financial feasibility. Funding for the \$7.3 million in development costs was organized under the Empire Eye Land, LLC entity, which, following the Sight Partners acquisition, has an unclear relationship with the other entities. This is especially important if the \$1.4 million in project costs represents a subset of the \$7.3 million development costs. Furthermore, if the Sight Partners acquisition included Empire Eye Physicians, PS, then it owns the subsidiary from which it is subleasing the ASC space and may have submitted invalid site control documents in the amended application. Lastly, if the Sight Partners acquisition included neither Empire Eye Land, LLC nor Empire Eye Physicians, PS, then it owns neither the practice nor the ASC and it is unclear what was acquired at all beyond the right to manage the Empire Eye ASC.”

Rebuttal Comments

In response to the comments above, the applicant provided the following statements and a more detailed organizational chart showing ownership relationships. [source: April 19, 2022, rebuttal comments, pdf 4]

“As shown below, Sight Partners acquired non-real property assets of the ASC facility. Those assets were previously owned by the entity operating the ASC, Empire Eye Physicians, PS. The distinct entity, Empire Eye Land, LLC, has been and remains the owner and “Landlord” of the real property of the ASC facility. Sight Partners, LLC took assignment of the lease for the ASC facility to become the current “Tenant” from Empire Eye Physicians, PS., which was the prior “Tenant” entity. Empire Eye Physicians, PS and Empire Eye Land, LLC are distinct entities with distinct purposes, both of which still exist under the ownership of Drs. Mark Kontos and Christopher Sturbaum, but Empire Eye Physicians, PS sold the ASC operating assets to Sight Partners. This relationship is parallel to the original application in which Empire Eye Physicians PS was a tenant to Empire Eye Land, LLC. While Sight Partners did not acquire the \$1.4MM in capital expenditures it has shown through amortization tables, pro forma, and lease, that it is able to cover the costs without resulting in an unreasonable impact on the costs and charges for health services.”



Department's Determination of the Applicant

Concerns regarding *'who is the applicant?'* are significant in a CN review for a variety of reasons. Specific to this project, a determination of the applicant is necessary for both site control and funding of the project. In its rebuttal comments, the applicant provided a more extensive organizational chart showing the relationship among Empire Eye ASC, Empire Land, LLC, and Sight Partners Physicians, PC.

Focusing on site control, Empire Eye Land, LLC owns the land and is the landlord for the project. Sight Partners, LLC assumed the 'tenant' role. While it is Sight Partners, LLC that is responsible for revenues covering expenses, it is ultimately owned by the applicant, SPP, PC. Based on the rebuttal comments provided, the department concludes that Sight Partners Physicians, PC (SPP, PC) is the applicant.

PROJECT DESCRIPTIONS

Columbia Surgical Specialists, PS

This applicant proposes to convert its CN exempt surgery center located at 217 West Cataldo Avenue in Spokane [99201] to a CN approved facility. Currently the surgery center operates with four operating rooms (ORs) and provides ENT, colon and rectal surgery, general surgery, and plastic surgery. While the surgery center will remain at its current site on West Cataldo Avenue and the number of ORs will remain at four, Columbia Surgical Specialists, PS proposes to expand the services to include: gastroenterology, gynecology, maxillofacial, ophthalmology, oral surgery, orthopedics, pain management, pediatric dentistry, podiatry, and urology to the existing ENT, colon and rectal surgery, general surgery, and plastic surgery services. [source: Application, pdf 9 and July 22, 2021, screening response, pdf 8]

Columbia Surgical Specialists, PS states that since the surgery center is fully operational under the CN exemption, there is no capital expenditure or start-up costs associated with this project. [source: Application, pdf 37]

If this project is approved in June 2022, the applicant anticipates project completion on July 1, 2022. Based on this timeline, full calendar year one of the project is 2023 and year three is 2025. [source: November 16, 2021, screening response, pdf 2]

Iron Bridge Surgery Center, LLC

This applicant proposes to establish a new ambulatory surgery center at 1401 East Trent Avenue, #100, in Spokane [99202]. The surgery center would have five ORs and provide solely urology services to the residents of Spokane County. [source: Application, pdf 12]

The estimated capital expenditure associated with this project is \$4,380,080, which includes construction, fixed and moveable equipment, architect and engineering fees, costs for consulting and financing, and state sales tax. [source: Application, pdf 21]

If this project is approved, the applicant anticipates project completion in June 2022. Based on this timeline, full calendar year one of the project is 2023 and full year three is 2025. [source: February 22, 2022, screening response, pdf 2]

Sight Partners Physicians, PC

This applicant proposes to convert its CN exempt surgery center located at 16010 East Indiana Avenue in Spokane Valley [99037] to a CN approved facility. Currently the surgery center operates with two operating rooms (ORs) and provides solely ophthalmology services. The application does not propose to increase the number of ORs or expand the types of services currently provided. [source: Application, pdfs 4-5]

The estimated capital expenditure for this project is \$1,412,811. However, SPP, PC states that since the surgery center is fully operational under the CN exemption, all capital costs have already been expended and there are no start-up costs associated with this project. [source: February 22, 2022, screening response, Exhibit 3]

If this project is approved in June 2022, the applicant anticipates project completion in July 2022. Based on this timeline, full calendar year one of the project is 2023 and year three is 2025. [source: February 22, 2022, screening response, pdf 2]

Public Comments

Columbia Surgical Specialists provided comments regarding the timeline identified for this project. The comments are restated below. [source: Columbia Surgical Specialists public comments, pdf 14]

“Sight Partners has not provided a timeline for the proposed project. As such, it is unknown, for example, what proportion of 2022 is included in the financial projections. Sight Partners’ timeline in its second set of screening responses is a retrospective timeline of construction for the facility construction, and does not provide a project completion date. While Sight Partners provided an estimate of project completion of March 2022 in its first screening responses, it does not state whether this month has changed or remained the same. Given its second screening responses were submitted February 22, 2022, a March 2022 project completion is no longer feasible. Based on the Department’s BOR Letter, the beginning of review is March 11, 2022. Allowing 45 days for public comments and another 45-day ex-parte period, the earliest project completion is June 9, 2022. Standard practice for applicants is to separate the pre- and post- project periods to show the impact of the proposed project on existing operations.”

Rebuttal Comments

SPP, PC provided the following rebuttal comments to address the comments above. [source: April 19, 2022, rebuttal comments, pdf 8]

“Sight Partners provided a timeline in its 2nd screening response pg 2. Because Sight Partners is converting an existing CN-exempt ASC to a CN-approved ASC it is known that 100% of the projections for 2022 apply to 2022. The ASC has been completely operational since July 2021 - the project will be complete upon the approved decision by the Department of Health.”

Department’s Evaluation of the Timeline for Sight Partners Physicians, PC

The SPP, PC application was submitted in mid-September 2021. Given that the surgery center is currently operating as a CN exempt facility in Spokane County⁶, and this application does not propose a change in number of ORs and types of procedures, the applicant expected its project would be complete upon issuance of a CN for the project. The department concurs with this rationale.

In its public comments, CSS, PS has the benefit of knowing when the beginning of review started for these three projects. The department requires an applicant to provide a reasonable projected completion date for a project. However, an applicant does not have the benefit of knowing exactly when the decision will be released. Based on the timelines for a regular review of 6 – 8 months, it was feasible at the time SPP, PC submitted this application that this decision would be released in March 2022. SPP, PC provided information in the application materials that covers current year 2022, and full years 2023 through 2025 to allow for proper review of the project.

⁶ Determination of Reviewability (DOR) #22-07.

CSS, PS is concerned that the current year 2022 may not be accurate. As previously stated though, the surgery center is currently operational under an exemption. After reviewing the utilization information provided in the application, the department can conclude that year 2022 is a full year of operation. In this instance where the surgery center is currently operational and there are no changes in the number of ORs or the types of procedures provided, the department disagrees that the timeline provided in the SPP, PC application is incomplete or confusing.

ABBREVIATIONS USED IN THIS EVALUATION

For reader ease, the following abbreviations will be used for each applicant and their proposed surgery center in this evaluation:

Columbia Surgical Specialists, PS and Columbia Surgery Center

- Applicant: CSS, PS
- Facility: CSC

Iron Bridge Surgery Center, LLC and Iron Bridge Surgery Center

- Applicant: IBSC, LLC
- Facility: IBSC, ASC

Sight Partners Physicians, PC and Empire Eye Surgery Center

- Applicant: SPP, PC
- Facility: EESC

APPLICABILITY OF CERTIFICATE OF NEED LAW

Each application proposes to establish a surgery center in Spokane County. For each project, this action is subject to review as the construction, development, or other establishment of new health care facility under Revised Code of Washington (RCW) 70.38.105(4)(a) and Washington Administrative Code 246-310-020(1)(a).

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. If 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.

To obtain Certificate of Need approval, an 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). Additionally, WAC 246-310-270 (ambulatory surgery) contains service or facility specific criteria for ambulatory surgery projects and must be used to make the required determinations for applicable criteria in WAC 246-310-210.

TYPE OF REVIEW

These three applications were reviewed concurrently under a regular review timeline. The table on the following page shows a summary of the timeline used for the projects.

APPLICATION CHRONOLOGY

Action	Columbia Surgical Specialists	Iron Bridge Surgery Center	Sight Partners
Letter of Intent Submitted	03/10/21	03/30/21	11/24/20
Application Submitted	04/14/21	09/22/21	02/2/21
Department’s pre-review activities: <ul style="list-style-type: none"> • DOH 1st Screening Letter • Applicant’s 1st Screening Responses Received • DOH 2nd Screening Letter • Applicant’s 2nd Screening Responses Received 	05/05/21 07/22/21 08/12/21 11/16/21	10/13/21 12/13/21 01/06/22 02/22/22 & 03/11/22	02/24/21 03/29/21 04/19/21 N/A
Amendment Application Received	N/A	N/A	09/17/21
Department’s pre-review activities: <ul style="list-style-type: none"> • DOH 1st Screening Letter • Applicant’s 1st Screening Responses Received • DOH 2nd Screening Letter • Applicant’s 2nd Screening Responses Received 	N/A	N/A	09/13/21 12/13/21 01/06/22 02/22/22
Beginning of Review	March 1, 2022		
Public comments accepted through the end of public comment; no public hearing requested or conducted	April 5, 2022		
Rebuttal Comments Due	April 19, 2022		
Department's Anticipated Decision Date	June 3, 2022		
Department’s Actual Decision Date	June 2, 2022		

AFFECTED PERSONS

“Affected persons” are defined under WAC 246-310-010(2). For applications in a concurrent review, each applicant is an affected person for the competing application(s). For others to qualify as an affected person, someone must first qualify as an “interested person” defined under WAC 246-310-010(34). For these three projects, one entity requested affected person status.

Providence Health & Services-Washington

On April 19, 2021, Providence Health & Services-Washington submitted a letter requesting interested person status and specifically named Iron Bridge Surgery Center as its focus. Given that these three projects are undergoing concurrent review, Providence Health & Services qualifies as an interested person for all three of these Spokane County projects.

Providence Surgery and Procedure Center is an operational surgery center located at 16238 East Desmet Court, #A2100 in Spokane Valley. The surgery center has a total of seven ORs, and of those, three are dedicated to endoscopic services and four are used to provide a variety of other services. Neither Providence Health & Services nor Providence Surgery and Procedure Center provided public comments related to any of the three applications. As a result, while both Providence Health & Services and Providence Surgery and Procedure Center qualify for interested person, neither meets the definition of affected person for this review.

SOURCE INFORMATION REVIEWED

- Columbia Surgical Specialists, PS Certificate of Need application received on April 14, 2021
- Columbia Surgical Specialists, PS first screening responses received on July 22, 2021
- Columbia Surgical Specialists, PS second screening responses received on November 16, 2021
- Iron Bridge Surgery Center, LLC Certificate of Need application received on September 22, 2021
- Iron Bridge Surgery Center, LLC first screening responses received on December 13, 2021
- Iron Bridge Surgery Center, LLC second screening responses received on February 22, 2022, and March 11, 2022
- Sight Partners Physicians, PC amended Certificate of Need application received on September 17, 2021
- Sight Partners Physicians, PC first screening responses received on December 13, 2021
- Sight Partners Physicians, PC second screening responses received on February 22, 2022
- Public comments received on or before April 5, 2022, for all three projects
- Rebuttal comments received on or before April 19, 2022, for all three projects.
- Compliance history for credentialed or licensed staff from the Medical Quality Assurance Commission and Nursing Care Quality Assurance Commission
- Compliance history for facilities and services from the Washington State Department of Health – Office of Health Systems Oversight
- DOH Provider Credential Search website: <http://www.doh.wa.gov/pcs>
- CMS QCOR Compliance website: https://qcor.cms.gov/index_new.jsp
- Department of Health internal database – Integrated Licensing & Regulatory Systems (ILRS)
- Historical charity care data for years 2018, 2019, and 2020 obtained from the Department of Health/Finance and Charity Care
- Washington State Secretary of State website: <https://www.sos.wa.gov>
- Department of Health Construction Review Services project #61189053 for Columbia Surgery Center
- Department of Health Construction Review Services project #61166009 for Iron Bridge Surgery Center
- Department of Health Construction Review Services project #61023632 for Empire Eye Physicians
- Columbia Surgical Specialists website: <https://columbiasurgicalspecialists.com>
- Spokane Urology⁷ website: <https://www.spokaneurology.com>
- Sight Partners website: <https://sightpartners.com>
- Empire Eye Surgeons website: <https://empireeye.com>

CONCLUSIONS

Columbia Surgical Specialists, PS

For the reasons stated in this evaluation, the application submitted by Columbia Surgical Specialists, PS is consistent with applicable criteria of the Certificate of Need Program, provided Columbia Surgical Specialists, PS agrees to the following in its entirety.

Project Description

This certificate approves the establishment of a new surgery center in Spokane within Spokane County. The surgery center will have a total of four operating rooms (ORs). The outpatient surgical services will be provided to patients ages four months and older that can be appropriately and safely treated in an outpatient setting. Services include gastroenterology, gynecology, maxillofacial, ophthalmology, oral surgery, orthopedics, pain management, pediatric dentistry, podiatry, and urology to the existing ENT, colon and rectal surgery, general surgery, and plastic surgery.

⁷ Iron Bridge Surgery Center does not have a website.

Conditions

1. Columbia Surgical Specialists, PS agrees with the project description as stated above. Columbia Surgical Specialists, PS further agrees that any change to the project as described in the project description above is a new project that requires a new Certificate of Need.
2. Columbia Surgical Specialists, PS will obtain and maintain both Medicare and Medicaid certification at the surgery center.
3. Columbia Surgical Specialists, PS will obtain and maintain a Washington State license.
4. Columbia Surgical Specialists, PS will provide charity care at the surgery center in compliance with its charity care policy reviewed for this project. Columbia Surgical Specialists, PS will use reasonable efforts to provide charity care in the amount consistent with the three-year average of charity care provided by the four hospitals operating in Spokane County within the Eastern Region. The three-year average for years 2018 – 2020 is 1.13% of gross revenues and 3.23% of adjusted revenues.
5. Columbia Surgical Specialists, PS will maintain records of charity care applications received and the dollar amount of charity care discounts granted for the new surgery center. The records must be available upon request.
6. Prior to providing services at the new surgery center, Columbia Surgical Specialists, PS will submit an executed Patient Transfer Policy to the Certificate of Need Program for review and approval. The executed policy will be substantially consistent with the draft policy provided in the application.

Approved Costs

There is no capital expenditure associated with this project.

Iron Bridge Surgery Center, LLC

For the reasons stated in this evaluation, the application submitted by Iron Bridge Surgery Center, LLC proposing to establish a new Certificate of Need approved surgery center in Spokane County is not consistent with applicable criteria of the Certificate of Need Program, and a Certificate of Need is denied.

Sight Partners Physicians, PC

For the reasons stated in this evaluation, the application submitted by Sight Partners Physicians, PC is consistent with applicable criteria of the Certificate of Need Program, provided Sight Partners Physicians, PC agrees to the following in its entirety.

Project Description

This certificate approves the establishment of a new surgery center in Spokane Valley within Spokane County. The surgery center will have a total of two operating rooms (ORs). The outpatient surgical services will be provided to patients that can be appropriately and safely treated in an outpatient setting. Services to be provided at the surgery center are solely related to ophthalmology.

Conditions

1. Sight Partners Physicians, PC agrees with the project description as stated above. Sight Partners Physicians, PC further agrees that any change to the project as described in the project description above is a new project that requires a new Certificate of Need.
2. Sight Partners Physicians, PC will obtain and maintain both Medicare and Medicaid certification at the surgery center.
3. Sight Partners Physicians, PC will obtain and maintain a Washington State license.
4. Sight Partners Physicians, PC will provide charity care at the surgery center in compliance with its charity care policy reviewed for this project. Sight Partners Physicians, PC will use reasonable efforts to provide charity care in the amount consistent with the three-year average of charity care

provided by the four hospitals operating in Spokane County within the Eastern Region. The three-year average for years 2018 – 2020 is 1.13% of gross revenues and 3.23% of adjusted revenues.

5. Sight Partners Physicians, PC will maintain records of charity care applications received and the dollar amount of charity care discounts granted for the new surgery center. The records must be available upon request.
6. Prior to providing services at the new surgery center, Sight Partners Physicians, PC will submit an executed Charity Care Policy to the Certificate of Need Program for review and approval. The executed policy will be substantially consistent with the draft policy provided in the application, and include the most recent Federal Poverty Guidelines.

Approved Costs

The estimated capital expenditure for this project is \$1,412,811. However, Sight Partners Physicians, PC states that since the surgery center is fully operational under the CN exemption, all capital costs have already been expended and there are no start-up costs associated with this project.

CRITERIA DETERMINATIONS

A. NEED (WAC 246-310-210)

Columbia Surgical Specialists, PS

Based on the source information reviewed and agreement to the conditions identified in the conclusion section of this evaluation, the department concludes that Columbia Surgical Specialists, PS met the applicable need criteria in WAC 246-310-210 and the applicable ambulatory surgery facility criteria in WAC 246-310-270.

Iron Bridge Surgery Center, LLC

Based on the source information reviewed and agreement to the conditions identified in the conclusion section of this evaluation, the department concludes that Iron Bridge Surgery Center, LLC, met the applicable need criteria in WAC 246-310-210 and the applicable ambulatory surgery facility criteria in WAC 246-310-270.

Sight Partners Physicians, PC

Based on the source information reviewed and agreement to the conditions identified in the conclusion section of this evaluation, the department concludes that Sight Partners Physicians, PC met the applicable need criteria in WAC 246-310-210 and the applicable ambulatory surgery facility criteria in WAC 246-310-270.

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

To evaluate this sub-criterion, the department uses facility-specific criteria outlined in WAC 246-310-270.

WAC 246-310-270(6)

WAC 246-310-270(6) requires a minimum of two operating rooms (ORs) in an ASF.

No public comments were submitted for this sub-criterion.

Department Evaluation For All Three Applicant Projects

Each of the three applicants proposes to have at least two ORs. The number of proposed ORs by applicant is below.

- Columbia Surgical Specialists, PS – 4 Operating Rooms
- Iron Bridge Surgery Center, LLC – 5 Operating Rooms
- Sight Partners Physicians, PC – 2 Operating rooms

Based on the information above, **this sub-criterion is met for all three projects.**

WAC 246-310-270(9) Numeric Need Methodology

The Department of Health's Certificate of Need Program uses the numeric methodology outlined in WAC 246-310-270(9) for determining the need for additional ASFs in Washington State. The numeric methodology provides a basis of comparison of existing OR capacity for both outpatient and inpatient ORs in a planning area using the current utilization of existing providers. The methodology separates Washington State into 54 secondary health services planning areas. The three applicants propose to be located in the Spokane County planning area. [source: WAC 246-310-270(3)]

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

- (a) Whether a surplus or shortage of ORs is predicted to exist in the target year; and
- (b) If a shortage of ORs is predicted, the shortage of dedicated outpatient ORs is calculated.

Data used to make these projections specifically exclude special purpose and endoscopy ORs and procedures. Dedicated interventional pain management surgical services are also among the excluded ORs and procedures.

Columbia Surgical Specialists, PS

CCS, PS submitted its application in April 2021 and relied on 2019 data that was available at that time and projected to year 2024. This applicant's methodology projected a numeric need for at least 22 outpatient ORs in Spokane County. [source: Application, pdfs 16-18]

Iron Bridge Surgery Center, LLC

IBSC, LLC submitted its application in September 2021 and relied on 2019 data that was available at that time and projected to year 2024. This applicant's methodology also projected a numeric need for at least 22 outpatient ORs in Spokane County. [source: Application, pdfs 16-18]

Sight Partners Physicians, PC

SPP, PC submitted its amendment application in September 2021 and relied on 2019 data that was available at that time and projected to year 2023. This applicant's methodology '*shows a surplus of mixed-use ORs of 6.86 and a number need for an additional 12.76 dedicated outpatient ORs in 2023.*' [source: Application, pdfs 10-17 and Exhibit 15] After reviewing this methodology, the department concludes that the applicant misinterpreted the result. This methodology projected a surplus of 6.86 outpatient ORs in Spokane County.

No public comments were submitted for this sub-criterion.

Department Numeric Need Methodology and Evaluation For All Three Applicant Projects

Each applicant’s surgery center will be located in Spokane County. The numeric portion of the methodology requires a calculation of the annual capacity of the existing providers’ inpatient and outpatient ORs in a planning area. WAC 246-310-270(3) defines Spokane County as one secondary health services planning area.

There is no mandatory reporting requirement for utilization of ASF or hospital ORs, so the department sends an annual utilization survey to all hospitals and known ASFs in the state. When these applications were submitted in 2021, the most recent utilization survey was soliciting data for year 2019. Not all providers submitted responses. The data provided in the utilization survey is used, if available. Otherwise the department uses utilization survey information from the previous year (2018 data). If the provider did not respond with any survey data, the department relies on its internal database—Integrated Licensing & Regulatory System (ILRS)—with information each provider updates for licensure.

Further, the numeric methodology deliberately excludes the OR capacity and procedures of hospitals and surgery centers if the services are provided in a dedicated specialty room, such as, pain management, endoscopy, dedicated cesarean, and open heart surgery.

According to the department’s historical records, there is a total of 23 facilities in the planning area. Of the 23, 6 are hospitals and 17 are ASFs. Focusing on the 6 hospitals, 4 hospitals have OR capacity that is counted in the methodology; the remaining two hospitals do not have OR capacity.⁸

For the ASFs, two are dedicated to endoscopic procedures and are not counted in the numeric methodology.⁹ For the remaining 15 surgery centers, three are CN approved. For these three centers, both cases and ORs are counted in the numeric methodology.¹⁰ The remaining 12 surgery centers, which includes two of the three applicants, are CN exempt surgery centers. For these centers, the cases, but not the ORs, are counted in the methodology.

The table below and continuing on the following page shows a listing of the four hospitals and 15 surgery centers, the type and number of ORs, and notes specific to the methodology.

**Department’s Table 1
Spokane County Planning Area Operating Room Capacity for ASFs and Hospitals**

Facility	Facility Type	Total ORs	Type of OR	Department Notes
MultiCare Deaconess	Hospital	23	Outpatient & Inpatient	17 mixed use ORs; 6 dedicated endoscopy ORs; 17 ORs and cases are counted in methodology
MultiCare Valley	Hospital	11	Mixed Use	8 mixed use ORs; 3 dedicated endoscopy ORs; 8 ORs and cases are counted in methodology

⁸ The four hospitals with OR capacity are: MultiCare Deaconess, MultiCare Valley, Providence Holy Family, and Providence Sacred Heart. One hospital, St. Luke’s Rehabilitation Institute, does not have OR capacity. The remaining hospital is Shriners Hospital for Children. This facility may have OR capacity, but has not returned a completed survey response to confirm any OR capacity.

⁹ Two dedicated endoscopy centers are South Perry Endoscopy and Spokane Digestive Disease Center.

¹⁰ Three CN approved surgery centers are Chesnut Institute of Cosmetic and Reconstructive Surgery, MultiCare Rockwood Eye Surgery Center, and Providence Surgery and Procedure Center.

Spokane County Planning Area Operating Room Capacity for ASFs and Hospitals (continued)

Facility	Facility Type	Total ORs	Type of OR	Department Notes
Providence Holy Family	Hospital	19	Mixed Use	19 mixed use ORs; 19 ORs and cases are counted in methodology
Providence Sacred Heart	Hospital	41	Mixed Use	41 mixed use ORs; 41 ORs and cases are counted in methodology
Advanced Dermatology and Skin Surgery	ASF	6	Outpatient	CN exempt surgery center Cases, but not ORs, counted in methodology
Chesnut Institute of Cosmetic and Reconstructive Surgery CN #1619	ASF	2	Outpatient	CN approved surgery center Cases and 2 ORs counted in methodology
Columbia Surgical Specialists (applicant)	ASF	4	Outpatient	CN exempt surgery center Cases, but not ORs, counted in methodology
Empire Eye Surgery Center (applicant-Sight Partners)	ASF	2	Outpatient	CN exempt surgery center Cases, but not ORs, counted in methodology
MultiCare Rockwood Eye Surgery Center – CN #1320	ASF	2	Outpatient	CN approved surgery center Cases and 2 ORs counted in methodology
Northwest Eyelid and Orbital Specialists (NEOS)	ASF	1	Outpatient	CN exempt surgery center Cases, but not ORs, counted in methodology
Northwest Orthopaedic Specialists	ASF	5	Outpatient	CN exempt surgery center Cases, but not ORs, counted in methodology
Pacific Cataract and Laser Institute	ASF	3	Outpatient	CN exempt surgery center Cases, but not ORs, counted in methodology
Providence Surgery and Procedure Center CN #1538	ASF	4	Outpatient	CN approved surgery center Cases and 4 ORs counted in methodology
Seattle Reproductive Medicine [SRM Spokane]	ASF	3	Outpatient	CN exempt surgery center Cases, but not ORs, counted in methodology
Shape Cosmetic Surgery and Medspa, PLLC	ASF	2	Outpatient	CN exempt surgery center Cases, but not ORs, counted in methodology
Spokane Eye Clinic (The Spokane Eye Surgery Center)	ASF	11	Outpatient	CN exempt surgery center Cases, but not ORs, counted in methodology
Spokane Surgery Center	ASF	2	Outpatient	CN exempt surgery center Cases, but not ORs, counted in methodology
Spokane Valley ENT (Spokane Valley ASC)	ASF	2	Outpatient	CN exempt surgery center Cases, but not ORs, counted in methodology
The Plastic Surgicenter	ASF	2	Outpatient	CN exempt surgery center Cases, but not ORs, counted in methodology

In summary, the OR count for the numeric methodology is:

- dedicated Inpatient/Mixed Use – 85 ORs; and
- dedicated Outpatient: 8 ORs.

The data points used in the department’s numeric methodology are identified in the table on the following page. The methodology and supporting data used by the department is provided in the attached Appendix A with this evaluation.

**Department's Table 2
The Department's Spokane County Methodology Assumptions and Data**

Data Point	Data Used	
Planning area	Spokane County	
Population estimates and forecasts	Age Group: All ages Office of Financial Management Population Data – Released 2019 Year 2020 – 516,808 / Year 2024 – 535,216	
Use rate	186.520 /1,000 population	
Year 2020 total number of surgical cases in the planning area	Inpatient or mixed use	Outpatient
	55,009 cases	41,386 cases
	Total cases 96,395	
Percent of surgeries: outpatient vs. inpatient (based on survey)	57.07%	42.93%
Average minutes per case (based on survey)	390.88 minutes	43.69 minutes
OR annual capacity in minutes (per methodology in rule)	94,250 surgery minutes	68,850 surgery minutes
Existing providers/ORs (using DOH survey and ILRS database)	85 inpatient and mixed-use ORs	8 dedicated outpatient ORs
Department's Methodology Results	Need of 19.2 outpatient ORs in the Spokane County planning area	

As noted in the table, the department's numeric methodology calculates a numeric need of slightly more than 19 outpatient ORs in the Spokane County planning area.

When comparing the results of each applicant and the department's methodology, specific differences were noted in the following three factors: population, use rate, and number of existing ORs counted. The differences in these three factors resulted in different results. The department's table below shows the comparisons of each factor.

**Department's Table 3
Numeric Need Methodology Comparison Table**

Factor	Department	CSS, PS	IBSC, LLC	SPP, PC
Population Data	OFM Data Year 2020-516,808 Year 2024-535,216	Claritas Data Year 2020-535,733 Year 2024-564,611	Claritas Data Year 2020-512,369 Year 2024-548,063	Claritas Data Year 2020-519,734 Year 2024-550,947
Use Rate/1,000 Population	186.52	198.92	218.3	202.99
# of Existing ORs Counted	85 inpatient / mixed use 8 dedicated outpatient	87 inpatient/mixed use 8 dedicated outpatient	87 inpatient/mixed used 8 dedicated outpatient	87 inpatient/mixed use 10 dedicated outpatient
Method Results	Need for 19.2 outpatient ORs	Need for 22.85 outpatient ORs	Need for 22.36 outpatient ORs	Surplus of 6.86 outpatient ORs

Comparison Summary

- The current supply of ORs counted is very close in all methodologies. While each of the applicants counted two ORs for Shriners Hospital for Children, the department did not have data from the

hospital to confirm any current ORs. The count of mixed use ORs in a hospital does not affect the results of the department's numeric methodology for outpatient ORs.

- The department methodology is the result of applying a lower use rate to a smaller population.
- The results of CSS, PS and IBSC, LLC are close and not significantly different than the department's results. It is noted that SPP, PC misread its methodology results but references a surplus of outpatient OR for Spokane County.

Given the results of its own methodology, the department concludes that numeric need for each of the three projects has been demonstrated.

WAC 246-310-270(4)

If numeric need for additional ORs in a planning area is not demonstrated, the department reviews the project under WAC 246-310-270(4) which allows for approval of a project absent numeric need. It states:

“Outpatient operating rooms should ordinarily not be approved in planning areas where the total number of operating rooms available for both inpatient and outpatient surgery exceeds the area need.”

Although each applicant provided information under this sub-criterion, since numeric need is demonstrated, the department will review and address the information under the WAC 246-310-210(1) below that requires an applicant to demonstrate that existing services are not sufficiently available and accessible to meet the projected need.

Columbia Surgical Specialists, PS

In response to this sub-criterion, CSS, PS provided the following information. [source: Application, pdfs 15-16 and pdfs 21-24]

“Columbia Surgery Center is applying for CN Approval of its four OR facility which will provide services including ENT, General Surgery, Colon & Rectal Surgery and Plastic and Reconstructive Surgery as well as planned surgical services in the following specialties: Gastroenterology, Gynecology, Maxillofacial, Ophthalmology, Oral Surgery, Orthopedics, Pain Management, Pediatric Surgery, Podiatry, and Urology.

There currently exist three CN-Approved outpatient facilities in the Spokane County Planning area. These include the Chesnut Institute of Cosmetic & Reconstructive Surgery, MultiCare Rockwood Eye Surgery, and Providence Surgery & Procedure Center. Furthermore, a fourth, Empire Eye Surgery, has recently applied for conversion of its CN-Exempt facility to CN-Approved. Of these four facilities, Providence Surgery & Procedure Center appears to provide services most similar to those currently provided by CSS and those proposed in the application. However, the other ASCs in the planning area also provide services, e.g., ophthalmologic surgery, that would be similar to some of the surgical services CSS proposes to provide, once approved.

Based on need methodology from the Washington Department of Health, there is demonstrated quantitative need for additional outpatient operating suites. Therefore, there will not be a duplication of services.

The model shows numeric need for additional outpatient operating rooms in the Spokane County Planning Area. Furthermore, there are also qualitative arguments that support approval of the proposed project. These include (1) an increasing use rate; (2) significant shifting of surgical care to outpatient settings, driven by changing clinical practices, improved technology, and patient preference;

and (3) lower cost of care for patients and their insurers in freestanding ASFs as compared to hospital-based providers.

1. *Increasing use rate*

The model as presented above and in Exhibit 5 assumes a constant use rate. However, it is likely this use rate will continue to increase over the forecast period given (1) the planning area population is aging, and (2) older persons have much higher surgical utilization rates.

Higher population growth rates for older persons in the Spokane County Planning Area Population forecasts project average annual growth rates over 3.65% for persons aged 65+ in the Spokane County planning area. This rate reflects growth about 3 times higher than the rate of population growth for the planning area overall. Please see Table 4, which presents population statistics and associated growth factors across the different planning area age cohorts over the period 2010 to 2024.

Applicant's Table

Age Group	Population Estimates			Average Annual Growth	
	2010	2019	2024	2010 to 2019	2019 to 2024
Total	489,837	535,733	564,611	1.00%	1.06%
Under 15	94,325	98,266	102,035	0.46%	0.76%
15 to 44	198,893	213,228	222,520	0.78%	0.86%
45 to 64	132,939	133,895	131,958	0.08%	-0.29%
65+	63,680	90,344	108,098	3.96%	3.65%

Source: Claritas 2019

Higher surgical use rates for older persons

Surgical utilization by major age group is published within the latest National Center for Health Statistics (“NCHS”) survey study, “Ambulatory Surgery in the United States.”¹⁰ Table 5 uses this data to present use rates by age group. From Table 5, surgical utilization rates for persons 65+ year of age are about 2.5 times greater than overall population surgical utilization rates.

Applicant's Table

Age Group	U.S. Total, 2010		
	ASC Procedures (Thousands)	Population	Utilization Rate per 10,000
Total	48,263	309,326,085	1,560.26
Under 15	2,916	61,200,686	476.47
15 to 44	10,478	125,876,000	832.41
45 to 64	18,783	81,770,617	2,297.04
65+	16,086	40,478,782	3,973.93

Sources: National Health Statistics Reports, No. 102, February 28, 2017, Table 2: Number and percent distribution of ambulatory surgery procedures, by age and sex: United States, 2010; Annual Estimates of the Resident Population by Single Year of Age and Sex for the United States: April 1, 2010 to July 1, 2018

In summary, the planning area population is aging, with a greater proportion of its population expected to fall within the older age group of 65+. This aging, combined with the much higher surgical utilization rates for the older age cohorts, will drive up the overall surgical utilization rate.

Aside from knowing that the surgical use rate is likely to increase, because data on historical utilization is incomplete and inconsistent across ASC providers, it is difficult to precisely forecast changes in the OR use rate over time. However, it is possible to combine the forecasted demographic changes in the planning area population with the ASC use rates by age group. Given the forecasted shift in the age distribution of the planning area population, the age-specific ASC use rates imply about a 0.45% average annual increase in planning area use rates. Applying these growth rates to the numeric need methodology indicates an increase of the surgery use rate from 198.92 to about 204.35 surgeries per 1,000 residents between 2019 and 2024. Allowing for this growth would increase estimates of numeric need from a need of 22.85 (Table 3) outpatient ORs to a need of about 23.79 outpatient ORs. We note that the overall impact on outpatient OR need from a likely increasing use rate seems small, but only in comparison to the magnitude of the standard need estimate.

2. Significant shift to outpatient-based surgeries

The Department's ASF numeric need methodology was adopted nearly thirty years ago. See WAC 246-310-270 (effective Jan. 23, 1992). Much has changed in healthcare during the past three decades. Among those changes is a large shift of outpatient surgery from hospitals to ASCs. This shift to outpatient settings is due to at least two reasons:

- Improved clinical practices/technologies that allow surgeries to be performed on an outpatient basis. Thus, even if the use rate were not increasing, there would be increased demand for outpatient surgeries relative to inpatient surgeries.*
- Patient Preference for Outpatient ORs.*

Adding capacity to a freestanding surgery center is preferred by patients since ASCs is typically much more convenient and easier to access compared to hospital ORs. This includes scheduling and patient care, given hospitals must also focus on inpatient surgeries, which are typically much more complex. Outpatient surgery centers, on the other hand, can focus exclusively on outpatient care, increasing efficiency and care delivery.

3. Greater efficiency and lower cost of care with outpatient, freestanding surgery centers

Freestanding facilities are more cost-effective, i.e., lower cost in comparison to hospital outpatient surgery departments, leading to lower contractual rates for purchasers and cost savings for patients. As demand for outpatient surgeries increases over time, if hospital based ORs are expanded over freestanding ORs, then relatively higher cost care is being created. This is a less efficient option for patients and their insurers. In other words, without additional outpatient OR capacity at freestanding ASCs, more patients will be treated in higher cost, hospital-based operating rooms, which lowers planning area resource efficiency overall."

Public Comments

During the review of these three projects, the department received three letters of support specifically for CSS, PS project that focuses on the numeric need for additional ORs in the county and encourages approval of this project. Since all three letters provide identical information, the information in the letters is quoted once below. [sources: Michael Cruz, MD, Darryl Potyk, MD, and David Gruber, MD public comments]

"I understand that Columbia Surgical Specialists, P.S. Doing Business As ("d/b/a") Columbia Surgery Center ("CSS") is requesting approval to convert its existing four (4) operating room ambulatory

surgical center (“ASC”) in the Spokane County Planning Area into a Certificate of Need (“CON”) approved ambulatory surgery facility (“ASF”). I strongly support this request.

Currently, under its existing CON-Exempt license, CSS physicians can perform surgical procedures related to ENT, Colon and Rectal Surgery, General Surgery, and Plastic Surgery in the CSS ASC, but not Gynecology and Urology. Thus, Gynecology or Urology surgical procedures must be performed elsewhere. This harms patient continuity of care and at times, access, depending on local availability in other outpatient operating suites. Further, if care gets shifted to one of Spokane’s hospitals due to lack of capacity elsewhere, the cost of care is relatively higher, which harms efficiency of care delivery. Further, I also understand the Department’s ASC need methodology demonstrates there is high net need for outpatient surgery suites in Spokane County.

I strongly support approval of this CON request by Columbia Surgery Center. Its approval will expand much needed physician and patient access to CON-approved ambulatory surgery facilities. It will also allow CSS to offer Urology and Gynecology surgeries at its ASF, which also improves access.”

Rebuttal Comments

All three letters were supportive of the CSS, PS application and the applicant did not provide rebuttal comments.

Department Evaluation Columbia Surgery Center, LLC

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

CSS, PS provided statements related to the lack of availability and accessibility of other providers in the planning area for the multi-specialty services to be provided at CSC. Public comments suggest that the expansion of services at CSC is needed to keep up with population growth and demand. Further, the department did not receive any public comment to suggest that other area providers opposed the addition of ORs or the expanded services within Spokane County.

In summary, the department previously concluded that the applicant demonstrated numeric need for its project. The existing supply of ORs for multi-specialty surgical services is not sufficiently available and accessible in Spokane County. Further, the CSS, PS project meets the standard under WAC 246-310-270(6) that requires a minimum of two operating rooms. **This sub-criterion is met.**

Iron Bridge Surgery Center, LLC

In response to this sub-criterion, IBSC, LLC provided the following information. [source: Application, pdfs 18-19]

“Based on the Department’s numeric need methodology set forth in WAC 246-310- 270(9), the Spokane County secondary health services planning area is projected to need 22.36 additional outpatient ORs by 2024. Please see Exhibit 4 for Iron Bridge Surgery Center’s numeric need methodology calculation. However, if the Department were to find no numeric need for additional ORs, the Proposed Project nevertheless should be approved in order to provide patients access to an ASF for outpatient urologic surgical services in the health planning area. Currently, no CN-approved ASF in the Spokane County secondary health services planning area offers urologic surgery.

No CN-approved ASF in Spokane County secondary health services planning area offers outpatient urologic surgery. Therefore, the Proposed Project is critical for providing patients in the planning area a meaningful choice for outpatient urologic surgical services in a cost-effective setting.”

No public comments were submitted for this sub-criterion specific to the IBSC, LLC project.

Department Evaluation of Iron Bridge Surgery Center, LLC

IBSC, LLC provided statements related to the lack of availability and accessibility of other providers in the planning area for urology services. The applicant also provided information to demonstrate approval of this project if there was no numeric need for ORs in Spokane County. Further, the department did not receive any public comment to suggest that other area providers opposed the addition of a urology only surgery center or the addition of ORs within the county.

In summary, the department previously concluded that the applicant demonstrated numeric need for its project. The existing supply of ORs for urology only surgical services is not sufficiently available and accessible in Spokane County. Further, the IBSC, LLC project meets the standard under WAC 246-310-270(6) that requires a minimum of two operating rooms. **This sub-criterion is met.**

Sight Partners Physicians, PC

The applicant provided extensive information within the application to demonstrate compliance with this sub-criterion. While not all information is restated below, all information is considered in this review. [source: Application, pdfs 17-19]

“No Impact on Market Share. This ASF has been in operation since 1985 and continues to provide high quality outpatient surgical services to its patients. Empire Eye performs nearly 2,000 surgeries per year. Allowing Empire Eye to operate as a CON-approved facility will not detrimentally impact the other providers of outpatient surgeries in the planning area.

Necessary to Provide Access. The total predicted ophthalmic surgical need for the Spokane Planning area for 2019 was 13,396 (see Table 1), yet the total ophthalmic surgical volume was 19,752. Empire Eye and other ophthalmic organizations in Spokane County are at the center of a medical desert for ophthalmic surgical care.¹¹ Empire Eye’s historical services demonstrate an ongoing need for access to ophthalmic care.

WAC 246-310-274(4) utilizes literal operating rooms to define numerical need. This process requires flexibility when using this qualifier with ophthalmic surgery centers. Ophthalmic surgery can be done quickly with the majority of the time for a patient consisting of surgical prep, assessment, and discharge. A single surgeon will utilize two operating rooms simultaneously with one patient being prepped or discharged and another patient having surgery performed. This maximizes the patient’s time and provides the greatest comfort to a patient.

Ophthalmic surgeries require a significantly larger amount of cleanup/prep time in relation to actual surgery time. One benchmark lists surgical time as 20 minutes and cleanup/prep at 24 minutes creating a 1:1.2 ration vs 3:1. Utilizing the updated benchmark we see the OR ‘need’ to be greater than 1.”

¹¹ Medical desert is a term used to describe regions where the population has inadequate access to healthcare. The term can be applied whether the lack of healthcare is general or in a specific field, such as dental or pharmaceutical. It is primarily used to describe rural areas, although it is sometimes applied to urban areas.

Public Comments

The department received public comments focusing on the numeric methodology and qualitative arguments submitted by SPP, PC. The comments are restated below. [source: Columbia Surgical Specialists public comments, pdf 8]

“In addition to the areas of concern identified above, we highlight that the entire need methodology and qualitative need arguments from Sight Partners were copied, word for word, from the Columbia Surgery Center application. The Department should thus recognize that any demonstration of quantitative or qualitative planning area need from Sight Partners necessarily indicates that Columbia Surgery Center has demonstrated the same. We would further note that this practice of direct appropriation without reference is plagiarism.”

Rebuttal Comments

SPP, PC did not provide rebuttal comments to address the statements above.

Department Evaluation of Sight Partners Physicians, PC

To evaluate the CSS, PS’s assertion that *“the entire need methodology and qualitative need arguments from Sight Partners were copied, word for word, from the Columbia Surgery Center application...”* the department compared both the numeric need section and availability and accessibility section in both applications.

Focusing on the numeric need section, the department cannot substantiate that SPP, PC duplicated CSS, PS’s numeric methodology. The assertion is not supported by the need methodology comparison table nor in the numeric need methodology discussion provided by SPP, PC.

For the qualitative arguments, the department compared the two sections in the two applications. The comparison shows that both sections include a discussion of a National Center for Health Statistics (NCHS) survey. CSS, PS used it to determine utilization estimates for the services it proposes in its application, but does not currently provide. It does appear that SPP, PC used the ophthalmic section of CSS, PS’s NCHS discussion to support its own projections.

It is concerning that SPP, PC did not provide its own, original discussion that focused on the ophthalmic section of the NCHS report. CSS, PS’s concerns regarding plagiarism are not completely out of line. It is also noted that SPP, PC did include a copy of the NCHS report for both 2009 and 2017 in Exhibit 8 of its application and did rely on the report to substantiate its projected utilization. SPP, PC also provided many other supporting documents in its application that focus solely on eye surgery/procedures. [source: SPP, PC Application, Exhibits 10, 11, 19, & 24].

Because SPP, PC, included the NCHS report for both 2009 and 2017 in its application and referenced it in this section of the application, the department can conclude that this action by SPP, PC does not warrant denial of this application. However, had SPP, PC included the entire NCHS discussion from CSS, PS application, which would include services not proposed to be provided at EESC, and did not include the NCHS report in its own application, the department may come to a different, less tolerant conclusion on this topic.

SPP, PC provided statements related to the current lack of availability and accessibility of other providers for ophthalmic services in Spokane County. The applicant currently operates, EESC, a Certificate of Need exempt surgery center in Spokane County. The surgery center has been operational

since 2019.¹² As a result, any impact on existing providers has already occurred. Further, the department did not receive any public comment to suggest that other area providers opposed the addition of ORs within Spokane County.

In summary, the department previously concluded that the applicant demonstrated numeric need for its project. Further, the SPP, PC project meets the standard under WAC 246-310-270(6) that requires a minimum of two operating rooms. **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. 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 an applicant to provide services to individuals who do not have private insurance, do not qualify for Medicare or Medicaid, or are under insured.¹³

Columbia Surgical Specialists, PS

The applicant provided the following statements and clarification related to this sub-criterion. [source: Application, pdfs 33-34 and July 22, 2021, screening response, pdf 9]

"Please see Exhibit 7 for the CSS Financial Assistance Policy. The CSS policies related to patient rights and responsibilities are included in Exhibit 8. These include the policies for Patient Notification of Rights and Responsibilities, Patient Rights, and Patient Responsibilities. Those policies related to non-discrimination are included in Exhibit 9. These include the Anti-Discrimination Policy, the CSS Statement on Non-Discrimination, and the Columbia Surgical Specialists' Grievance Procedure Policy.

Columbia Surgery Center is committed to meeting community and regional health needs. CSS will provide Charity Care consistent with its financial assistance policy, included as Exhibit 7. This policy states that a charity care discount of up to 100% will be extended to eligible patients, where eligible patients are those whose monthly income falls at or below 200% of the Federal Poverty Level.

Most indigent individuals in Washington State are insured through Apple Care or other Medicaid providers, and in 2019, CSS wrote off about \$3.3 million in charges to these patients.

¹² Determination of Reviewability #19-13 .

¹³ Washington Administrative Code 246-453-010(4).

Our financial pro forma forecast provided in Exhibit 11 explicitly allocates 0.79% of total revenues to be provided for charity care, a figure equal to the Spokane County Planning Area charity care average over 2016-2018, across hospitals located in Spokane County. Please see Table 12 below.

Historically, Columbia Surgical Center did not have a formal financial assistance policy, and while non-reimbursed care was provided on a case-by-case basis, it was not tracked. Thus, historical charity care figures are not available.

The financial assistance policy submitted as Exhibit 7 within our application is a new policy, and we commit to providing financial assistance consistent with this policy. This includes waiving all charges for persons with income up to 100% of the Federal Poverty Guidelines and waiving 50% of charges for persons with income between 100% and 200% of the Federal Poverty Guidelines. As modeled in the Columbia Surgery Center Pro Forma, we project this Charity Care to equal 1.33% of Gross Revenue. This figure is consistent with the Spokane County Planning Area Charity Care figure of 1.33% of gross revenues for 2019 across hospitals in the Planning Area.

Following CN approval, Columbia Surgery Center will make its financial assistance policy available to all patients. This includes advertisement of the policy within its offices and inclusion of the financial assistance policy on the Columbia Surgical Specialists website.”

Focusing on the types and age range of patients that would be served at the surgery center, Columbia Surgical Specialists provided the following clarification. [source: Application pdf 9]

“Columbia Surgery Center currently provides care patients who are appropriate candidates for ambulatory surgery, including patients four months and older. It plans to continue this practice post-approval.”

Department Evaluation of Columbia Surgical Specialists, PS

The facility has been providing healthcare services to the residents of Spokane County under a Certificate of Need exemption since approximately 2012.¹⁴ As a CN exempt surgery center, and the department does not require submission of policies to ensure availability and accessibility to all residents of the service area for exemption from CN review. As a result, this is the first full CN review for this facility.

Given that the surgery center is already operational under the exemption, if this project is approved in June 2022, the applicant expects project completion on July 1, 2022. CSS, PS provided a copy of three separate policies to be used for the surgery center. [source: Application, Exhibits 7, 8, and 9] Below is the department’s review of each policy.

Financial Assistance (Charity Care) Policy

This policy includes the following purpose:

“Columbia Surgical Specialists (CSS) is committed to providing necessary ambulatory surgical services and financial assistance to eligible patients in conformance with federal and state law. This Financial Assistance Policy outlines the criteria and process for patients to receive financial assistance for care received at Columbia Surgical Specialists.”

¹⁴ Determination of Reviewability #12-42.

The Financial Assistance Policy also includes the following non-discrimination language:

“Financial assistance shall be available and without discrimination regarding race, color, creed, national origin, religion, sex, sexual orientation, disability, age, source of income, or any other class protected by federal or Washington state law.”

Admission and Patient Rights and Responsibilities Policies

Under the section titled ‘Patient Admission, Assessment, and Discharge’ the policy includes the following language:

“Columbia Surgical Specialists ASC will ensure that each patient has the appropriate presurgical and post-surgical assessments completed and that all elements of the discharge requirements are completed.”

The policy also includes patient admission, pre- and post-surgical assessment, and patient discharge processes.

Non-Discrimination Policy

This policy includes the following non-discrimination language:

“It is the right of the employees of Columbia Surgical Specialists, P.S. ASC (CSS) to work in an environment free from discrimination on the basis of age, race, religious belief, gender, national origin, or disability. The policy of Columbia Surgical Specialists, P.S. ASC is to provide an employment and business environment free of discrimination and other verbal and/or physical conduct or communications constituting harassment as defined and otherwise prohibited by state and federal law. CSS complies with the Americans with Disabilities Act, Title VII, the Civil Rights Act, Age Discrimination in Employment Act, and other federal, state, and local prohibitions against discrimination.

Discrimination on the basis of age, race, religious belief, gender, national origin, or disability by and between employees, physicians, and patients is prohibited by this policy.

Violations of this policy may result in disciplinary action up to and including termination. Questions about this policy may be directed to the Columbia Surgical Specialists Surgery Center ASC Manager or the Administrator.”

The policy also includes the grievance process and is provided in both English and Spanish.

(Patient) Transfer Agreement

The Transfer Agreement is between Spokane Ear, Nose, & Throat Clinic, PS and Providence Sacred Heart Medical Center. The policy was executed on October 12, 2004, and provides roles and responsibilities for both entities if a patient requires transfer to the hospital.

All policies provided in the application cover the information necessary to ensure compliance with the sub-criterion. Even though the Transfer Agreement is executed, it identifies Spokane Ear, Nose, & Throat Clinic, PS, rather than CSS, PS or CSC. As a result, the policy is considered a draft. If this project is approved the department would attach a condition requiring CSS, PS to provide an executed Patient Transfer Policy between either CSS, PS or CSC and a local hospital that is consistent with the draft provided in the application.

If this project is approved, the department will attach a condition requiring CSS, LLC to obtain both Medicare and Medicare certification and a Washington State license for CSC. CSS, PS provided its

projected percentages of revenue by payer for CSC. The proposed payer mix is based on the historical payer mix for the services provided at the CN exempt surgery center. The payer mix is shown below. [source: Application, pdf 38 and July 22, 2021, screening response, pdf s 9-10]

Applicant’s Table – Historical and Projected Payer Mix

Columbia Surgery Center Payer Mix, 2019	Percentage by Revenue WAC 246-310-220(1)	Percentage by Patient WAC 246-310-210(2)
Medicare	21.26%	13.19%
Medicaid	25.32%	29.60%
Commercial/HMO	44.83%	47.58%
Other Government	5.96%	5.35%
Other/Misc.	0.75%	0.88%
Self-Pay	1.87%	3.40%
Total	100.00%	100.00%

Based on this information, the department concludes that approval of this project has the potential to increase or maintain the availability and accessibility of outpatient services to the residents of Spokane County.

Based on the information reviewed and with CSS, PS’s agreement to the condition referenced above, the department concludes **this sub-criterion is met.**

Iron Bridge Surgery Center, LLC

The applicant provided the following statements and clarification related to this sub-criterion. [source: Application, pdf 19]

“No CN-approved ASF in Spokane County secondary health services planning area offers outpatient urologic surgery. Therefore, the Proposed Project is critical for providing patients in the planning area a meaningful choice for outpatient urologic surgical services in a cost-effective setting. In addition, please see Exhibit 7 for Iron Bridge Surgery Center’s Charity Care Policy and Exhibit 9 for Iron Bridge Surgery Center’s Nondiscrimination Policy.”

The applicant also clarified that the Admission and Pre-Procedural Risk Assessment Policy included in Exhibit 6 of the application will be used in conjunction with the Iron Bridge Surgery Center Non-Discrimination Policy provided in Exhibit 9 of the application. [source: December 13, 2021, screening response, pdf 5]

IBSC, LLC provided an age range for services for patients age 18 – 99. In response to the department’s questions regarding the age range, IBSC, LLC provided the following clarification. [source: December 13, 2021, screening response, pdf 2]

“The physicians who are anticipated to use Iron Bridge Surgery Center upon project completion are not pediatric urologists. Instead, these physicians serve patients who are 18 years and older. Pediatric patients in the Spokane County secondary health services planning area receive surgical care by pediatric urologists at Sacred Heart Children’s Hospital on an inpatient basis. If there is a need for outpatient pediatric urologic surgical care, Iron Bridge Surgery Center would be willing to credential pediatric urologists to perform surgery at its facility.”

Focusing on the assertion in the application that ‘no CN-approved ASF in the Spokane County secondary health services planning area offers urologic surgery,’ IBSC, LLC provided the following clarification. [source: December 13, 2021, screening response, pdf 2]

“Providence Surgery and Procedure Center (“PSPC”) is a hospital-affiliated surgical facility located in the Spokane Valley. PSPC has represented to Spokane Urology physicians in connection with the physicians’ requests to perform urologic surgical services at the facility that the facility does not offer urologic surgical services. Based on PSPC’s representation, Iron Bridge Surgery Center understands that PSPC does not offer urologic surgery. If this is a misrepresentation, it would indicate that Spokane Urology physicians – and their patients – will be denied access to PSPC. In either event, there is no alternative CN-approved ASF for these physicians or their patients currently. To protect these patients’ access and choice, the Spokane County secondary health services planning areas needs a CN-approved ASF that offers urologic surgery at which physicians may provide services, irrespective of whether the physicians are affiliated with PSPC.”

To support the assertion above, IBSC, LLC provided a signed affidavit from Levi Aaron Deters, MD, one of the owning physicians. While the affidavit provides significant information, below are excerpts related to the lack of patient access to urologic services in Spokane County. [source: February 22, 2022, screening response, Exhibit A]

- *“I am a urologist and a shareholder of Spokane Urology, P.S. (“Spokane Urology”)*
- *Spokane Urology physicians have a long history of discussions with Providence Surgery and Procedure Center, License No. ASF.FS.60475161 (“PSPC”) regarding the possibility of performing urologic surgery at PSPC.*
- *Since it opened in 2015, PSPC has not offered urologic surgery.*
- *Since 2018, PSPC has indicated that offering urologic surgery is not viable at PSPC, in part because PSPC does not have the necessary urology equipment there. Instead of PSPC, Providence Health & Services has made Sacred Heart Medical Center available for urology surgery. But, as hospital-based urology surgery, this option is problematic for physicians and patients. Hospital operating rooms availability is limited and unpredictable, making access to timely care challenging for patients. In addition, the cost of hospital-based urologic surgery is significantly higher than the same services provided in the ambulatory surgery setting.”*

No public comments were submitted for this sub-criterion.

Department Evaluation of Iron Bridge Surgery Center, LLC

IBSC, LCC provided information and policies related to patient access to the surgery center. Below is a review of the policies provided.

Admission and Pre-Procedural Risk Assessment Policy

The policy was executed on March 11, 2021, and provides the following purpose:

“To describe appropriate preoperative selection of patients and outline the admission process for patients undergoing procedures at Iron Bridge Surgery Center. To meet requirements of 42 C.F.R. § 416.42(a)(1), 42 C.F.R. § 416.52(2), and WAC 246-330-205.”

The policy includes the following procedure:

- *“All patients selected for care at Iron Bridge Surgery Center will have equipment and medications appropriate to their condition and planned procedure and will be provided appropriate preoperative instructions, including dietary restrictions, bathing instructions, and supplies to reduce the risk of infection.*
- *All procedures will be limited to those planned to not exceed 23 hours and 59 minutes combined preoperative, operative, and recovery time.*

- *All procedures will be undertaken with the plan to discharge the patient home and not to transfer the patient to a hospital. Patients may return to other low acuity settings, such as assisted living, nursing, and/or convalescent setting with appropriate surgical after care in place.*
- *All patients will have an identification band placed upon admission to Iron Bridge Surgery Center, and the surgical site will be marked by both patient and surgeon to prevent wrong site surgery.*
- *All patients undergoing procedures at Iron Bridge Surgery Center will receive a pre-procedure evaluation by a physician under which the patients are being directly cared for.*

The pre-procedure review will include the following:

1. *Review of allergies and other adverse reactions to drugs and biologicals;*
2. *An exam to determine if the patient's condition has significantly changed since the comprehensive H&P done within 30 days of surgery date;*
3. *A note documenting changes or no changes in the patient's condition since the comprehensive H&P;*
4. *Assessment and documentation of the patient's American Society of Anesthesiologists' (ASA) Physical Status Classification Score and other relevant criteria as an evaluation of anesthetic risk; and*
5. *Assessment on day of surgery by qualified anesthesia provider with note documenting anesthesia assessment including relevant history, allergies, and physical findings."*

Charity Care Policy

The policy was executed on March 11, 2021, and includes the following purpose:

"Iron Bridge Surgery Center provides a charity care program to serve the needs of its community. As part of the program, patients who reside in the Spokane County secondary health services planning area and who meet eligibility requirements may receive a partial or full adjustment on medical service charges related to facility fees. Iron Bridge Surgery Center will use reasonable efforts to provide charity care in an amount comparable to the average amount of charity care provided by local hospitals. Charity care qualification criteria will be reviewed annually."

The policy also includes the following non-discrimination language:

"Patients may be referred to this program by provider or employee recommendation, patient/family initiation, or individual request. Iron Bridge Surgery Center does not discriminate based on age, color, creed, disability, national origin, race, religion, sex, or any other grounds unrelated to an individual's need for service."

Patient Rights and Responsibilities Policy

The policy does not provide an execution date. The policy includes a section outlining the patient or patient representative rights with the following sub-sections: 'Patient Rights, Quality of Care, Confidentiality and Privacy, Grievance Process, Advance Directives, Access to Medical Records, Seclusion and Restraints, and Billing.' The subsections provide detailed information regarding patient rights.

Under the section titled 'Patient Responsibilities,' are the following subsections: 'Patient Responsibility, (Patient) Involvement, Respect and Consideration, and Insurance Billing.' These subsections include detailed information regarding the patients' responsibilities pre- and post-operative.

Non-Discrimination Policy

This policy was executed on March 11, 2021, and includes the following purpose statement:

"To outline conformity with Washington state and federal laws regarding nondiscrimination and assure that only relevant factors are considered in offering access to medical care and employment

opportunities and that consistent and equitable standards of care, conduct and performance are applied.”

The policy also includes the following non-discrimination language:

“Iron Bridge Surgery Center does not discriminate in offering access to medical care or employment opportunities on the basis of age, color, creed, disability, gender, gender identity, gender expression, national origin, race, religion, sexual orientation, or veteran’s status.”

The policy also includes the grievance process.

ASC Patient Transfer Agreement

The Patient Transfer Agreement is between Iron Bridge Surgery Center, LLC and Providence Sacred Heart Medical Center. The policy was executed on September 16, 2021, and provides roles and responsibilities for both entities if a patient requires transfer to the hospital.

All policies provided in the application cover the information necessary to ensure compliance with the sub-criterion. With the exception of the Patient Rights and Responsibilities Policy, all are executed. If this project is approved, the department will attach a condition requiring IBSC, LLC to provide a copy of the executed Patient Rights and Responsibilities Policy.

If this project is approved, the department will attach a condition requiring IBSC, LLC to obtain both Medicare and Medicare certification for IBSC, ASC and a Washington State license. The applicant provided the historical and projected payer mix for the surgery center, including clarification of the assumptions used to determine the projected payer mix as stated above. The tables below show both historical and projected payer mix for IBSC, ASC. [source: Application, pdf 22 and February 22, 2022, screening response, pdf 3]

Applicant’s Historical Payer Mix Percentages by Patient

Payer	2021	2020	2019
Medicare	61%	55%	55%
Medicaid	8%	11%	11%
Other Payers:			
Other Government Payors	4%	4%	3%
Worker’s Compensation	0%	1%	0%
Commercial Payors	26%	28%	30%
Self-pay	1%	1%	1%
Total	100%	100%	100%

Applicant’s Projected Payer Mix

Payer	Percentage by Patient	Percentage by Revenue
Medicare	55%	46%
Medicaid	11%	7%
Other Payers:		
Other Government Payors	4%	4%
Worker’s Compensation	1%	0%
Commercial Payors	28%	41%
Self-pay	1%	2%
Total	100%	100%

Based on this information, the department concludes that approval of this project has the potential to increase or maintain the availability and accessibility of outpatient services to the residents of Spokane County.

Based on the information reviewed and with IBSC, LLC's agreement to the condition referenced above, the department concludes **this sub-criterion is met.**

Sight Partners Physicians, PC

In response to this sub-criterion, SPP, PC provided the following documents. [source: February 22, 2022, screening response, Exhibit 4]

- Governance Policy and Procedure
- Managing Partner, Medical Director, and Advisors Policy and Procedure
- Credentialing and Privileging Policy and Procedure
- Patient Rights Policy and Procedure
- Patient Admission, Assessment, and Discharge Policy and Procedure
- Charity Care Policy and Procedure

Information provided in the SPP, PC application and the policies above, do not appear to restrict services based on age of the patient.

Public Comments

The department received public comments related to this sub-criterion. [source: Columbia Surgical Specialists public comment, pdfs 11-12]

"Sight Partners appears to exclude individuals reimbursed by Medicare based on ability to pay. If this is the case, this results in a lack of equal access to planning area residents.

Sight Partners requires patients with Medicare coverage that does not cover their procedure to complete an "Advance Beneficiary of Non-Coverage" ("ABN"). This policy requires these patients without coverage to agree to pay for services out-of-pocket and with no reference to its financial assistance policy. Behavior of this type obscures the availability of charity care and conveys to patients that they have no option but to pay for their care or forgo that care. This effectively excludes these individuals based on ability to pay and results in a lack of equal access to planning area residents.

Sight Partners must further explain how its ABN policy is consistent with it being available and accessible to all members of the planning area. Within this policy, which Sight Partners states is required for patients with Medicare coverage that does not cover their procedure, prospective patients must choose across the options of:

- 1. Wanting the procedure with the understanding that they are financially responsible for payment, but requesting Empire first bill Medicare*
- 2. Wanting the procedure and agreeing to pay for all costs out of pocket*
- 3. Not wanting the procedure*

We observe no reference to Sight Partner's financial assistance policy, or information that eligible individuals may qualify for free or reduced-cost care. The Department asked about the Sight Partners' ABN in its first set of screening responses, which Sight Partners explained: "The patient is not disqualified based off of payer, the ABN documentation is provided to inform the patient that they may not utilize Medicare to pay for the service based on Medicare's rules."

However, requiring patients to sign this attestation of self-payment, with no information that eligible patients could qualify for financial assistance, functions to disqualify otherwise appropriate patients. Sight Partners should explain how these patients are informed of their potential eligibility for Charity Care and how this policy is consistent with equal access for planning area residents.”

Rebuttal Comments

SPP, PC provided the following statements to respond to the public comments. [source: April 19, 2022, rebuttal comments, pdf 6]

“The first line of Sight Partners Patients Rights states “As a patient of Sight Partners, you have the right to receive care in a safe setting regardless of race, color, gender, national origin, ability to pay....” The ABN CMS-R-131 form is a Medicare document created by the US government not by Sight Partners and therefore does not include information about our charity care policy. Our charity care policy has been provided in our 2nd screening response and it is made available to patients when discussing payment options.”

Department Evaluation of Sight Partners Physicians, PC

While the applicant for this project, SPP, PC is new, the previous owners have been operating both CN exempt and CN approved surgery centers in Washington State for many years. As a CN approved facility, SPP, PC is required to demonstrate that its healthcare services would be available all residents of the service area provided that the patient can be serviced in an outpatient setting. SPP, PC provided specific documents intended to demonstrate the new surgery center would meet this sub-criterion. Below is a review of each of the documents provided.

Governance Policy and Procedure

This policy includes the following language related to purpose:

“Sight Partners (Sight Partners) Governing Body assumes full legal responsibility and ensures policies are implemented in order to provide quality health care in a safe environment (CFR 416.41). The Governing Body is regulated by a governing document that has the consent of each member of the body, and each member will have equal voting authority, and will meet at least quarterly in one of the following manners: in person, phone conference or email. Minutes of each “official” Governance meeting are recorded and filed with the original rules and regulations. The medical staff will be accountable to the Governing Body (C FR 416.45).”

The policy also includes a detailed listing of responsibilities for the governing body.

Managing Partner, Medical Director, and Advisors Policy and Procedure

This policy includes the following guideline language:

“The Board of Sight Partners (Sight Partners) will nominate the Managing Partner. The MANAGING PARTNER will be the managing physician of Sight Partners, PC who will act as the representative of the Governing Body and, subject to its policies, is responsible for the efficient administration of all affairs of the organization and ambulatory surgical facility.

The Board of Sight Partners will appoint the Medical Director for a term of 2-3 years, which can be extended by mutual agreement of the Board and Medical Director.

The Board of Sight Partners will designate two Medical Advisors for a term of twelve months who, in the Medical Directors absence will exercise all of his/her responsibilities. There will be no limitation on number of terms that may be served. The Medical Advisors will meet with the Medical Director and Board of Sight Partners at least annually.”

The document includes requirements an individual must meet to qualify as a managing partner, medical director, and medical advisors.

Credentialing and Privileging Policy and Procedure

This policy includes the following policy language:

“Sight Partners (Sight Partners) will complete a process to assess and validate the qualifications of an individual who provides services to ensure that the individual has, and maintains, the specialized professional background which he or she claims and that the position requires.”

The ‘process’ section of this policy includes the process for credentialing and privileging; corrective action, including grounds for corrective action; investigation; and reporting to the Department of Health.

Patient Rights Policy and Procedure

This policy includes the following language:

“Sight Partners will ensure all patients, or their representative, are informed of their rights as patients in advance of the day of surgery and will actively protect and promote the exercise of such rights regardless of the type of procedure performed. Sight Partners will provide required verbal and written notifications in a language or manner which the patient, or the patient’s representative understands. A written copy of Sight Partners Patient Rights & Responsibilities will be displayed in an area where it can be seen by all patients, or their representative, entering the ASC.

- *At the time a surgical procedure is scheduled, the patient will be verbally informed that they have certain rights as a patient in our ASC.*
- *Patients will be given the information needed to make decisions regarding their care before a surgical or minor procedure is performed.*
- *When a patient schedules in person, a written copy of their rights and responsibilities will be provided to them in addition to verbal notification. If the patient schedules by phone, written notification of rights and responsibilities will be sent in a time frame which assures the patient, or their representative, receives it prior to the day of surgery.*
- *The only circumstance in which a patient is informed of their rights as a patient on the day of surgery, is when the referral to the ASC is made on the same day, the referring physician indicates in writing that it is medically necessary for the patient to have surgery on the same day, and that the ASC is a suitable setting for that patient. With such situations, notice must be provided prior to obtaining the patient’s informed consent and prior to the start of the surgical procedure.*
- *When necessary, Sight Partners will make use of translation services to communicate in a clear and thorough manner. If it is not possible to translate the written notification into a language the patient understands, comprehensive verbal communication and understanding of the patient’s rights via translator will be documented in the patient’s record. When the patient arrives on the day of surgery, the signed and dated Patient’s Rights & Responsibilities form will be included in the patient’s record.*
- *Reported incidents of abuse, neglect or harassment will be investigated (see Governing Policies, Patient Abuse or Neglect).*
- *Sight Partners will not take punitive action or discriminate against patients who exercise their rights.*
- *Patient consent will be obtained prior to permitting the presence, during treatment, of anyone not involved in the care of the patient.*
- *If a patient has been adjudged incompetent under applicable State laws by a court of proper jurisdiction, the person appointed under State law to act on the patient’s behalf may exercise any and all rights afforded to Sight Partners patients.”*

The Sight Partners – Patient Rights & Responsibilities document referenced in this policy includes the following non-discrimination language.

“As a patient of Sight Partners , you have the right to:

- *Receive care in a safe setting regardless of race, color, gender, national origin, ability to pay, religion, or sexual preference. ...”*

The policy provides a specific listing of patient rights and responsibilities. It also includes a ‘Notice of Advance Directives’ section. The policy, in its entirety, requires signature of the patient or patient guardian, if applicable.

Patient Admission, Assessment, and Discharge Policy and Procedure

This policy provides an extensive description of the guidelines used to assess a patient prior to surgery using the American Society of Anesthesia (ASA) physical status classifications. The policy also includes steps to discharge a patient post surgery.

Charity Care Policy and Procedure

This policy includes the following language in the ‘purpose’ section.

“Sight Partners (Sight Partners) allows for a charity care discount of up to 100% off the total visit cost to provide care for local indigent population.”

The policy includes documents and information a patient must provide in order to qualify for charity care, along with the “2016 Poverty Guidelines for the 48 Contiguous States and the District of Columbia.”

CSS, PS provided concerns regarding information in the project description section of the application that appears to disqualify a patient based on payer source. The department noted the language during the screening of the application and asked the following questions in its screening.

[source: Department’s October 13, 2021, screening letter, questions #8 and #9]

Question #8

The following section of the statements appears to disqualify a patient based on payer source. If this understanding is correct, explain how this disqualification conforms to the availability and accessibility criteria in WAC 246-310-210(2) and clarify what an ABN is.

Question #9

Explain what is meant by the phrase ‘cross-linking’ as referenced in the statement above.

SPP, PC provided the following responses to the two questions above. [source: December 13, 2021, screening response, pdfs 3-4]

Response to Question #8

“The patient is not disqualified based off of payer, the ABN documentation is provided to inform the patient that they may not utilize Medicare to pay for the service based on Medicare’s rules.”

Response to Question #9

“Cross-linking is not covered for age 65 and older, however patients can sign an ABN and have the procedure as self-pay.”

In response to CSS, PS’s comments, SPP, PC states that the ABN document is a Medicare form, not an EESC specific form, therefore it does not reference the surgery center’s Charity Care policy or provide any information regarding charity care. SPP, PC also refers to its Patient Rights and Responsibilities

document that “*will be displayed in an area where it can be seen by all patients, or their representative, entering the ASC.*” In that document is the language regarding nondiscrimination based on “*race, color, gender, national origin, ability to pay, religion, or sexual preference. ...*” [underlining added]

Based on the rebuttal responses and references provided by SPP, PC, the department disagrees with the CSS, PS assertion that EESC may not be available to all residents of the service area.

In conclusion, with the exception of the charity care policy, all policies provided in the application cover the information necessary to ensure EESC’s intended compliance with this sub-criterion.

Since the Charity Care Policy includes the 2016 Federal poverty guideline information, the department would consider this policy to be a draft. If this project is approved, the department would include a condition requiring SPP, PC to provide a copy of the Charity Care Policy with the most recent Federal Poverty Guides included.

If this project is approved, the department will attach a condition requiring SPP, PC to obtain both Medicare and Medicare certification for EESC and a Washington State license. The applicant provided its historical payer mix for the surgery center and stated that the payer mix is not expected to change if this project is approved. [source: Application, pdf 33] The historical and projected payer mix is shown in the table below.

Applicant’s Table

Payer	Percentage Revenue	by	Percentage Patient	by
	<u>WAC 246-310-220(1)</u>	<u>246-310-</u>	<u>WAC 246-310-210(2)</u>	<u>246-310-</u>
Medicare	35%		40%	
Medicaid	2%		4%	
Commercial Payer	18%		18%	
Self Pay	42%		35%	
Federal (Tricare & Veteran Affairs)	3%		3%	
Total	100%		100%	

Based on this information above, the department concludes that approval of this project has the potential to increase or maintain the availability and accessibility of ophthalmic outpatient services to the residents of Spokane County.

Based on the information reviewed and with SPP, PC’s agreement to the conditions referenced above, the department concludes **this sub-criterion is met.**

WAC 246-310-270(7) – Charity Care Requirement

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

This evaluation will present each applicant’s information provided under this sub-criterion and review compliance for all three projects in one evaluation summary.

Columbia Surgical Specialists, PS

In response to this sub-criterion, CSS, PS provided the following information and table. [source: Application, pdfs 35-36]

“Columbia Surgery Center, in its financial projections for the proposed project, assumes charity care to be 0.79% of total or gross revenue. This figure is consistent with the Spokane County Planning Area Charity Care average of 0.79% over the 2016 to 2018 period (Table 12).”

Applicant’s Table

Hospitals	2016	2017	2018	2016 to 2018 Average
Spokane County PA				
% Total Patient Service Revenue	0.58%	0.74%	1.06%	0.79%
% Adjusted Patient Service Revenue	1.84%	2.39%	2.39%	2.21%

Source: DOH Charity Care Reports, 2016-2018

Notes:
 Total patient service revenue includes revenue across all sources. Adjusted patient service revenue reflects total patient service revenue, less revenue from Medicare and Medicaid. Hospitals within the Spokane County Planning Area reporting charity care amounts include MultiCare Deaconess and Valley hospitals, Providence Holy Family and Sacred Heart hospitals, and the Shriners’ Hospital for Children.

No public comments were submitted for this sub-criterion.

Iron Bridge Surgery Center, LLC

The applicant provided the following information related to this sub-criterion. [source: Application, pdf 20]

“Consistent with WAC 246-310-270(7), Iron Bridge Surgery Center will offer charity care in an amount equal to or greater than the average percentage of total patient revenue, other than Medicare or Medicaid, that affected hospitals in the planning area utilized to provide charity care in the last available reporting year.”

Applicant’s Table

Planning Area Hospital 3-year Average Charity Care as a Percentage of Total Revenue	2.65%
Projected Facility Charity Care as a Percentage of Total Revenue	2.65%

No public comments were submitted for this sub-criterion.

Sight Partners Physicians, PC

The applicant provided the following information related to this sub-criterion. [source: Application, pdf 26]

“Empire Eye does not have the historical dollar amounts available. The projected amount is based off the CN requirement for a CN-approved project.”

Applicant's Table

Planning Area Hospital 3-year Average Charity Care as a Percentage of Total Revenue	0.57%
Projected Facility Charity Care as a Percentage of Total Revenue	0.6%

See Exhibit 12

No public comments were submitted for this sub-criterion.

Department Evaluation – WAC 246-310-270(7) – Charity Care Requirement For All Three Applicants

The 2019 Report of Charity Care in Washington Hospitals offers the following analysis of charity care costs across Washington State Hospitals as impacted by the Affordable Care Act (ACA):

“In 2013, as a result of the Affordable Care Act, Washington saw the first decline in the amount of charity care reported by hospitals since the department began gathering these data in 1989. That decline, however, has ceased and charity care has been increasing again. Charity care rates in Washington in 2019 have remained similar to levels in 2018, which includes slight increases in revenue and slight increases in charity care. Charity care charges increased 24 percent between 2017 and 2018, but only 9.3 percent between 2018 and 2019, so the rise may be slowing.” [source: 2019 Washington State Charity Care in Washington Hospitals]

The Certificate of Need Program recognizes that charity care in Washington State is expected to increase in coming years since ACA penalties are removed for lack of insurance coverage. Current data confirms hospitals are beginning to see an increase in charity care costs.

For charity care reporting purposes, Washington State is divided into five regions: King County, Puget Sound (less King County), Southwest, Central, and Eastern. All three applications propose a new surgery center in Spokane County within the Eastern Region. For this review, the department focused on years 2018, 2019, and 2020 charity care data reported by the hospitals in the region.¹⁵

Currently there are 21 hospitals operating within the Eastern Region, and of those, there are four acute care hospitals that may be affected by approval of a new surgery center in Spokane County. The four hospitals are:

- MultiCare Deaconess Hospital located at 800 West 5th Avenue in Spokane [99204]
- MultiCare Valley Hospital located at 12606 East Mission Avenue in Spokane Valley [99216]
- Providence Holy Family Hospital located at 5633 North Lidgerwood Street, Spokane [99208]
- Providence Sacred Heart Medical Center located at 101 West 8th Avenue in Spokane [99204]

The table on the following page compares the three-year historical average of charity care provided by all hospitals operating in the Eastern Region, the combined charity care percentages for the four hospitals that may be affected by approval of any Spokane County ASC project, and each applicant's projected charity care percentages for the proposed surgery center.

[source: Department of Health's charity care reports for years 2018, 2019, and 2020 and Columbia Surgery Center November 16, 2021, screening response, Revised Exhibit 10; Iron Bridge Surgery Center February 22, 2022, screening response, Exhibit C; and Empire Eye Surgery Center Application, February 22, 2022, screening response, Exhibit 1]

¹⁵ As of the writing of this evaluation, year 2021 charity care data is not yet available.

**Department's Table 4
Charity Care – Three Year Average**

	% of Total Revenue	% of Adjusted Revenue
Eastern Region	1.20%	3.40%
Four Combined Hospitals	1.13%	3.23%
Columbia Surgery Center	1.33%	2.49%
Iron Bridge Surgery Center	0.46%	0.98%
Empire Eye Surgery Center (Sight Partners)	0.80%	1.27%

For the Columbia Surgery Center project, the applicant projected to provide charity care at a higher average than both the regional average and the four hospital average. If this project is approved, the department will attach a charity care condition to ensure compliance with the policy. The department will not recalculate the applicant's projected percentages.

For the Iron Bridge Surgery Center project, the applicant is projecting to provide charity care well below the average for both the region and the four hospitals. As a result, the department recalculated the charity care dollars to be provided at IBSC ASC to be consistent with the combined average for the four hospitals. The results are shown in the table below.

**Department's Table 5
Iron Bridge Surgery Center Recalculated Charity Care
Based on Four Hospitals Combined Average of Adjusted Revenue**

	IBSC Gross Revenue	IBSC Proposed	IBSC Recalculated
Year 1 - 2023	\$16,800,000	\$77,000	\$189,638
Year 2 - 2024	\$17,304,000	\$79,310	\$195,328
Year 3 - 2025	\$17,823,120	\$81,689	\$201,187

Taking the recalculations above into account, the department will also apply the increased charity care amounts to the IBSC, ASC financial feasibility criteria in WAC 246-310-220(1) of this evaluation. Further, if this project is approved, the department will attach a charity care condition to ensure compliance with the policy.

For the Empire Eye Surgery Center project, the applicant is projecting to provide charity care well below the average for both the region and the four hospitals. As a result, the department recalculated the charity care dollars to be provided at EESC to be consistent with the combined average for the four hospitals. The results are shown in the table below.

**Department's Table 6
Empire Eye Surgery Center Recalculated Charity Care
Based on Four Hospitals Combined Average of Adjusted Revenue**

	EESC Gross Revenue	EESC Proposed	EESC Recalculated
Year 1 - 2024	\$2,363,249	\$18,906	\$26,676
Year 2 - 2025	\$2,427,057	\$19,416	\$27,397
Year 3 - 2026	\$2,492,588	\$19,941	\$28,136

Taking the recalculations above into account, the department will also apply the increased charity care amounts to the EESC financial feasibility criteria in WAC 246-310-220(1) of this evaluation. Further, if this project is approved, the department will attach a charity care condition to ensure compliance with the policy.

Each applicant acknowledged the requirement under WAC 246-310-270(7) to provide charity care. The department concludes that **with agreement to a charity care condition, each application meets this sub-criterion.**

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

WAC 246-310-210(3), (4), and (5) above do not apply to any of these three projects under review.

B. FINANCIAL FEASIBILITY (WAC 246-310-220)

Columbia Surgical Specialists, PS

Based on the source information reviewed and agreement to the conditions identified in the conclusion section of this evaluation, the department concludes that Columbia Surgical Specialists, PS meets the applicable financial feasibility criteria in WAC 246-310-220.

Iron Bridge Surgery Center, LLC

Based on the source information reviewed, the department concludes that the Iron Bridge Surgery Center, LLC project has not met the applicable financial feasibility criteria in WAC 246-310-220.

Sight Partners Physicians, PC

Based on the source information reviewed and agreement to the conditions identified in the conclusion section of this evaluation, the department concludes that Sight Partners Physicians, PC meets 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.*

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

To evaluate this sub-criterion, the department reviews the assumptions provided by an applicant, projected revenue and expense (income) statements, and projected balance sheets. The assumptions are the foundation for the projected statements. The income statement is a financial statement that reports a company's financial performance over a specific period—either historical or projected. Projected financial performance is assessed by giving a summary of how the business expects its revenues to cover its expenses for both operating and non-operating activities. It also projects the net profit or loss incurred over a specific accounting period.¹⁶

The purpose of the balance sheet is to review the financial status of company at a specific point in time. The balance sheet shows what the company owns (assets) and how much it owes (liabilities), as well as the amount invested in the business (equity). This information is more valuable when the balance sheets for several consecutive periods are grouped together, so that trends in the different line items can be viewed.

As a part of its review, the department must determine that a project is financially feasible – not just as a stand-alone entity, but also as an addition to its existing operations, if applicable. To complete its review, the department may request an applicant to provide projected financial information for the parent corporation if the proposed agency would be operated under the parent.

Columbia Surgical Specialists, PS

This project proposes the conversion of an existing, operational CN exempt surgery center to a CN approved surgery center. The surgery center would continue to operate with four ORs and provide the

¹⁶ One purpose behind the income statement is to allow key decision makers to evaluate the company's current situation and make changes as needed. Creditors use these statements to decide on loans it might make to the company. Stock investors use these statements to determine whether the company represents a good investment.

following services: ENT, Colon & Rectal Surgery, General Surgery, Plastic Surgery, Gastroenterology, Gynecology, Maxillofacial, Ophthalmology, Oral Surgery, Orthopedics, Pain Management, Pediatric Dentistry, Podiatry, and Urology. [source: Application, pdf 9]

CSS, PS provided extensive assumptions used to project the surgical volumes for projection years 2022 through 2025. For brevity, the assumptions are not repeated in this evaluation, rather the factors used are summarized below. [source: Application, pdfs 24 - 32]

- Historical volumes for services currently provided at CSC;
- Surgical rates using ICD-9 procedure codes derived from the National Center for Health Statistics survey study for new services to be provided at the surgery center;
- Spokane County 2019 population and utilization rate of 1,560.3 of surgeries in 2019; and
- Market share assumptions using historical utilization of CSC for services currently provided and a range of 0.5% - 1.0% market share for the new services to be provided.

CSS, PS estimated its projected number of surgeries by type by applying its calculated market share percentages to the number of surgeries for the projected county in each of the projection years.

Based on the assumptions summarized above, CSS, PS provided its projected number of surgeries at CSC by procedure type for historical year 2021, and projection years 2022 through 2025. [source: Application, pdf 24 and November 16, 2021, screening response, pdf 3]

**Department's Table 7
Columbia Surgery Center Project Utilization for Years 2021 through 2025**

	Year 2021 Historical	Year 2022 Projected	Year 2023 Projected	Year 2024 Projected	Year 2025 Projected
ENT	3,009	2,980	2,952	2,984	3,016
Colon Rectal/Gastroenterology	822	827	833	842	851
General Surgery	1,532	1533	1,535	1,551	1,568
Gynecology	0	5	10	10	10
Maxillofacial	0	6	13	13	13
Ophthalmology	0	35	71	72	73
Oral Surgery	0	46	92	93	94
Orthopedics	0	18	37	37	38
Pain Management	0	2	4	4	4
Plastic Surgery	31	33	36	36	36
Podiatry	0	18	37	37	38
Urology	0	17	34	34	35
Total	5,394	5,520	5,654	5,713	5,776

CSS, PS provided the projected payer mix for the surgery center and provided the following clarification of the assumptions used to determine the projected payer mix. [source: Application, pdf 38 and July 22, 2021, screening response, pdfs 9-10]

Applicant’s Table – Historical and Projected Payer Mix

Columbia Surgery Center Payer Mix, 2019	Percentage by Revenue WAC 246-310-220(1)	Percentage by Patient WAC 246-310-210(2)
Medicare	21.26%	13.19%
Medicaid	25.32%	29.60%
Commercial/HMO	44.83%	47.58%
Other Government	5.96%	5.35%
Other/Misc.	0.75%	0.88%
Self-Pay	1.87%	3.40%
Total	100.00%	100.00%

“As discussed in our application, Columbia Surgery Center currently provides surgical services relating to the specialties of ENT, Colon & Rectal Surgery, General Surgery, and Plastic Surgery. With CN approval, it will add the specialties of Gastroenterology, Maxillofacial, Ophthalmology, Oral Surgery, Orthopedics, Pain Management, Pediatric Dentistry, and Podiatry.

As identified by the Department, within our application we assumed the payer mix over the forecast period to equal the 2019 payer mix for Columbia Surgery Center. This assumption of a constant payer mix was made despite the expansion of specialties described above. It may be reasonable to expect variation in the payer mix due to the specialty expansion, however the direction of this variation is unknown. We know of no data source that provides payer distribution data by surgical specialty, and it is difficult to form reliable expectations about the direction of the impact from the specialty expansion on the future payer mix.

In some cases, it may be possible to form qualitative expectations about the impact on the payer mix from the addition of a given specialty. For example, patients receiving services related to the specialty Pediatric Dentistry are unlikely to be insured under Medicare sponsored plans. If this were the only specialty added, it is arguably reasonable to anticipate a lower proportion of Medicare sponsored patients following CN approval and the specialty expansion. However, Columbia Surgery Center will also add pain management services, whose patient population may be more weighted towards older (i.e., Medicare sponsored) individuals. As such, given the multiple specialties added and likely competing impacts, we do not anticipate the payer mix to differ substantially between the existing specialties and new specialties.

Most importantly, although it is difficult to predict the direction of the payer mix impact from the specialty expansion, it is possible to infer the magnitude. In 2024, we project 301 cases across these new specialties, and 5,413 cases across the existing specialties. The share of new cases is thus projected to equal about 5.3% of new cases. Since the proportion of cases across the new specialties is relatively low, the payer distribution of these new specialties would have to be dramatically different from the historical payer mix of Columbia Surgical Specialists to make a meaningful impact. For example, the projected payer mix assumes approximately 25% of patients will be Medicaid sponsored. If the share of Medicaid sponsored patients among the new specialties was equal to 50%, a significant difference which we propose for illustrative purposes only, this would increase the overall proportion of Medicaid sponsored patients from 25% to 26.3% percent. Even if we had reason to believe the payer mix of the additional specialties differed from the historical payer mix of Columbia Surgery Center, which we do not, this is not a meaningful impact.

Since (1) we do not know the underlying payer distribution of the future specialties, (2) have no reason to expect this distribution to diverge significantly from the historical payer mix at Columbia Surgery

Center, and (3) any impact of variation in the payer distribution is likely to be small in magnitude, we felt it was most reasonable to simply assume the 2019 payer mix over the forecast period.”

Within the application materials, CSS, PS provided both historical and projected financial statements. The assumptions CSS, PS used to project revenue, expenses, and net income for CSC with four ORs and the expanded services are below. [source: November 16, 2021, screening responses, Revised Exhibit 10]

Applicant’s Table

COLUMBIA SURGICAL SPECIALISTS, P.S. ASC Revenue and Expense Assumptions	
Revenue Category	Assumption
Gross revenue	Projected 2021-2025 based on 2019 gross revenue/case equal to \$3,293.01
Bad Debt	2018-2020 Actual Bad Debt written-off; Projected 2021-2025 based on ratio of 2019 bad debt/case equal to \$17.70
Charity Care	Projections based on 1.33% of Gross Revenue
Contractual Adjustments	Projected 2021-2025 based on average 2019 contractual allowance/case equal to \$1,701.64
Total Deduction from Revenue	Calculated
Net patient service revenue	Calculated
Expense Category	Assumption
Salaries and wages	See FTE Schedule for Projections. Includes the occupational positions ASC Director, Assistant Nurse Manager, Buyer, Surgical Tech, RN, LPN, Nurse Aide, and Health Unit Coordinator.
Employee benefits	Projected 2021-2025 based on 2019 EE Benefits as a % of Salaries/Wages 24.4%
Gen Admin/SS allocated wages	See FTE Schedule for Projections. Includes the occupational positions Administration/Accounting/Marketing, Facilities, IT Support, Billing and Collection, and Scheduling Coordinator.
Gen Admin/SS allocated benefits	Projected 2021-2025 based on 2019 EE Benefits as a % of Salaries/Wages 24.4%
Medical/surgical supplies	Projected 2021-2025 based on 2019 exp/case equal to \$559.94
Office supplies	Projected 2021-2025 based on 2019 exp/case equal to \$12.62
Building/occupancy	Same as 2019 annual equal to \$571,121; allocated on sq footage of leased space
Depreciation	Same as 2020 annual equal to \$147,709; assuming no change in the projected years (2021-2024)
Professional fees	Projected 2021-2025 based on 2019 exp/case equal to \$0.06
Purchased services	Projected 2021-2025 based on 2019 exp/case equal to \$20.43
Telephone/communications	Projected 2021-2025 based on 2019 exp/case equal to \$4.90
Postage	Projected 2021-2025 based on 2019 exp/case equal to \$2.05
Marketing/public relations	Projected 2021-2025 based on 2019 exp/case equal to \$1.10
Computer services	Projected 2021-2025 based on 2019 exp/case equal to \$15.75
Interest expense	Assumed equal to zero based on historical actuals and absence of debt
Taxes/licenses	Washington State Excise tax = 1.75% of net patient service revenue
Miscellaneous/other	Projected 2021-2025 based on 2019 exp/case equal to \$1.16

CSS, PS also provided the following clarification regarding some of the line items identified in the table above. [source: July 22, 2021, screening response, pdfs 13-14]

- “The Medical Director referenced in the application is compensated by Columbia Surgical Specialists clinic, not by the Columbia Surgery Center ASC. This compensation is thus separate from the Pro Forma financials submitted in Exhibit 10 of our application.
- As specified in Exhibit 11, monthly rent is fixed and equal to \$70,000. Additionally, the lessee is responsible for “operating costs” including insurance, building and equipment repair and maintenance, and property taxes. The amounts within the Pro Forma included as Exhibit 10 assume the 2019 values, equal to \$571,121 (\$47,593 per month), fixed over the forecast period. Please see Table 1 for the breakout of Building/Occupancy costs into its separate components.”

Applicant’s Table

Expense:	Actual			Projected			
	2018	2019	2020	2021	2022	2023	2024
Office Lease	\$ 280,570	280,555	280,627	280,555	280,555	280,555	280,555
Property Insurance	\$ 6,372	7,193	9,684	7,193	7,193	7,193	7,193
Building Repair & Maintenance	\$ 43,033	65,617	52,998	65,617	65,617	65,617	65,617
Utilities	\$ 41,992	49,013	43,948	49,013	49,013	49,013	49,013
Leased Equipment	\$ 796	362	-	362	362	362	362
Property tax	\$ 33,689	32,367	29,073	32,367	32,367	32,367	32,367
Equipment Repair & Maintenance	\$ 129,594	134,716	124,928	134,716	134,716	134,716	134,716
Other Office & Occupancy	\$ 16,333	1,298	1,508	1,298	1,298	1,298	1,298
TOTAL BUILDING/OCCUPANCY EXPENSE	\$ 552,380	571,121	542,767	571,121	571,121	571,121	571,121

Based on the assumptions described above, CSS, PS provided its historical and projected Revenue and Expense Statements for CSC showing years 2018 through 2025. Years 2020 through 2025 are summarized in the table below. [source: November 16, 2021, screening response, Revised Exhibit 10]

**Department’s Table 8
Columbia Surgery Center
Historical, Current, and Projected Revenue and Expense Statement Summaries**

	Year 2020 Historical	Year 2021 Historical	Year 2022 Projected	Year 2023 Full Year 1	Year 2024 Full Year 2	Year 2025 Full Year 3
Net Patient Revenue	\$7,318,502	\$8,252,136	\$8,446,430	\$8,646,843	\$8,741,695	\$8,836,548
Minus Total Expenses	\$6,311,951	\$7,457,447	\$7,556,514	\$7,658,159	\$7,698,136	\$7,738,112
Net Profit / (Loss)	\$1,006,551	\$794,689	\$889,916	\$988,684	\$1,043,559	\$1,098,436

CSS, PS also provided both historical and projected balance sheets for this project. Years 2020 through 2025 are summarized in the table on the following page. [source: July 22, 2021, screening response, Revised Exhibit 10 and November 16, 2021, screening response, Exhibit 10]

**Department's Table 9
Columbia Surgery Center
Historical, Current, and Projected Balance Sheet Summaries**

Assets	Year 2020 Historical	Year 2021 Historical	Year 2022 Projected
Current Assets	\$2,551,082	\$2,484,172	\$2,209,839
Property & Equipment	\$488,126	\$440,417	\$542,707
Other Assets	\$0	\$0	\$0
Total Assets	\$3,039,208	\$2,924,589	\$2,752,546

Liabilities	Year 2020 Historical	Year 2021 Historical	Year 2022 Projected
Current Liabilities	\$1,530,572	\$1,336,485	\$1,075,450
Long Term Debt	\$0	\$0	\$0
Equity	\$1,508,636	\$1,588,105	\$1,677,096
Total Liabilities & Equity	\$3,039,208	\$2,924,590	\$2,752,546

Assets	Year 2023 Full Year 1	Year 2024 Full Year 2	Year 2025 Full Year 3
Current Assets	\$2,728,934	\$2,791,030	\$2,858,721
Property & Equipment	\$594,998	\$697,289	\$799,580
Other Assets	\$0	\$0	\$0
Total Assets	\$3,323,932	\$3,488,319	\$3,658,301

Liabilities	Year 2023 Full Year 1	Year 2024 Full Year 2	Year 2025 Full Year 3
Current Liabilities	\$1,547,968	\$1,607,999	\$1,668,137
Long Term Debt	\$0	\$0	\$0
Equity	\$1,775,965	\$1,880,321	\$1,990,164
Total Liabilities & Equity	\$3,323,933	\$3,488,320	\$3,658,301

No public comments were submitted for this sub-criterion.

Department Evaluation of Columbia Surgical Specialists, PS

To evaluate this sub-criterion, the department first reviewed the assumptions used by CSS, PS to determine the projected number of procedures and utilization of the surgery center with a total of four ORs. For services currently provided at the CN exempt surgery center, the applicant relied on historical data including market shares. For new services not previous provided by the applicant, the applicant relied on National Center for Health Statistics survey study information. Both approaches by CSS, PS are well-explained and reasonable.

CSS, PS based its revenue and expense assumptions on year 2019 historical figures or contracts currently in place. Some categories were held constant and other categories were estimated as a percent of anticipated revenue, this approach is reasonable.

The pro forma Revenue and Expense statements show CSC’s revenues have historically covered expenses, and while net profits are expected to decrease from year 2020 (\$1,006,551) to year 2021 (\$794,689), revenues would continue to cover expenses in projection years 2022 through 2026, the third full year of operation. The pro forma Balance Sheet shows assets are also projected to increase for each of the projection years.

In the ‘need’ section of this evaluation, the department concluded that the applicant demonstrated need for the four ORs in the planning area. The department concludes the basis for the financial projections are considered reasonable and reliable.

Based on the information submitted, the department concludes that the immediate and long-range operating costs of the project can be met. If this project is approved, the department would attach a charity care condition consistent with past surgical center projects. **This sub-criterion is met.**

Iron Bridge Surgery Center, LLC

This project proposes the establishment of 5-OR surgery center dedicated to urologic procedures. The new facility would be constructed and operated at 1401 East Trent Avenue, Suite #100 in Spokane. [source: Application, pdf 11] If this project is approved, the applicant anticipates it will be operational in June 2022. [source: February 22, 2022, screening response, pdf 3]

While the surgery center that is the focus of this review is a new facility and not yet operational, the applicant acknowledges that Spokane Urology is an existing, CN exempt surgery center that is operated by some of the physician owners. As a result, IBSC, LLC relied on its historical experience from the Spokane Urology surgery center to determine utilization of the new, IBSC, ASC. Assumptions used to project the surgical volumes for projection years 2023 through 2026 are below. [source: December 13, 2021, screening response, pdfs 2-4]

Utilization Assumptions

“The physicians who are anticipated to use Iron Bridge Surgery Center upon project completion are the physician owners and employees of Spokane Urology. Accordingly, in projecting the number of surgeries for the first three years of operation, Iron Bridge Surgery Center included the number of surgeries historically performed by these Spokane Urology physicians on an inpatient basis that are eligible to be performed on an outpatient basis – at significant savings to patients and payors.”

Market Share Assumptions

“Iron Bridge Surgery Center’s projected market share of patients is conservatively based on the physicians who are anticipated to use Iron Bridge Surgery Center upon project completion and the number of surgeries historically performed by these physicians. These are the physician owners and employees of Spokane Urology. In projecting its market share, Iron Bridge Surgery Center used the number of surgeries historically performed by these Spokane Urology physicians on an inpatient basis that are eligible to be performed on an outpatient basis.”

Based on the assumptions stated above, IBSC, LLC provided its projected number of procedures IBSC, ASC. The table on the following page shows both historical and projected procedures. [source: Application, pdf 12 and February 22, 2022, screening response, pdf 2]

**Department's Table 10
Historical and Project Utilization for Years 2019 through 2025**

	Year 2019 Historical	Year 2020 Historical	Year 2021 Historical	Year 2022 Projected	Year 2023 Projected	Year 2024 Projected	Year 2025 Projected
Urology	3,617	4,025	4,244	2,267	3,200	3,296	3,395

IBSC, LLC provided the historical and projected payer mix for the surgery center and provided the following clarification of the assumptions used to determine the projected payer mix. [source: Application, pdf 22, and December 13, 2021, screening response, pdf 3]

Payer Mix Assumptions

“The physicians who are anticipated to use Iron Bridge Surgery Center upon project completion are the physician owners and employees of Spokane Urology. Accordingly, in projecting the payor mix for the first three years of operation, Iron Bridge Surgery Center used the payor mix of the surgeries historically performed by these Spokane Urology physicians on an inpatient basis that are eligible to be performed on an outpatient basis – at a significant savings to patients and payors.”

Applicant's Historical Payer Mix Percentage by Patient

Payer	2021	2020	2019
Medicare	61%	55%	55%
Medicaid	8%	11%	11%
Other Payers:			
Other Government Payors	4%	4%	3%
Worker's Compensation	0%	1%	0%
Commercial Payors	26%	28%	30%
Self-pay	1%	1%	1%
Total	100%	100%	100%

Applicant's Projected Payer Mix

Payer	Percentage by Patient	Percentage by Revenue
Medicare	55%	46%
Medicaid	11%	7%
Other Payers:		
Other Government Payors	4%	4%
Worker's Compensation	1%	0%
Commercial Payors	28%	41%
Self-pay	1%	2%
Total	100%	100%

Within the application materials, IBSC, LLC provided projected financial statements. The assumptions used to project revenue, expenses, and net income for IBSC, ASC with five ORs are below. [source: February 22, 2022, screening responses, Exhibit B]

“General Assumptions

- 1. Projections have been provided for the six months ended December 31, 2022, and for the calendar years 2023 through 2026. IBSC anticipates opening July 1, 2022. Note: The financial projections have been modified from the projections originally submitted to reflect a later project completion*

date and also extended the projection period to 2026. Due to the interactive nature of IBSC's projection model, this change resulted in non-substantive changes to various revenues and costs.

2. IBSC is a new start-up ASF. Spokane Urology does not own or manage any other ASF. Therefore, no historical financial data is available.
3. All expenses have been escalated using a 3% inflation factor. Although inflation is currently at approximately 7%, IBSC expects that this is transitory, and based on forecast data published by the US Department of Commerce and Goldman Sachs, inflation will stabilize closer to historical levels by the end of 2022 and beyond.
4. Operating cost data for projections has been obtained from the following sources (collectively 'Information Sources'):
 - a. Intellimarker 2018, an ASC industry survey of multi-specialty surgery centers nationally (<https://intellimarker.com/content/intellimarker>) adjusted for single specialty urology.
 - b. Avanza Healthcare Strategies, a national ambulatory surgery center development and operations management company (<https://avanzastrategies.com>)
 - c. Specialty Networks, a national consulting practice specializing in operational and strategic consulting to the urology industry (<https://www.urogpo.us.com>)
 - d. Other single specialty urology surgery centers located in Arkansas, Illinois and Oregon.

Revenues

- Revenues are based on an annualized (12 month) volume of 3,200 cases.
- Year 2022 reflects 6 months of operations – July to December 2022. This period includes a 'ramp-up' of cases as follows:
 - July – 25% of projected annualized cases
 - August – 50% of projected annualized cases
 - September – 75% of projected annualized cases
 - October to December – 100% of projected annualized cases
- The percentage increase from 2022 to 2023 therefore reflects this six-month start-up period and the ramp-up assumption.
- Year 2023 reflects the first full year projected utilization. The first-year annualized cases increase by 3% per year in years 2023 through 2026. This increase percentage was used to reflect that IBSC will be recruiting new surgeons in 2022 and 2023.

Salaries and Wages

- IBSC relied on the following standards in projecting the number and types of FTEs for the proposed project. See Exhibit B.
 - American Society of Peri Anesthesia Nurses ("ASPAN") guidelines, including ASPAN's Peri Anesthesia Nursing Standards, Practice
 - Recommendations and Interpretative Statements, and Association of Peri Operative Registered Nurses ("AORN") guidelines, including AORN's Position Statement on Perioperative Safe Staffing and On-Call Practices.
- The staffing plan was also based on the ASF's projected cases, hours of operation, and number of procedure rooms, and prepared by Avanza Healthcare Strategies and IBSC's Administrator, both with experience in the management of ambulatory surgery centers.
- Base salaries were based on the individual staffing positions using Spokane Urology's experience.
- Benefits are projected at 25% of base salary and are based on Spokane Urology's historical experience.

Medical Supplies, Pharmacy and Laboratory Costs

The cost of medical supplies, pharmacy and laboratory costs are projected at \$275 per case. These costs are based on data received from Information Sources and Spokane Urology's actual experience at its office-based procedure room

Office Supplies

The cost of office supplies includes letterheads, forms, ink, paper, etc. based on Spokane Urology's actual experience at its clinic and office-based procedure room operations

Medical Director Fees

Medical Director fees include the annual stipend to be paid to ASF's Medical Director per agreement included herein.

B&O Tax

B&O tax includes 1.5% of net revenue, the rate imposed by Washington State.

Equipment Lease and Maintenance

The ASF's office equipment and phone system's rental, maintenance and service costs are based on Spokane Urology's actual experience at its clinic operations and quotes received from suppliers.

Building Rent

The ASF will rent space at the Iron Bridge Building pursuant to a lease between IBSC and the landlord at the rate of \$30 per rentable square foot for 9,327 square feet, escalated at 2.5% per annum.

Depreciation

The equipment capital expenditures are depreciated on a straight-line basis over 5 years.

Insurance

The general liability and professional liability insurance annual premiums are based Spokane Urology's actual experience at its clinic operations.

Utilities and Facility Expenses

The ASF's share of building operating costs include property insurance, repairs and maintenance, property taxes, utilities, and janitorial at \$7.75 per square foot based on Landlord's historical experience.

Laundry and Linens

Laundry and linen cleaning service costs are based on Information Sources

Legal, Billings, Services and Management Fees

- The ASF's legal fees assumed to be \$10,000 per year for general corporate compliance and advisory services. This is based on Spokane Urology's actual experience at its clinic operations.
- Accounting fees of \$20,000 per year include costs for monthly financial reporting, tax return preparation, corporate compliance and advisory services. This is based on Spokane Urology's actual experience at its clinic operations.
- Billings services are estimated to be 3.5% of net revenue, based on rates proposed by surgery center billing services.
- Licensure, certification and accreditation expenses include Joint Commission and other survey and inspection annual costs based on the agency's fee schedules.

- *Payroll expenses include \$15,000 per year for third party payroll processing services and outsourced human resources services (in lieu of hiring human resources department). These services will be provided by Spokane Urology*
- *Management fees include \$5,000 per year for use of third party operational advisory services including financial performance, operational efficiencies, patient satisfaction, staff evaluations and regulatory compliance. Management fees are provided pursuant to the agreement included herein.*

Marketing and Public Relations

Costs for patient educational materials, advertising, and community health events are based on Information Sources.

Data and Voice

Data, voice and security hardware and software maintenance and programming services with third party IT consultant based on Spokane Urology experience with their clinic operations.

Transcription

The ASF will utilize the services of a third-party transcription service. The cost is based on fee schedules by these services.

Minor Equipment and Instruments

\$35,000 per year budget for replacements of minor equipment and instruments from breakage and wear. This cost is based on a survey of other urology surgery centers.

Interest Expense

- *Interest expense is for the equipment loan and revolving line of credit. See attached calculations and equipment loan amortization table.*
- *IBSC will finance equipment purchases from its equipment loan (see Term Sheet) and will finance start-up expenses and working capital requirements from its revolving line of credit (see Term Sheet).*
- *No interest expense is provided for the tenant improvement expenditures since the Landlord will fund 100% of the costs.*

Miscellaneous

Miscellaneous expenses include holiday and other staff functions, healthcare conferences and symposiums, food and beverage (staff, patients, waiting room), postage and shipping, urology and outpatient surgery association membership fees, and publication subscriptions. The projection is based on Information Sources.”

IBSC, LLC provided a copy of the Iron Bridge Surgery Center, LLC Operating Agreement and explained that it is a corporate document that governs the applicant as a Washington limited liability company pursuant to chapter 25.15 RCW. The applicant further clarified that there are no costs associated with the operating agreement that should be included in the financial statements provided in the application. [source: December 13, 2021, screening response, pdf 6]

IBSC, LLC also provided a copy of the Oversight Consulting Services Agreement between American Medical Buildings, LLC and Iron Bridge surgery Center, LLC. It was executed on February 15, 2022. Costs associated with the agreement are identified in Section 5.1 and are identified at \$60,000 for year one and include an annual 3.0% increase for each year thereafter.

IBSC, LLC provided the following table that connects the lease costs in the lease agreement with the costs in the pro forma Revenue and Expense Statement. [source: December 13, 2021, screening response, pdf 42]

Applicant's Table

		Projected	Projected	Projected	Projected
		2022	2023	2024	2025
Iron Bridge Surgery Center, LLC Building Rent for CON Application					
Square feet per lease		9,327	9,327	9,327	9,327
Annual base rent escalator per lease			2.50%	2.50%	2.50%
Base rent per month per lease	\$ 23,317.50				
Building rent per Income Statement		\$ 279,810	286,805	293,975	301,325

Additionally, IBSC, LCC, provided the following information and corrections regarding line items in the projected statement. [source: March 11, 2022, supplemental screening response, pdfs 1-2]

- *“The assumptions have been revised to correct typographic error. The management fee is \$5,000 per month (not the \$5,000 per year as previously indicated).”*
- *The assumptions for licensure and accreditation have been revised to show the applicable amounts.*
- *The Department of Health’s table for Legal/Billing/Services/Management is incorrect. Please see correct breakdown in the table below.”*

Applicant's Table

	Projected 6 mos. ended 2022	Projected Year ended 2023	Projected Year ended 2024	Projected Year ended 2025	Projected Year ended 2026
Legal	5,000	10,000	10,000	10,000	10,000
Accounting	10,000	20,000	20,000	20,000	20,000
Billing	70,652	188,405	194,057	199,875	205,884
Licensure/Accreditation	7,500	15,000	3,550	14,090	1,600
Payroll	15,000	15,000	15,000	15,000	15,000
Management Fees	30,000	60,000	61,800	63,654	65,564
	138,152	308,405	304,407	322,619	318,048

Based on the assumptions described above, IBSC, LLC provided its projected Revenue and Expense Statements for IBSC, ASC showing projection years 2022 through 2026 summarized in the table below. [source: February 22, 2022, screening response, Exhibit C]

**Department's Table 11
Iron Bridge Surgery Center
Projected Revenue and Expense Statement Summaries**

	Year 2022 Projected	Year 2023 Full Year 1	Year 2024 Full Year 2	Year 2025 Full Year 3	Year 2026 Full Year 4
Net Patient Revenue	\$2,018,625	\$5,383,000	\$5,544,490	\$5,710,825	\$5,882,150
Minus Total Expenses	\$1,930,340	\$3,750,232	\$3,832,072	\$3,883,186	\$4,020,772
Net Profit / (Loss)	\$88,285	\$1,632,768	\$1,712,418	\$1,827,639	\$1,861,378

IBSC, LLC also provided its projected balance sheets for IBSC, ASC. Below are the assumptions used to prepare the balance sheets and a table summarizing projection years 2022 through 2026. [source: February 22, 2022, screening response, Exhibits B and C]

“Balance Sheet Assumptions

- *Cash: Period end cash balance includes initial capital contribution of \$100,000 plus net cashflows from operations, less cash distributions to members.*
- *Accounts Receivable: Monthly net revenues are billed monthly. Accounts receivable at period end include unpaid billings assuming 30 days outstanding at end of month.*
- *Revolving Line of Credit: IBSC has completed a \$750,000 line of credit for funding of cash requirements for startup costs and working capital requirements. See Term Sheet attached. All loan documentation has been executed by IBSC and lender.*
- *Furniture, Fixtures and Equipment: This asset category includes \$850,000 expenditures for medical equipment, furniture, fixtures and data, voice and security systems. The amount is based on room-by-room equipment manual with costs received from vendor quotes.*
- *Accumulated Depreciation: See Income Statement depreciation assumptions.*
- *Accounts Payable: Accounts payable at period end are based on monthly expenses paid 30 days after each month end.*
- *Equipment Loan: \$798,000 loan commitment from IBSC’s lender. Equipment loan shown is less the current portion set forth in Current Liabilities. See Term Sheet. All loan documentation has been executed by IBSC and lender.*
- *Capital Contribution: This represents a \$100,000 start-up investment by IBSC members.*
- *Retained earnings: Retained Earnings represent undistributed accumulated earnings less distributions to members.”*

**Department’s Table 12
Iron Bridge Surgery Center Projected Balance Sheet Summaries**

Assets	Year 2022 Projected	Year 2023 Full Year 1	Year 2024 Full Year 2	Year 2025 Full Year 3	Year 2026 Full Year 4
Current Assets	\$647,648	\$2,002,895	\$2,058,534	\$2,124,469	\$2,185,035
Property & Equipment	\$850,000	\$850,000	\$850,000	\$850,000	\$850,000
Minus Depreciation	(\$132,857)	(\$265,719)	(\$398,585)	(\$531,455)	(\$664,331)
Total Assets	\$1,364,791	\$2,587,176	\$2,509,949	\$2,443,014	\$2,370,704

Liabilities	Year 2022 Projected	Year 2023 Full Year 1	Year 2024 Full Year 2	Year 2025 Full Year 3	Year 2026 Full Year 4
Current Liabilities	\$794,146	\$680,189	\$437,414	\$287,676	\$295,415
Long Term Debt	\$745,127	\$636,773	\$524,844	\$409,222	\$289,787
Equity	(\$174,483)	\$1,270,214	\$1,547,692	\$1,746,115	\$1,785,502
Total Liabilities & Equity	\$1,364,790	\$2,587,176	\$2,509,950	\$2,443,013	\$2,370,704

Public Comments

Columbia Surgical Specialists provided comments related to this sub-criterion. The comments are restated below. [source: Columbia Surgical Specialists public comments, pdfs 18-24]

“No historical financials or other required information has been provided for Spokane Urology, PS. Spokane Urology, PS is an existing facility in operation since 2019, with historical utilization and presumably, historical financial statements. Iron Bridge presents an unclear picture of its organizational relationships but bases its utilization forecast on the historical utilization and market

share of Spokane Urology, PS, and states the “physicians who are anticipated to use Iron Bridge Surgery Center upon project completion are the physician owners and employees of Spokane Urology.” Furthermore, Iron Bridge references the two practices interchangeably. While Iron Bridge Surgery Center presents its application as a “New facility,” these statements suggest that the proposed project is actually a conversion and expansion of an existing 2-OR CN-Exempt facility to a 5-OR CN-Approved facility. Concurrent with these statements, Spokane Urology is also presented as the owner of Iron Bridge. Iron Bridge states “IBSC is a new start-up ASF. Spokane Urology does not own or manage any other ASF,” and has provided a Financial Commitment Letter for Spokane Urology, PS, which is listed as a guarantor for the Commercial Real Estate loans to Iron Bridge Surgery Center and the borrower for the lines of credit. In the alternative, it may be that, Spokane Urology and Iron Bridge are distinct entities owned by the same set of physician owners, who intend to simultaneously operate both ASCs. However, given that the proposed project absorbs the entire market share of the physicians and employees of Spokane Urology, PS, we find this possibility unlikely.

Although unclear, based on the representations of Iron Bridge we find it most plausible the proposed project represents a conversion/expansion of an existing CN-Exempt facility to CN-Approved. If it is not a continuation of the existing CN-Exempt ASC, then the relationship between Iron Bridge and Spokane Urology should be clarified, and Iron Bridge needs to explain how the given set of physicians and employees at Spokane Urology will be shared and/or transition between the two ASCs.

We also note that the Department requested information on historical information from Spokane Urology, PS, which Iron Bridge declined to provide. However, given its relationship to the proposed project, these materials are necessary to satisfy financial feasibility.

Iron Bridge has submitted only a draft lease agreement.

Site Control is demonstrated by (1) showing ownership of the land and (2) if the project involves leasing space from the landowner, providing either a signed, notarized lease between the applicant and site owner, or providing a draft lease and a signed letter of intent to lease between the applicant and site owner. The lease agreement provided by Iron Bridge in Exhibit 13 of its application is a draft lease and not signed. There thus exist questions of whether Iron Bridge has met the requirements of site control. We note that given this project is under review, the record cannot be supplemented if Iron Bridge chooses to submit a rebuttal.

Line Items in Pro Forma Revenue and Expense Statement

- Despite the Department’s requests for clarification, there remain Pro Forma line items for which it is not clear how they were calculated. The Department provided Iron Bridge a third “Beginning of Review Screening” to address this issue after it had submitted its responses to the Department’s second screening. However, many of these assumptions remain unclear. For example, the Iron Bridge assumption for the calculation of the line-item “Office supplies” is: “The cost of office supplies includes letterheads, forms, ink, paper, etc. based on Spokane Urology’s actual experience at its clinic and office-based procedure room operations.” However, as discussed above, Iron Bridge did not provide historical financials for Spokane Urology, so it is not possible to either verify this statement or know whether this is based on an aggregate amount or per case amount. Investigation of the numbers presented for this line item indicates its annual values correspond to an inflation factor of 6.09%, or the square of 3%. This indicates that in addition to the above, these calculations may have been in error.
- Iron Bridge has provided a Pro Forma covering a forecast period of July 2022 to December 2026, but a utilization and staffing forecast covering only the period 2022 to 2025. It has thus, to date, not provided a basis for the 2026 revenue figures or the staffing expense figures.

- *Iron Bridge has provided a historical payer mix for Spokane Urology only for patients, not for revenue, as required. Iron Bridge has provided no other information related to the payer mix by revenue, yet this information forms the basis for the revenue expected from public payers. The Department, in its second screening, requested Iron Bridge provide the historical data on which this payer mix was based, however Iron Bridge appears to have not done so.*
- *We are unable to verify consistency in the Iron Bridge projected Charity Care amounts with its stated assumptions, which themselves appear internally inconsistent. Iron Bridge, in its application, states the projected Charity Care is equal to 2.65% as a percentage of total revenue (including Medicare and Medicaid revenues).¹⁸ However, in its Pro Forma this amount is stated to equal 2.75% of non-Medicare/Medicaid Revenue.¹⁹ With regards to the numbers, Non-Medicare/Medicaid revenue, based on its presented payer mix, is equal to \$3,339,000 in 2022, \$8,904,000 in 2023, \$9,171,120 in 2024, \$9,446,354 in 2025, and \$9,729,641 in 2026. The stated Charity Care amounts equal \$28,875 in 2022, \$77,000 in 2023, \$79,310 in 2024, \$81,689 in 2025, and \$84,140 in 2026. These amounts equal about 0.98% of non-Medicare/Medicaid revenue, not 2.75% as stated by Iron Bridge.*
- *Medical supplies in 2025 appear to be based off a 6.09% annual increase rather than a 3% annual increase as in all other years for this expense line item. The reason for this change in the assumption is not stated.*
- *The Iron Bridge Medical director contract includes the language “For purposes of this Agreement, ‘Medical Director Services’ shall include those duties and responsibilities set forth below. The Parties anticipate that Physician will provide Medical Director Services a minimum average of Four (4) hours per month, not to exceed Twenty (20) hours per calendar year.” At an hourly rate of \$125, this implies annual Medical Director expenses ranging from \$2,500 to \$6,000, an amount below the \$30,000 figure included in the Iron Bridge Pro Forma.*
- *Iron Bridge provides an FTE forecast which does not change over the forecast period. Over the period 2023 to 2025, Iron Bridge projects cases to increase from 3,200 to 3,395 but forecasts no increase in FTEs. Furthermore, Iron Bridge indicates it plans to recruit additional surgeons in 2022 and 2023 but allocates no additional support staff for these additional surgeons. This implies that the same set of staff will handle, on average, about an additional 3 cases each week and provide additional support for newly recruited physicians. Iron Bridge should explain how the same set of staff will handle the increases in responsibilities.*
- *Iron Bridge has not provided sufficient salary assumptions to connect the salaries and wages in its Pro Forma to the FTE table within its application. Furthermore, salaries and wages increase each year of the forecast while the FTE counts remain unchanged.*
- *Iron Bridge includes inflation within its financial projections, despite directions within the Department’s Application Form to exclude inflation. In addition to not following Department instructions, this has a variety of implications for the financials themselves. For example, this includes the curiosities that expenses for laundry and linens grows twice as fast as utilization and payroll costs stay constant while salary costs increase.*
- *Iron Bridge is not a licensed facility, and appears to have not accounted for Department Licensure fees in its Pro Forma. Licensure fees for an accredited facility performing between 1,001 and 5,000 procedures per year are equal to \$16,000 and must be renewed every three years. Combined licensure and accreditation fees for Iron Bridge are forecast to equal \$7,500 in 2022, \$15,000 in 2023, \$3,550 in 2024, \$14,090 in 2025, and \$1,600 in 2026. We do not observe an allocation for these fees, as none of Iron Bridge’s annual allocations for licensure and accreditation fees are sufficient to include the required \$16,000. This amount would be levied twice within the Iron Bridge forecast period.*
- *We are unable to verify the consistency of the presented capital and equipment expenditures between the Iron Bridge application and exhibits. Iron Bridge presents capital expenditures equal to*

\$4,380,081, including \$2,675,109 in building construction, \$828,000 in equipment expenditures, and \$192,500 in Architect and Engineering fees. However, the unsigned contractor's letter and equipment list indicate building construction equal to \$2,381,936,29 equipment costs equal to \$839,237, and architect and engineering fees equal to \$278,370.

- *The lease amounts presented in the Iron Bridge Pro Forma for 2022 appear to incorrectly include a full 12 months of lease costs, yet this period only extends July to December 2022—six months.*
- *We are unable to verify that the lease costs in the Pro Forma match the terms in the Iron Bridge draft lease. Within the draft lease, the total rentable square feet (“RSF”) is equal to 9,948 and lease costs equal to \$35/RSF. However, the Iron Bridge Pro Forma reflects lease costs based on 9,327 RSF and \$30/RSF. We note that the unsigned contractor's uses the 9,327 square foot figure.*
- *Iron Bridge inflates some expense line-items at 3% per year, and other expense line items at 6.09% per year. There is no explanation given as to why this inconsistency exists. Expense line-items inflated by 6.09% per year include Office Supplies, Laundry and Linens, and Transcription.*
- *Iron Bridge calculates interest based off its use of the Spokane Urology \$798,000 equipment loan and \$661,242 line of credit. We do not observe an accounting for interest due to the construction loan of \$8,000,000. Furthermore, the amounts in the loans and amortization sheets do not appear to match the equipment and construction expenditures. This suggests there may be additional capital expenditures which Iron Bridge has not declared.*
- *We are unable to verify the interest calculated by Iron Bridge for its equipment loan, which appears to include interest from January of the following year in its interest calculations for each of the forecast years. Furthermore, while Iron Bridge presents no principal payments over the first 12 months, it is nevertheless able to pay down the balance from \$798,000 to \$703,523.*
- *Iron Bridge presents depreciation amounts in its Pro Forma which do not appear to correspond to the equipment and/or construction cost estimates it has provided in its application and screening responses. Iron Bridge presents depreciation as equal to 132,857 in 2022, which increases to \$132,875 in 2026. Why this amount increases over time and how it corresponds to the Iron Bridge capital outlays should be explained.*

The Iron Bridge utilization forecast requires additional support.

Iron Bridge has, to date, not provided sufficient justification for its utilization forecast, which itself is not sufficient to efficiently use five operating rooms. It states that it was based on the historical utilization of Spokane Urology, PS, however, as discussed above, it is not clear whether both the Iron Bridge ASC and the Spokane Urology ASC will remain operational given project approval. In any case, the utilization projection by Iron Bridge is not consistent with the historical cases at Spokane Urology, PS and Iron Bridge has so far not provided justification for the baseline utilization of 3,200 cases per year. We note that Iron Bridge plans to perform only urology procedures, and based on estimated use rates for Operations on the Male Genital Organs (ICD9 CM 60-64), Spokane County demand for these services is forecast to equal about 975 in 2025. This is about one third of the Iron Bridge utilization forecast.

- *Iron Bridge has not provided a signed contractor's estimate.*

Rebuttal Comments

IBSC, LLC provided the following rebuttal comments in response to the public comments above.

[source: April 19, 2022, rebuttal comments, pdfs 7-13]

“In Columbia Surgical Specialists’ Public Comments, it raises various other purported concerns and questions intended to obstruct Iron Bridge Surgery Center’s proposed project. For your convenience, Iron Bridge Surgery Center will reiterate these concerns and questions in italics below and follow each such concern or question with its response.

[CSS] Item #1

Despite the Department's requests for clarification, there remain Pro Forma line items for which it is not clear how they were calculated. The Department provided Iron Bridge a third "Beginning of Review Screening" to address this issue after it had submitted its responses to the Department's second screening. However, many of these assumptions remain unclear. For example, the Iron Bridge assumption for the calculation of the line-item "Office supplies" is: "The cost of office supplies includes letterheads, forms, ink, paper, etc. based on Spokane Urology's actual experience at its clinic and office-based procedure room operations." However, as discussed above, Iron Bridge did not provide historical financials for Spokane Urology, so it is not possible to either verify this statement or know whether this is based on an aggregate amount or per case amount. Investigation of the numbers presented for this line item indicates its annual values correspond to an inflation factor of 6.09%, or the square of 3%. This indicates that in addition to the above, these calculations may have been in error.

IBSC, LLC Response

These statements are incorrect. All items Columbia Surgical Specialists claims increase by 6.09% in fact increase only by 3%. These cost items are calculated on a "per case" basis. If cases increase by 3%, and the per case rate increases by 3%, then the cost will increase by 6.09%. The costs included in the projections for these situations have been confirmed to be arithmetically correct.

As indicated above, Spokane Urology is clinical group practice, and it is not an applicant. Its historical financial statements are irrelevant to the Application. Because Iron Bridge Surgery Center will contract with certain of the same vendors as Spokane Urology for administrative and operational services, e.g., janitorial services, payroll processing service, Iron Bridge Surgery Center used non-confidential information about the cost of those services paid by Spokane Urology to prepare its pro forma.

[CSS] Item #2

Iron Bridge has provided a Pro Forma covering a forecast period of July 2022 to December 2026, but a utilization and staffing forecast covering only the period 2022 to 2025. It has thus, to date, not provided a basis for the 2026 revenue figures or the staffing expense figures.

IBSC, LLC Response

Please see Exhibit D for a pro forma balance sheet and income statement including 2026 information.

[CSS] Item #3

Iron Bridge has provided a historical payer mix for Spokane Urology only for patients, not for revenue, as required. Iron Bridge has provided no other information related to the payer mix by revenue, yet this information forms the basis for the revenue expected from public payers. The Department, in its second screening, requested Iron Bridge provide the historical data on which this payer mix was based, however Iron Bridge appears to have not done so.

IBSC, LLC Response

Please see Exhibit D for a pro forma balance sheet and income statement including 2026 information.

[CSS] Item #4

We are unable to verify consistency in the Iron Bridge projected Charity Care amounts with its stated assumptions, which themselves appear internally inconsistent. Iron Bridge, in its application, states the projected Charity Care is equal to 2.65% as a percentage of total revenue (including Medicare and Medicaid revenues). However, in its Pro Forma this amount is stated to equal 2.75% of non-Medicare/Medicaid Revenue. With regards to the numbers, Non-Medicare/Medicaid revenue, based on

its presented payer mix, is equal to \$3,339,000 in 2022, \$8,904,000 in 2023, \$9,171,120 in 2024, \$9,446,354 in 2025, and \$9,729,641 in 2026. The stated Charity Care amounts equal \$28,875 in 2022, \$77,000 in 2023, \$79,310 in 2024, \$81,689 in 2025, and \$84,140 in 2026. These amounts equal about 0.98% of non-Medicare/Medicaid revenue, not 2.75% as stated by Iron Bridge.

IBSC, LLC Response

Iron Bridge Surgery Center has used a charity care percentage of 2.75% of commercial payors net revenue (i.e., non-Medicare/Medicaid net revenue). The forecast assumed commercial payors to be 50% of net revenue.

	Net Revenue	Commercial Payor 50%	Charity Care 2.75%
2022	\$2,100,000	\$1,050,000	\$28,875
2023	\$5,600,000	\$2,800,000	\$77,000
2024	\$5,768,000	\$2,884,000	\$79,310
2025	\$5,941,040	\$2,970,520	\$81,689
2026	\$6,119,271	\$3,059,636	\$84,140

[CSS] Item #5

Medical supplies in 2025 appear to be based off a 6.09% annual increase rather than a 3% annual increase as in all other years for this expense line item. The reason for this change in the assumption is not stated.

IBSC, LLC Response

These cost items are calculated on a “per case” basis. If cases increase by 3%, and the per case rate increases by 3%, then the cost will increase by 6.09%. The costs included in the projections for these situations have been confirmed to be arithmetically correct.

[CSS] Item #6

The Iron Bridge Medical director contract includes the language “For purposes of this Agreement, ‘Medical Director Services’ shall include those duties and responsibilities set forth below. The Parties anticipate that Physician will provide Medical Director Services a minimum average of Four (4) hours per month, not to exceed Twenty (20) hours per calendar year.” At an hourly rate of \$125, this implies annual Medical Director expenses ranging from \$2,500 to \$6,000, an amount below the \$30,000 figure included in the Iron Bridge Pro Forma.

IBSC, LLC Response

The above comment is incorrect. Section 2.1 of the Iron Bridge Surgery Center, LLC Medical Director Agreement states:

Subject to Section 2.2 below, the Company shall pay Physician one hundred and twenty five Dollars (\$125) for each hour of Medical Director Services actually provided by and documented by the Physician under this Agreement; however, such compensation shall not exceed Thirty Thousand Dollars (\$30,000) in any given year. Such fees compensation be payable at the end of each month for Medical Director Services rendered during the immediately preceding month.

[CSS] Item #7

Iron Bridge provides an FTE forecast which does not change over the forecast period. Over the period 2023 to 2025, Iron Bridge projects cases to increase from 3,200 to 3,395 but forecasts no increase in FTEs. Furthermore, Iron Bridge indicates it plans to recruit additional surgeons in 2022 and 2023 but allocates no additional support staff for these additional surgeons. This implies that the same set of staff will handle, on average, about an additional 3 cases each week and provide additional support for newly recruited physicians. Iron Bridge should explain how the same set of staff will handle the increases in responsibilities.

IBSC, LLC Response

Iron Bridge Surgery Center has factored the potential additional surgeons into the projected utilization and staffing levels. Typical urological case times from arrival to discharge of the patient for minor and major ambulatory procedures is 45 minutes and 3.5 hours, respectively. Efficient scheduling practices will allow Iron Bridge Surgery Center to easily absorb three additional cases per week without the need to hire additional staff.

[CSS] Item #8

Iron Bridge has not provided sufficient salary assumptions to connect the salaries and wages in its Pro Forma to the FTE table within its application. Furthermore, salaries and wages increase each year of the forecast while the FTE counts remain unchanged.

IBSC, LLC Response

Salaries and wages increase due to projected raises and bonuses during the projection period. Please see Exhibit E. The FTE counts remain constant since the projected staffing is adequate to service the projected utilization of Iron Bridge Surgery Center.

[CSS] Item #9

Iron Bridge includes inflation within its financial projections, despite directions within the Department's Application Form to exclude inflation. In addition to not following Department instructions, this has a variety of implications for the financials themselves. For example, this includes the curiosities that expenses for laundry and linens grows twice as fast as utilization and payroll costs stay constant while salary costs increase.

IBSC, LLC Response

The inflation factor has been removed from the attached financial projections attached as Exhibit D. Laundry and linens are based on "per case" basis and change on the same basis as utilization. Salaries and benefits increase based on projected raises over the projection period.

[CSS] Item #10

Iron Bridge is not a licensed facility, and appears to have not accounted for Department Licensure fees in its Pro Forma. Licensure fees for an accredited facility performing between 1,001 and 5,000 procedures per year are equal to \$16,000 and must be renewed every three years. Combined licensure and accreditation fees for Iron Bridge are forecast to equal \$7,500 in 2022, \$15,000 in 2023, \$3,550 in 2024, \$14,090 in 2025, and \$1,600 in 2026. We do not observe an allocation for these fees, as none of Iron Bridge's annual allocations for licensure and accreditation fees are sufficient to include the required \$16,000. This amount would be levied twice within the Iron Bridge forecast period.

IBSC, LLC Response

An amount of \$16,000 has been added to licensure fees in 2022 and in 2025. Please see Exhibit D.

[CSS] Item #12

The lease amounts presented in the Iron Bridge Pro Forma for 2022 appear to incorrectly include a full 12 months of lease costs, yet this period only extends July to December 2022 – six months.

IBSC, LLC Response

This error has been corrected and is reflected in Exhibit F.

[CSS] Item #13

We are unable to verify that the lease costs in the Pro Forma match the terms in the Iron Bridge draft lease. Within the draft lease, the total rentable square feet (“RSF”) is equal to 9,948 and lease costs equal to \$35/RSF. However, the Iron Bridge Pro Forma reflects lease costs based on 9,327 RSF and \$30/RSF. We note that the unsigned contractor’s uses the 9,327 square foot figure.

IBSC, LLC Response

The square footage in the Lease Agreement between Iron Bridge Urologic, LLC and Iron Bridge Surgery Center, LLC attached as Exhibit 13 to the Application was based on schematic plans for the proposed project. The plans were revised as the project has progressed, and the projections have been adjusted to reflect the square footage. Once construction is complete and a final square footage measurement is taken, the landlord and tenant will execute a final lease amendment that reflects the final rentable square footage. This last step is a typical tenant right in commercial leases.

The contractor uses “usable square feet” for its calculations. The common area factor is excluded from the contractor’s area calculations for purposes of calculating quantities and costs.

[CSS] Item #14

Iron Bridge inflates some expense line-items at 3% per year, and other expense line items at 6.09% per year. There is no explanation given as to why this inconsistency exists. Expense line-items inflated by 6.09% per year include Office Supplies, Laundry and Linens, and Transcription.

IBSC, LLC Response

As discussed above, the cost items are calculated on a “per case” basis. If cases increase by 3%, and the per case rate increases by 3%, then the cost will increase by 6.09%. The inflation factor has been removed from the attached financial projections attached as Exhibit D.

[CSS] Item #15

Iron Bridge calculates interest based off its use of the Spokane Urology \$798,000 equipment loan and \$661,242 line of credit. We do not observe an accounting for interest due to the construction loan of \$8,000,000. Furthermore, the amounts in the loans and amortization sheets do not appear to match the equipment and construction expenditures. This suggests there may be additional capital expenditures which Iron Bridge has not declared.

IBSC, LLC Response

The projections do not include accounting for the \$8 million construction loan because this loan has been issued directly to the landlord. Iron Bridge Surgery Center (and Spokane Urology) are not responsible for this loan. Spokane Urology does not guarantee the loans. The landlord is providing Iron Bridge Surgery Center with a turnkey facility i.e., completely built out per Iron Bridge Surgery Center’s plans and specifications. The lease rate factors in the building shell and core as well as the surgery center build out costs.

[CSS] Item #16

We are unable to verify the interest calculated by Iron Bridge for its equipment loan, which appears to include interest from January of the following year in its interest calculations for each of the forecast years. Furthermore, while Iron Bridge presents no principal payments over the first 12 months, it is nevertheless able to pay down the balance from \$798,000 to \$703,523.

IBSC, LLC Response

The balance sheet shows the following end of year balances for the equipment loan, which includes the long-term portion and current-portion shown in current liabilities:

2022	\$798,000
2023	\$745,127
2024	\$636,773
2025	\$524,844
2026	\$409,222

Pursuant to the loan terms, the last six months of 2022 and the first six months of 2023 include interest only (first 12 months of the loan). Principal payments begin July 1, 2023.

[CSS] Item #17

Iron Bridge presents depreciation amounts in its Pro Forma which do not appear to correspond to the equipment and/or construction cost estimates it has provided in its application and screening responses. Iron Bridge presents depreciation as equal to 132,857 in 2022, which increases to \$132,875 in 2026. Why this amount increases over time and how it corresponds to the Iron Bridge capital outlays should be explained.

IBSC, LLC Response

The projection model’s depreciation calculation inaccurately picks up an additional \$33 of capital expenditures each year, which results in an additional \$18 of depreciation. We appreciate having this discrepancy pointed out and have corrected it.”

Department Evaluation of Iron Bridge Surgery Center, LLC

To evaluate this sub-criterion, the department first reviewed the assumptions used by IBSC, LLC to determine the projected number of procedures and utilization of the proposed surgery center. The utilization assumptions are the foundation for the financial review under this sub-criterion. Both the utilization and market share assumptions are based on historical urology services provided at an alternate facility by the Spokane Urology physicians who are the planned primary users of the new IBSC, ASC. IBSC, LLC provided its historical number of procedures and market shares. This assumption is reasonable.

IBSC, LLC also relies on “the payer mix of the surgeries historically performed by these Spokane Urology physicians on an inpatient basis that are eligible to be performed on an outpatient basis...” IBSC, LLC provided its historical and projected payer mix. This assumption is also reasonable.

IBSC, LLC provided its projected revenue and expense statement and balance sheet showing partial year 2022 through four full years following project completion (2022 – 2026). The financial statements show that revenues would cover expenses in all years shown and the surgery center would be financially

sound. It is noted that IBSC, LLC asserts in its assumptions that it relied on the historical experience of Spokane Urology physicians for many line items. Examples include staff wages and benefits, medical supplies, pharmacy, laboratory, legal, billing, services and management fees.¹⁷ CSS, PS's concern about an applicant relying on historical operations, but not providing the historical financial information is valid. During the screening of this project, the department requested historical data to understand the connection between historical and projected. IBSC, LLC declined to provide the information. As a result, the department cannot conclude that IBSC, LLC's assumptions for its expenses are reasonable.

During the review of these three projects, the department received public comments that focus on specific line items within the pro forma revenue and expense statement. Within its rebuttal, IBSC, LLC provided clarification intended to alleviate some of the concerns raised.¹⁸ However, in response to other line item concerns, IBSC, LLC provided revised pro forma Revenue and Expense Statement and Balance Sheet within its rebuttal comments it characterizes as corrected.¹⁹

The process used for Certificate of Need reviews is outlined in the program's rules and is a structured process to allow the public to participate in any review. The structured process purposefully allows for application submission, screening, public comment, and rebuttal. The predictable process ensures information is provided to the department and given to the public for review, which promotes the program's goal of providing transparent and unambiguous decisions. By providing revised statements with new, corrected information during rebuttal, IBSC, LLC is circumventing this intentionally public process. This action does not allow the public to provide input, or for the public process to occur for the financial review of the new surgery center. Further, by providing revised statements that contained an abundance of corrected or added and independently erroneous line items during rebuttal, IBSC, LLC confirms that the financial information provided during the application review process is inaccurate and unreliable. Since the department cannot rely on the financial projections, the financial review of this project under this sub-criterion cannot be completed.

For the reasons state above, the department will not continue with its financial review of the application under this sub-criterion, which includes an evaluation of both public comments and rebuttal statements provided.

In summary, based on the information available, the department cannot complete the review of the immediate and long-range operating costs of the IBSC, LLC project. **This sub-criterion is not met.**

Sight Partners Physicians, PC

This project proposes to convert a CN exempt, two-OR surgery center dedicated to ophthalmic procedures to CN approved. The facility is located, and would remain, at 16010 East Indiana Avenue in Spokane Valley [99037]. [source: Application, pdfs 4-5] If this project is approved in June 2022, the applicant anticipates project completion in July 2022. Based on this timeline, full calendar year one of the project is 2023 and year three is 2025. [source: February 22, 2022, screening response, pdf 2]

¹⁷ This listing is an example of line items and it not intended to include all items where IBSC, LLC relied upon Spokane Urology historical.

¹⁸ IBSC, LLC provided clarifying responses and did not rely on revised financials statements in response to concerns raised for line items numbers 1, 4, 5, 6, 7, 8, 11, 13, 15, & 17 referenced in the rebuttal section.

¹⁹ IBSC, LLC provided clarifying responses and relied on revised financial statements in response to concerns raised for line items numbers 2, 3, 9, 10, 12, 14, & 16 referenced in the rebuttal section.

Assumptions used to project the surgical volumes for projection years 2022 through 2025 are below.

Utilization and Market Share Assumptions

“Utilization of the facility is based on market share (10.21%), historical utilization of Houk Rd ASC, and total population growth (1.1%). These assumptions fall in with the guidelines established by the DOH for showing growth.” [source: February 22, 2022, screening responses, pdf 11]

Based on the assumption above, SPP, PC provided both historical and projected utilization of the surgery center. The information is summarized in the table below.

Department’s Table 13
Empire Eye Surgery Center Historical and Projected Utilization-Ophthalmic Only

Historical Utilization					Projected Utilization			
2017	2018	2019	2020	2021	2022	2023	2024	2025
1,907	1,994	2,016	1,488	2,061	2,083	2,106	2,129	2153

SPP, PC provided its historical payer mix for the surgery center and stated that the payer mix is not expected to change if this project is approved. [source: Application, pdf 33] The historical and projected payer mix is shown in the table below.

Applicant’s Table

Payer	Percentage by Revenue		Percentage by Patient	
	WAC	246-310-220(1)	WAC	246-310-210(2)
Medicare	35%		40%	
Medicaid	2%		4%	
Commercial Payer	18%		18%	
Self Pay	42%		35%	
Federal (Tricare & Veteran Affairs)	3%		3%	
Total	100%		100%	

For this sub-criterion, SPP, PC included the assumptions used for revenue and expense line items as a separate column within the statement. [source: February 22, 2022, screening response, Exhibit 2] The statement and assumptions are shown below.

Applicant’s Tables

Year	2021	2022	2023	2024	2025	Notes & Assumptions
	REVENUE AND EXPENSE STATEMENT					
ASC Volumes Totals OR Cases ("Procedures")	2,061	2,083	2,106	2,129	2,153	Total number of projected procedures
OR Minutes	39,159	39,577	40,014	40,451	40,907	Estimated total OR minutes
Number of Operating Rooms Utilized*	0.57	0.57	0.58	0.59	0.59	Total OR minutes divided by 68,850
Gross revenue	2,240,622	2,301,119	2,363,249	2,427,057	2,492,588	Total charges billed to patients and insurance
Insurance Adjustments	(1,030,686)	(1,058,515)	(1,087,095)	(1,116,446)	(1,146,590)	Contract negotiated adjustments, set at 46% based on historical data
Charity Care		(18,409)	(18,906)	(19,416)	(19,941)	Estimated charity care 0.8% of total revenue based off three-year average in

	\$1,209,936	\$1,242,604	\$1,276,155	\$1,310,611	\$1,345,997	Gross revenue minus adjustments
Net Revenue						
Medicare	423,478	434,911	446,654	458,714	471,099	35% of Payer
Medicaid	24,199	24,852	25,523	26,212	26,920	2% of Payer
Commercial/Health Care Contractor	217,788	223,669	229,708	235,910	242,280	18% of Payer
Self-pay	508,173	521,894	535,985	550,457	565,319	42% of Payer
Tricare & Veteran Affairs	36,298	\$ 37,278.1	\$ 38,284.6	\$ 39,318.3	\$ 40,379.9	3% of Payer
Total	\$1,209,936	\$1,224,195	\$1,257,249	\$1,291,194	\$1,326,057	Revenue minus adjustments and charity care

ASC Supplies	160,114	164,437	168,877	173,437	178,119	Cost of goods or disposable supplies necessary to perform procedures. Historical cost of supplies, 13.2% of revenue
People	509,573	524,860	540,606	556,824	573,528	Pro forma people cost
Marketing	85	87	90	92	95	Historical Marketing cost, .007%
Audit and Legal	3,019	3,101	3,184	3,270	3,359	Historical legal cost, .2%
Insurance	41,990	43,124	44,288	45,484	46,712	Malpractice insurance
Office Supplies	4,640	4,765	4,894	5,026	5,162	Historical office supply cost, .4%
Postage/Delivery	1,382	1,419	1,458	1,497	1,537	Historical Postage cost, .1%
State/Local Taxes	14,440	14,830	15,230	15,642	16,064	Operating taxes
Total Operating Expenses (VARIABLE)	\$ 735,243	\$ 756,623	\$ 778,626	\$ 801,271	\$ 824,576	Variable operating expenses increase or decrease with volume
Contribution Margin	\$ 474,693	\$ 467,573	\$ 478,622	\$ 489,923	\$ 501,481	Revenue minus variable expenses
Non-Operating Expenses						
Medical Equipment (Maint, PPT, etc.)	15,764	15,764	15,764	15,764	15,764	Maintenance, depreciation, and amortization of equipment
IT Hardware/Software	4,428	4,428	4,428	4,428	4,428	Monthly service fees and hardware
Certificate of Need Application		40,247	-	-	-	Application fee and consulting costs
Lease Expense						
Lease fee	187,691	192,807	198,078	203,506	209,097	ASC's portion of monthly lease to include (NNN or "additional rent") and a contracted 3% increase each year. The ASC represents 38% of the square footage of rentable space.
Utilities, Maintenance, RE Taxes (OpEx)	1,476	1,476	1,476	1,476	1,476	Estimated fees associated with building main
Interest Expense & Bank Service Charge	9,496	9,496	9,496	9,496	9,496	Interest associated with financed equipment
Billing Service	23,808	23,808	23,808	23,808	23,808	Allocated cost for billing services
IT	18,349	18,349	18,349	18,349	18,349	Allocated cost for IT services
Accounting	11,094	11,094	11,094	11,094	11,094	Allocated cost for Accounting service
Total Non-Operating Expenses (FIXED)	\$ 272,106	\$ 317,469	\$ 282,493	\$ 287,921	\$ 293,512	
Net Income (Loss) (Pre-Tax)	\$ 202,587	\$ 150,104	\$ 196,129	\$ 202,002	\$ 207,969	

The applicant provided the following table to connect the lease/rent amounts shown in the agreement with those identified in the statement provided above. [source: February 22, 2022, screening response, pdf 16]

Applicant's Table

	2021	2022	2023	2024	2025
Base Rent/Monthly	37,403	38,525	39,681	40,871	42,097
Additional Rent (NNN) - \$3/square foot	3,758	3,758	3,758	3,758	3,758
Total	41,160	42,282	43,438	44,628	45,855
ASC portion/Monthly	15,641	16,067	16,506	16,959	17,425
ASC portion annual	187,691	192,807	198,078	203,506	209,097

Based on the assumptions described above, SPP, PC provided its projected Revenue and Expense Statements for EESC showing historical year 2021 and projected years 2022 through 2025. Projected years 2022 through 2025 are summarized in the table on the following page and include the adjustment of charity care dollars discussed earlier in this evaluation. [source: February 22, 2022, screening response, Exhibit 1]

Department's Table 14
Empire Eye Surgery Center
Projected Revenue and Expense Statement Summaries

	Year 2022 Projected	Year 2023 Full Year 1	Year 2024 Full Year 2	Year 2025 Full Year 3
Net Patient Revenue	\$1,224,195	\$1,249,478	\$1,283,214	\$1,317,862
Minus Total Expenses	\$1,074,092	\$1,061,119	\$1,089,192	\$1,118,088
Net Profit / (Loss)	\$150,103	\$188,359	\$194,022	\$199,774

SPP, PC also provided its projected balance sheets for EESC. Below is the summary showing projected years 2022 through 2025. [source: February 22, 2022, screening response, Exhibit 1]

Department's Table 15
Empire Eye Surgery Center Projected Balance Sheet Summaries

Assets	Year 2022 Projected	Year 2023 Full Year 1	Year 2024 Full Year 2	Year 2025 Full Year 3
Current Assets	\$0	\$0	\$0	\$0
Property & Equipment	\$301,388	\$310,430	\$319,743	\$329,335
Other Assets	\$16,093	\$16,576	\$17,073	\$17,585
Total Assets	\$317,481	\$327,006	\$336,816	\$346,920

Liabilities	Year 2022 Projected	Year 2023 Full Year 1	Year 2024 Full Year 2	Year 2025 Full Year 3
Current Liabilities	\$74,473	\$76,707	\$79,009	\$81,379
Long Term Debt	\$0	\$0	\$0	\$0
Equity	\$243,008	\$250,298	\$257,807	\$265,541
Total Liabilities & Equity	\$317,481	\$327,005	\$336,816	\$346,920

Given that EESC will be operated under the parent entity of Sight Partners, LLC, the applicant also provided its projected balance sheet showing projected years 2022 through 2025 for Sight Partners, LLC with approval of this project. [source: February 22, 2022, screening response, Exhibit 1]

Department's Table 16
Sight Partners LLC with Five Surgery Centers Projected Balance Sheet Summaries

Assets	Year 2022 Projected	Year 2023 Full Year 1	Year 2024 Full Year 2	Year 2025 Full Year 3
Current Assets	\$7,112,754	\$7,326,137	\$7,545,921	\$7,772,299
Property & Equipment	\$2,930,953	\$3,018,881	\$3,109,488	\$3,202,731
Other Assets	\$1,839,410	\$1,894,592	\$1,951,430	\$2,009,973
Total Assets	\$11,883,117	\$12,239,610	\$12,606,839	\$12,985,003

Liabilities	Year 2022 Projected	Year 2023 Full Year 1	Year 2024 Full Year 2	Year 2025 Full Year 3
Current Liabilities	\$6,838,013	\$6,881,389	\$7,064,406	\$7,276,339
Long Term Debt	\$3,613,822	\$3,722,236	\$3,833,902	\$3,948,920
Equity	\$1,431,282	\$1,635,986	\$1,708,489	\$1,759,743
Total Liabilities & Equity	\$11,883,117	\$12,239,611	\$12,606,797	\$12,985,002

Public Comments

Columbia Surgical Specialists provided comments related to this sub-criterion. The comments are restated below. [source: Columbia Surgical Specialists public comments, pdfs 12-14]

- *“Sight Partners incorporates inflation into its salary expenses as staff salaries increase 3% per year for each of the occupational categories. FTEs remain constant, but the annual salary for Office/Clerical, for example, increases from \$38,043 per FTE in 2021 to \$42,818 per FTE in 2025, equal to a 3% increase each year of the forecast.*
- *Sight Partners bases its utilization forecast on a continuation of high rates of in-migration throughout its forecast period, increasing these numbers annually to match estimates of Spokane County population growth. We can identify two important reasons for why this methodology results in overly optimistic utilization projections.*
 - *First, counties adjacent to Spokane County operate as separate planning areas, with separate need methodologies. Thus, changes to provider supply in these adjacent planning areas could occur, adversely affecting Sight Partners’ projected utilization, while they would have no rights as “interested persons.”*
 - *Second, Sight Partners forecasted Ophthalmology cases for both Spokane and non-Spokane residents using the population growth rate for Spokane County. Sight Partners is thus assuming population in areas where in-migrating users of surgical services live is growing equivalently to that of Spokane. However, this is unlikely to be the case. Lincoln County population, for example, is expected to grow at about 0.22% per over the 2019 to 2020 period, or about a fifth of that of Spokane County.*
- *Sight Partners population forecast is not consistent between its need and utilization calculations, resulting in a mismatch in population growth between its utilization forecast and planning area need forecast. Sight Partners, during the application review and screening, updated the source of its population forecast, from Washington’s Office of Financial Management to Claritas. Both represent valid sources for a planning area population forecast, but apply different forecast methodologies. As such, the two population forecasts are similar, but differ in the specific numbers. Importantly, the population forecast Sight Partners presented within its Second Screening Responses starts at a higher level but grows more slowly (on average about 0.7% per year) than the population forecast presented within its application (on average about 1.17% per year). This difference matters because the former was used within Sight Partners planning area need methodology, while the latter was applied within its utilization forecast. The application of two separate population forecasts results in forecasting ophthalmological procedures as growing faster than the planning area population used to calculate numeric need.*
- *It is unclear how sales tax is calculated in Sight Partners Capital Expenditure table, and for which line items it is applicable. Taking it as a percentage of “Building Construction,” and omitting all other line items, results in the implied assumption of an 8.55% sales tax rate. However, sales tax in Spokane Valley is equal to 8.9%. Sight Partners should explain how sales tax is calculated within its stated equipment expenditures and how this is consistent with current tax rates in Spokane Valley.*
- *Within its Pro Forma, Sight Partners calculates “State/Local Taxes” equal to 1.19% of patient revenue. However, this line-item should contain an allocation for Washington State’s B&O tax, which is not otherwise included in the Pro Forma. Presently, Washington State B&O tax for service-based businesses is 1.5%.”*

Rebuttal Comments

In response to the topics raised above SPP, PC provided the following rebuttal comments. [source: April 19, 2022, rebuttal comments, pdfs 6-8]

“Columbia Surgical erroneously identifies the average merit increase that team members receive each year as inflation. The DOH requests specifically that organizations do not use inflation in pro forma calculations.

Sight Partners, as noted in the 2nd screening response pg. 11, bases “Utilization of the facilityon market share(10.21%), historical utilization of Houk Rd ASC, and total population growth(1.1%). These assumptions fall in with the guidelines established by the DOH for showing growth. While the original amended application had discussions of in-migration, which are still a viable discussion point, the final utilization forecast is as noted above.

Sight Partners, as noted in the 2nd screening response pg. 11, bases “Utilization of the facilityon market share(10.21%), historical utilization of Houk Rd ASC, and total population growth(1.1%). These assumptions fall in with the guidelines established by the DOH for showing growth. While the original amended application had discussions of in-migration, which are still a viable discussion point, the final utilization forecast is as noted above. This discussion point is not relevant.

Due to the expanded timeline as a result of concurrent applications, Sight Partners was required to expand its projections by a year requiring the use of Claritas population estimates. The difference between 0.7% and the 1.1% growth identified in the utilization forecast represents approximately 8 cases per year and should not be a factor in determining WAC 246-310-210.

The sales tax rate of 8.9% applies to \$889,157.30 of the costs identified in the table. The table is a portion of a larger project as noted earlier in this document. The DOH has not requested a detailed, line item accounting of the project because it is not necessary to determine the financial feasibility of the project.

Sight Partners follows Washington state tax law in calculating B&O tax off of cash receipts. In healthcare there are certain medications that ASC’s can receive a “pass-through” payment for the drug in addition to the insurance carriers payment for the procedure. These pass-through payments are not subject to Washington B&O tax but are calculated in the pro forma. The state/local taxes line is based off historical amounts.”

Department Evaluation of Sight Partners Physicians, PC

To evaluate this sub-criterion, the department first reviewed the assumptions used by SPP, PC to determine the projected number of procedures and utilization of the surgery center with the existing two ORs. The utilization assumptions are based on the historical utilization and percentages of increase at the surgery center. This approach is reasonable.

SPP, PC based its revenue and expense assumptions on historical figures on contracts currently in place and provided detailed assumptions for each line item. Some line items were held constant and other categories were estimated as a percent of anticipated revenue, this approach is reasonable.

During the review of this project, CSS, PS questioned the accuracy of specific line items. SPP, PC’s rebuttal statements provided explanations of the approach used for the line items in question. One specific comment provided by CSS, PS focused on inflation. CSS, PS states that “*Sight Partners incorporates inflation into its salary expenses as staff salaries...*” In response, SPP, PC clarified that the increase in salaries is not inflation, rather it is a staff increase in pay based on historical averages. While inflation should not be included in the pro forma revenue and expense statement, known increases

in staff salaries, leases, and other agreements that have annual escalation clauses, should be included. This approach by SPP, PC for projecting staff salaries is acceptable.

The historical and pro forma financial statements show EESC’s revenues would cover expenses beginning in current year (2022) and continue through projection years one through year three (2023 – 2025, respectively).

As discussed in WAC 246-310-210(2), the department recalculated Empire Eye Surgery Center’s projected charity care dollars to be consistent with the three-year average of the Eastern Washington Region for total revenue. Those calculations increased the charity care dollars for all three projection years. The table below is a recalculation of the Revenue and Expense Statement Summary with the projected increase in charity care dollars to equal the three-year regional average.

Department’s Table 17
Empire Eye Surgery Center
Pro Form Revenue and Expense Statement Summary Recalculated

	Year 2023 Full Year 1	Year 2024 Full Year 2	Year 2025 Full Year 3
Net Revenue*	\$1,249,478	\$1,283,214	\$1,317,862
Minus Total Expenses	\$1,061,119	\$1,089,192	\$1,118,088
Net Profit / (Loss)	\$188,359	\$194,022	\$199,774

* = Net Revenue is gross patient revenue, minus deductions from revenue for contractual allowances, bad debt, and charity care.

With the increase of charity care for all years shown, the table above shows a smaller net profit, however, the surgery center’s revenues would continue to cover expenses. The pro forma Balance Sheet shows assets are also projected to increase for each of the projection years.

In the ‘need’ section of this evaluation, the department concluded that the applicant demonstrated need for the two ORs in the planning area. The department concludes the basis for the financial projections are considered reasonable and reliable.

Based on the information submitted, the department concludes that the immediate and long-range operating costs of the project can be met. If this project is approved, the department would attach a charity care condition consistent with past surgical center projects. **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.

Chapter 246-310 WAC 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 projects’ costs with those previously considered by the department.

Columbia Surgical Specialists, PS

CSC is currently operational as a CN exempt surgery center. While this project proposes to expand the types of procedures to be offered at the surgery center, the surgery center would remain at the same location and continue to operate with four ORs. As a result, there is no capital expenditure associated with this project.

In response to this sub-criterion, CSS, PS provided the following statements. [source: Application, pdf 37]

“There are no construction or capital costs associated with the proposed project, thus it is not expected to increase any fixed operating expenses. Therefore, it would not be expected to affect costs and charges. Furthermore, CSSs does not set its rates. Rather, they are based on fee schedules with CMS and principal payers.”

No public comments were submitted for this sub-criterion.

Department Evaluation of Columbia Surgical Specialists, PS

In the need section of this evaluation, CSS provided significant information to demonstrate that if this project is approved, the surgery center would be an integral part of the delivery of healthcare services for multi-specialty services in Spokane County. To assist in evaluating this sub-criterion, the department calculated the net revenue per case for historical year 2021 and projection years 2022 through 2025 shown in the table below.

**Department’s Table 18
Department Calculation of Revenue per Case**

	Year 2021 Historical	Year 2022 Projected	Year 2023 Full Year 1	Year 2024 Full Year 2	Year 2025 Full Year 3
Net Revenue*	\$794,689	\$889,916	\$988,684	\$1,043,559	\$1,098,436
Number of Procedures	5,394	5,520	5,654	5,713	5,776
Net Revenue per Procedure	\$147	\$161	\$175	\$183	\$190

As shown above, the anticipated net revenue per procedure increases through the projection period as the number of cases increases. The net revenue per procedure also increases through the projection years, but not substantially.

Although there is no construction planned for this project the applicant has already met with the Department of Health’s Construction Review Services (CRS), which is a necessary step to ensure complete building code compliance prior to expanding the services to be provided at the surgery center. To assist in this evaluation, the department reviewed technical assistance (TA) documentation between the applicant and the Department of Health’s Construction Review Services (CRS) office.²⁰ As a result, CSS, PS has started the necessary steps for this project.

Based on this information, the department concludes that the expansion of the services at CSC located in Spokane County will not likely have an unreasonable impact on the costs and charges for healthcare services in the county. **This sub-criterion is met.**

Iron Bridge Surgery Center, LLC

The applicant provided the following statements in response to this sub-criterion. [source: Application, pdf 22]

“The proposed project would provide patients in the Spokane County secondary health services planning area the ability to obtain outpatient urologic surgical services at an ASF, an outpatient surgical setting that is significantly more cost-effective for patients and payors.

²⁰ Construction Review Services Project #61189053.

Please see Exhibit 15 for documentation of the project costs. Because freestanding ASFs are more efficient and cost-effective in comparison to hospital outpatient surgery departments, the contractual rates for purchasers in the Spokane County secondary health services planning area can be lower in a freestanding setting, which translates to cost savings to patients and payors.”

No public comments were submitted for this sub-criterion.

Department Evaluation of Iron Bridge Surgery Center, LLC

In the need section of this evaluation, IBSC, LLC provided compelling information to demonstrate Spokane County’s need for a surgery center dedicated to urology services. To assist in evaluating this sub-criterion, the department would calculate the net revenue per case for IBSC, LLC’s projection years. However, in the previous sub-criterion [WAC 246-310-220(1)], the department concluded that it could not rely on the financial projections provided in the application. Therefore, financial review of this project could not be completed.

Given that IBSC, LLC did not demonstrate compliance with 246-310-220(1), the department cannot conclude that the establishment of IBSC, ASC would have an unreasonable impact on the costs and charges for healthcare services in Spokane County. **This sub-criterion is not met.**

Sight Partners Physicians, PC

The applicant provided extensive information related to this sub-criterion. [source: Application, pdfs 28-32] While not all information is restated below, all is considered in this review.

“The service opportunities gained by Empire Eye will result in increase cost savings for patients’ due to the efficiency and cost-effectives of an ASF in comparison to hospital outpatient surgery departments. As evidenced in the National Health Statistics Reports (NHSR)²¹ the efficiency of an ASF can be measured by the time spent for the procedure to include the operating room, the actual surgery time, and the postoperative care. Table 10 outlines the findings within the report.

Applicant’s Table

Table 10 – Distribution of times for surgical visits, by ambulatory surgery facility type; United States, 2010

Calculated time of ambulatory surgical visit	<u>Hospital</u>		<u>ASF</u>		<u>All Facilities</u>	
	Average Time (minutes)	Standard Error	Average Time (minutes)	Standard Error	Average Time (minutes)	Standard Error
Operating Room	63	2	50	4	57	2
Surgical	37	2	29	3	33	2
Postoperative Care	89	3	51	4	70	3
Total Time	189		130		160	

Source: “Ambulatory Surgery Data from Hospitals and Ambulatory Surgery Centers: United States, 2010”, U.S. Department of Health and Human Services, National Center for Health Statistics, Report Number 102, February 28, 2017. Table C, page 6.

An article in the Ambulatory Surgery Center Association (ASCA) a public titled “A Positive Trend in Health Care” identifies that the increase and rise of Ambulatory Care Facilities can be attributed to physicians, high-quality, cost-effective alternative to the inpatient hospital setting and the values an ASF adds to the economy.

²¹ NHSR report was provided in Exhibit 8 of the application.

An article published in the *Ophthalmology Times* “The Future of Cataract Surgery” identifies the growing need for ophthalmologist. Based on the fact that the formation of cataracts is directly proportional with age and the life expectancy is increasing, the number of cataract surgeries will also increase. In 2015 there were 9,000 ophthalmologists doing 3.5 million cataract surgeries. Extending those numbers out it is estimated that there will be a need for 125,000 surgeons worldwide to treat 50 million cataracts. This number rises to 240,000 surgeons worldwide in 2025.²²

‘A Positive Trend in Healthcare’ identifies the cost savings within an ASC compared to a hospital setting is substantial. The recent trend in how Medicare reimburses a procedure done in a hospital outpatient setting compared to reimbursement of that same procedure in an ASF has widened. In 2003 the difference in reimbursement was only 16%, at the time of the article’s publication there was a difference of 72% in reimbursement. In an article titled ‘Procedures Take Less Time at Ambulatory Surgery Centers, Keeping Costs Down and Ability to Meet Demand Up’ explained that in 2003, the Medicare Prescription Drug, Improvement, and Modernization Act froze ASF payment updates. For the next couple of years, they phased in a new ASF prospective payment based on the outpatient prospective payment system. This ASF fee schedule set rates for procedures done in an ASF to no more than 59% of payments to hospitals who provided the same procedure. This went into full effect in 2012.

Applicant’s Table

Table 11 – Cost Comparison:

ASC v. Hospital Outpatient Department

	Patient Cost		Medicare Cost	
	ASF Co-pay	HOPD Co-pay	Total Procedure Cost ASF	Total Procedure Cost HOPD
Cataract	\$193.00	\$490.00	\$964.00	\$1,670.00
Upper Gi Endoscopy	\$68.00	\$139.00	\$341.00	\$591.00
Colonoscopy	\$76.00	\$186.00	\$378.00	\$655.00

Source: “ASCs: A Positive Trend in Health Care”, Ambulatory Surgery Center Association, Page 2.

“This project is the conversion of a CN exempt facility to CN approved facility. Due to the lengthy time frame of the CN process, the application has included construction costs for the facility. The costs of the project will not result in an unreasonable impact on the costs and charges to patients for health services in the planning area due to the following:

- The pro forma included demonstrates that the construction process and costs are accounted for in expenses.
- The facility will be a Medicare-approved facility. Due to this, Empire Eye may only charge the allowed upon amount for services rendered.”

No public comments were submitted for this sub-criterion.

Department Evaluation of Sight Partners Physicians, PC

In the need section of this evaluation, SPP, PC provided significant information to demonstrate that the continued operation of this surgery center is an integral part of the delivery of healthcare services in

²² All articles referenced in the response to this sub-criterion were provided in the application.

Spokane County. To assist in evaluating this sub-criterion, the department also calculated the net revenue per case for all three projection years using the department’s recalculated net revenue by year as shown in the table below.

**Department’s Table 19
Department Calculation of Revenue per Case**

	Full Year 1 2023	Full Year 3 2024	Full Year 3 2025
Net Revenue*	\$1,249,478	\$1,283,214	\$1,317,862
Number of Procedures	2,106	2,129	2,153
Net Revenue per Procedure	\$593	\$603	\$612

As shown above, the anticipated net revenue per procedure increases through the projection period as the number of cases increases. However, the net revenue per procedure does not substantially increase through the projection years.

Based on this information, the department concludes that the approval of this project will not likely have an unreasonable impact on the costs and charges for healthcare services in the county. **This sub-criterion is met.**

(3) *The project can be appropriately financed.*

Chapter 246-310 WAC 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 projects’ source of financing to those previously considered by the department.

Columbia Surgical Specialists, PS

As previously stated, CSC is currently operational as a CN exempt surgery center; this project does not propose to relocate the surgery center or increase the number of ORs. As a result, there is no capital expenditure associated with this project. This sub-criterion does not apply to the CSS, PS project.

Iron Bridge Surgery Center, LLC

If this project is approved, the applicant estimates that the construction will be complete in January 2022 and the facility would be prepared for survey in March 2022. The anticipated completion date is June 2022. This is the date that the surgery center would be fully operational.²³

The estimated capital expenditure for this project is \$4,380,080 and is broken down in the table on the following page. [source: Application, pdf 21]

²³ Construction Review Services Project #61166009.

**Department's Table 20
Estimated Capital Expenditure Breakdown**

Item	Cost
Building Construction	\$2,675,109
Moveable Equipment	\$828,000
Architect & Engineering Fees	\$192,500
Consulting Fees	\$398,000
Costs Associated with Securing the Financing- Land & Building Construction	\$110,071
State Sales Tax	\$176,400
Total	\$4,380,080

Construction of the project will be funded 100% by Iron Bridge Urologic, LLC, the landlord for the facility. IBSC, LLC, the applicant, will fund all other capital expenditures. IBSC, LLC provided a copy of its non-binding Contractor's Estimate. [source: Application, Exhibit 15]

To demonstrate that the project can be financed, IBSC, LLC provided two commitment letters from First Interstate Bank in Spokane. One letter from the bank identifies the borrower Iron Bridge Urological, LLC and the loan amount of \$8,000,000, which includes financing existing debt and a new debt for tenant improvements. The interest rate is identified at 3.5% fixed for ten years. The second letter identifies the borrower Iron Bridge Surgery Center, LLC and the loan amount of \$798,000 and shows the interest rate at 3.25% fixed for eight years. [source: December 13, 2021, screening response, Exhibit A]

IBSC, LLC also provided two separate amortization schedules for the loans that identify the payment amounts, principal, and interest. [source: December 13, 2021, screening response, Exhibit F]

During the review of this project, CSS, PS provided comments related to this sub-criterion. The comments are restated below. [source: CSS, PS public comments, pdf 8]

We are unable to verify the consistency of the presented capital and equipment expenditures between the Iron Bridge application and exhibits. Iron Bridge presents capital expenditures equal to \$4,380,081, including \$2,675,109 in building construction, \$828,000 in equipment expenditures, and \$192,500 in Architect and Engineering fees. However, the unsigned contractor's letter and equipment list indicate building construction equal to \$2,381,936, equipment costs equal to \$839,237, and architect and engineering fees equal to \$278,370.

IBSC, LLC Rebuttal Response [source: April 19, 2022, rebuttal comments, pdfs 7-13]

The construction estimate by the contractor was \$2,675,109. As is typical in construction projects, some value engineering was conducted after this initial estimate was submitted, reducing this amount to \$2,544,083. The equipment expenditure estimate was \$828,000; the final amount may change depending on the final price negotiated and the shipping costs. The aggregate difference in costs raised as a concern by Columbia Surgical Specialists represent only a small percentage of the total estimated capital expenditure.

Department Evaluation of Iron Bridge Surgery Center, LLC

The applicant identified a total estimated capital cost of \$4,380,080 and provided a breakdown of the total by line item. CSS, PS's concern focuses on the amounts identified for the building construction, moveable equipment, and the architect & engineering fees when compared to the contractor's letter. The table on the following page shows the comparison of the costs.

**Department's Table 21
Capital Expenditure Comparison Table**

Item	Capital Expenditure Table	Contractor's Letter	Difference	Increase or Decrease
Building Construction	\$2,675,109	\$2,381,936	\$293,173	Decrease
Moveable Equipment	\$828,000	\$839,237	11,237	Increase
Architect & Engineering Fees	\$192,500	\$278,370	\$85,870	Increase
Total	\$3,695,609	\$3,499,543	\$196,066	Decrease

In response to the concerns raised, IBSC, LLC explained that difference in costs is the result of value engineering.²⁴ The difference in costs between the capital expenditure table and the information in the cost estimator letter is \$196,066, which calculates to a 5% decrease in the costs. It is also noted that while the building construction costs decreased, both the equipment and fees increased. After reviewing the rebuttal information provided by the applicant, the department does not have concerns regarding the validity of the costs when compared to the cost estimator letter.

The department concludes this project can be appropriately financed. **This sub-criterion is met.**

Sight Partners Physicians, PC

In response to this sub-criterion, the applicant provided a table showing the estimated capital costs for this project. [source: December 13, 2021, pdf 4] The table is shown below.

**Department's Table 22
Estimated Capital Expenditure Breakdown**

Item	Cost*
Land Purchase	\$123,277
Utilities to Lot Line	\$126,169
Building Construction	\$925,245
Supervision & Inspection of Site	\$38,000
Moving Costs	\$4,750
Architect & Engineering Fees	\$59,495
Site Preparation	\$4,346
Costs Associated with Securing the Financing- Land & Building Construction	\$52,395
City of Spokane Valley, DOH, Utility, Etc.	\$7,220
State Sales Tax	\$79,135
Total	\$1,412,811

*All costs are rounded to nearest dollar amount.

SPP, PC provided the following clarification regarding the estimated capital costs identified in the table above. [source: December 13, 2021, screening response, pdf 5 and February 22, 2022, screening response, pdf 11]

²⁴ Value engineering is a process where the engineer, architect, or contractor may offer cost saving suggestions and alternatives in an effort to reduce the cost of a project. The cost saving suggestions may include material substitution, equipment alternates, re-designed components, elimination of square footage, change in the façade, construction, and or trim work, or revisions in the structural design of the building. [<https://www.builder-questions.com/construction-glossary/value-engineering/>]

“The facility has been completely constructed and is now operational. The building is owned by Empire Eye Land, LLC and leased to Sight Partners. Demonstration of the funding of the building should no longer be considered in the financial viability of the project. The lease is provided in Exhibit 27.

The purpose of the amended application was to incorporate the new ownership of the Empire Eye organization by Sight Partners, LLC. Sight Partners, LLC did not purchase the ASC but subleases the space from Empire Eye Physicians, PS who holds a lease with Empire Eye Land, LLC as demonstrated in the attached lease agreement. Exhibit 2. Funding for the project was provided by Washington Trust Bank see Exhibit 3. Repayment of the project will not be demonstrated in ASC pro forma, only the assigned portion of the lease costs.”

SPP, PC also clarified that the land costs have already been expended by Empire Eye Land, LLC, the owner of the building that will be leased to Sight Partners, LLC. SPP, PC provided a table showing the monthly and annual costs for lease of the surgery center. [source: February 22, 2022, screening response, pdfs 5 and 16]

Public Comments

Below are the public comments received related to this sub-criterion. [source: Columbia Surgical Specialists public comments, pdfs 9-10 and 13]

“Sight Partners has not provided clear or consistent information on the capital expenditures for the proposed project, its ability to finance those capital expenditures, and does not appear to have accounted for any capital expenditures within its financial Pro Forma.

Sight Partners filed its amended Application September 17, 2021. Its face sheet to that Application stated its estimated capital expenditures were \$1,412,811. It repeated this capital expenditure figure in its financial feasibility discussion. Yet throughout its amended application and screening responses, Sight Partners excluded these project expenditures for its facility’s construction from the proposed project. However, as stated by the Department in its second screening questions, “This approach does not allow the department to review the applicant’s and the project’s financial viability during the review. Even though the dollars have already been expended, the department does not allow an applicant to avoid the financial feasibility review by expending the dollars through a surgery center exemption during the full Certificate of Need review. As a result, documentation and information related to the costs of the project are required and they are critical for this review” Despite this direct request, Sight Partners responded with the statement: “Repayment of the project will not be demonstrated in the ASC pro forma, only the assigned portion of the lease costs.” Sight Partners has thus declined to include this information the Department “requires for this review.”

Within its application and screening responses, Sight Partners presents two estimates of project expenditures. The first, \$1.4 million, is listed as the capital expenditures for the proposed project (conversion of CN Exempt to CN Approved). The second, equal to \$7.3 million, is presented within Sight Partners’ second screening responses as the full cost of the facility construction. The relationship between these numbers is unknown. Both estimates include costs for land and building construction, so conceivably the \$1.4 million could represent some subset of the \$7.3 million. However, Sight Partners represents the \$7.3 million as the cost to construct the CN Exempt facility, while the \$1.4 million is the cost to convert from CN Exempt to CN Approved. Beyond its capital expenditure table, Sight Partners has provided no detail on the \$1.4 million figure which would allow the Department to know what these costs reflect—or importantly, how they are accounted for in the financial forecasts. If the \$1.4 million in project costs is contained within the overall \$7.3 million development cost, then Sight Partners has not sufficiently explained how this amount has been allocated from Empire Eye Land, LLC to Sight Partners, LLC and why those are the necessary costs to “convert to a CN approved facility.” On the

other hand, if the \$1.4 million is in addition to the \$7.3 million in development costs, then Sight Partners has not explained how these additional funds will be financed.

The loan term letter provided by Sight Partners reflects the loan from Washington Trust Bank for the original \$7.3 million development. We have not observed any other letter of financial commitment in the amended application or screening responses. In addition, the terms provided in this document from Washington Trust Bank do not match the Sight Partners' assumptions within its amortization sheet. This includes the assumptions related to interest (3.875% in Term Sheet, 3% in Amortization Sheet), monthly payments (\$25,954.61 in Term Sheet, \$13,642.21 in Amortization Sheet), or maturity (October 2031 in Term Sheet, February 2032 in Amortization Sheet).

Furthermore, Sight Partners has chosen to exclude project related interest and depreciation in its financial Pro Forma for either of these project cost amounts. These omitted amounts reflect, annually, as little as \$160,000 in depreciation and interest expenses (assuming \$1.4 million in project expenditures), and as much as \$410,000 to \$460,000 (assuming \$7.3 million in project expenditures). At a minimum, these exclusions make the financial statements difficult to evaluate, thus unreliable.

In addition to excluding project-related depreciation and interest, Sight Partners does not list any equipment expenditures. Typically, construction of a new facility such as that of Sight Partners requires new equipment. However, Sight Partners appears to have listed no equipment expenditures in its planned project expenditures. This includes the original \$1.4M specified within its Capital Expenditure table, as well as the full \$7.3M in development costs. Furthermore, within its Revenue and Expense statement, Sight Partners lists expenditures related to "Maintenance, depreciation, and amortization of equipment." That these values do not change over time suggests they reflect depreciation. Based on the Sight Partners' 10-year depreciation period for Medical Equipment, these implied but excluded equipment expenditures equal about \$160,000. That Sight Partners has excluded expenditures for equipment is suspect, particularly since it included depreciation for the excluded equipment."

"Sight Partners presents a contractors estimate letter which is not signed. This is required by the Department."

Rebuttal Comments

SPP, PC provided the following rebuttal comments for this topic. [source: April 19, 2022, rebuttal comments, pdf 7]

"This is not required by the department. The Certificate of Need application states "Provide a non-binding contractor's estimate for the construction costs for the project."

Department Evaluation of Sight Partners Physicians, PC

SPP, PC identified an estimated capital expenditure for this project of \$1,412,811. However, the applicant also clarified that the costs for the project have already been expended when, under a Certificate of Need exemption, the surgery center was relocated from its former site on Houk Road in Spokane to its current site at 16010 East Indiana Avenue in Spokane Valley [99037]. Prior to the relocation, SPP, PC submitted an exemption request to operate the surgery center as an exempt facility while undergoing this CN review.²⁵ Although the costs of the land purchase and construction are significant, the details of the financing of these costs are only included in this review in a limited manner, as part of the capital expense but not the project costs. This is because the without the land and building information, the department is unable to confirm the lease details.

²⁵ Determination of Reviewability #19-13.

Within the application, SPP, PC provided extensive information regarding the costs and funding source. The applicant also included a repayment schedule for Empire Eye Land, LLC, the entity that expended the costs for the site. For full disclosure in this application, SPP, PC identified the costs and provided the lease agreement between Empire Eye Physicians (tenant) and Sight Partners, LLC, (landlord). The lease costs are the responsibility of the surgery center, and the repayment costs with the bank are the responsibility of Empire Eye Land, LLC and Sight Partners, LLC. [source: February 22, 2022, screening response, Exhibit 2 and Exhibit 3]

SPP, PC provided a copy of the Assignment and Sublease Agreement. Below is a review of the agreement.

Assignment and Sublease Agreement

This agreement is executed and is among Empire Eye Land, LLC (landlord) and Empire Eye Physicians, PS. (tenant) and Sight Partners Physicians, PC (sub-tenant). The agreement was executed on September 30, 2021, and notarized on September 20 and 28, 2021. The lease provides detailed roles and responsibilities for each of the three entities. Exhibit A included in the agreement is the Lease Agreement between Empire Eye Land, LLC, (landlord) and Empire Eye Physicians, PS (tenant). This agreement was effective on June 1, 2021. This agreement outlines the responsibilities of the landlord for construction and upgrades to the building. The lease includes all costs associated with the lease which includes both a base rent and a triple net clause for additional costs, such as insurance, utilities, landscaping, etc. The lease is effective for ten years, with three options to renew in five year increments, for an additional 15 years.

CSS, PS provided comments regarding the costs of the project, whether the costs were properly identified in the application and accounted for in the financial information, and whether the contractor's estimate includes all information necessary for this review. In response, SPP, PC only addressed the contractor's estimate comment by stating that the signature from the contractor is not required. However, SPP, PC provided an extensive listing of the construction information for Empire Eye Land, LLC. Therefore, the lease costs and sub-lease costs, capital expenditure, and payment costs are clear within the application materials.

Given that EESC is not a new facility, there are no pre-opening expenses to be incurred prior to operations.

To demonstrate it has the funding for this project, provided the combined balance sheet for Sight Partners, LLC with all five surgery centers. The balance sheet covers years 2022 through 2025 and was reviewed in this criterion under subsection 220(1) and determined to be acceptable.

Based on this review, the department concludes that the finances for the estimated capital expenditure are available and the financing is appropriate. **This sub-criterion is met.**

C. STRUCTURE AND PROCESS (QUALITY) OF CARE (WAC 246-310-230)

Columbia Surgical Specialists, PS

Based on the source information reviewed and agreement to the conditions identified in the conclusion section of this evaluation, the department concludes that Columbia Surgical Specialists meets the applicable structure and process (quality) of care criteria in WAC 246-310-230.

Iron Bridge Surgery Center, LLC

Based on the source information reviewed, the department concludes that the Iron Bridge Surgery Center, LLC project has not met the applicable structure and process of care criteria in WAC 246-310-230.

Sight Partners Physicians, PC

Based on the source information reviewed and agreement to the conditions identified in the conclusion section of this evaluation, the department concludes that Sight Partners Physicians, PC meets the applicable structure and process (quality) 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.

Chapter 246-310 WAC 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 the planning that would allow for the required coverage.

Columbia Surgical Specialists, PS

The applicant provided the following information related to this sub-criterion. [source: July 22, 2021, screening response, pdfs10-11]

"... we noticed that the staffing schedule presented in Table 13 in the application text was not correct and did not match that presented in the Pro Forma (Application, p. 105). We present a revised staffing forecast in Revised Table 13 above, which also reflects the updated timeline.

Given CN Approval, Columbia Surgery Center will add the specialties of Gastroenterology, Maxillofacial, Ophthalmology, Oral Surgery, Orthopedics, Pain Management, Pediatric Dentistry, and Podiatry. In total, we project 301 cases across these specialties in 2024, an increase of about 5.6% relative to the projected number of cases under the existing specialties. Including the existing specialties, we anticipate modest growth, from 5,284 procedures in 2019, to 5,430 procedures in 2021, to 5,714 procedures in 2024. This represents a growth of 430 cases between the four ORs, about one additional case every three days for each OR.

To project staffing increases commensurate with the projected increases in utilization given project approval, we anticipate replacing the LPN FTE with an RN FTE, and adding two additional RN FTEs, for a total of 19.5 FTEs, beginning in 2021; adding 1.3 FTE surgical techs in 2021, 0.3 FTEs in 2022, then 0.3 additional FTEs in 2023, for a total of 8.0 FTEs beginning in 2023; and adding 1.5 FTEs for Nurse Aide/Patient Care Attendants in 2021, then holding that figure constant through 2024.

The required number of staff for four ORs does not change if case mix changes, if those cases are spread out over the same four OR's. Columbia Surgery Center was staffed to run all four ORs five days a week in early 2020 prior to the COVID-19 pandemic. Columbia Surgery currently only runs four ORs on

Tuesdays and Thursdays, leaving an empty, unused OR on Monday, Wednesday, and Friday that the new case mix/types can roll into using similar staffing from late 2019/early 2020.”

CSS, PS provided a listing of historical (2018 – 2021) and projected (2022 – 2025) FTEs for the surgery center. The department’s table below summarizes the information by showing year historical year 2020 through projection year 2025.

**Department’s Table 23
Columbia Surgery Center
Historical, Current, and Projected FTEs for Years 2020 through 2025**

FTE Type	2020 Historical	2021 Increase	2022 Increase	2023 Increase	2024 No change	2025 No change	Total Projected Year 2025
ASC Director	1.00	0.00	0.00	0.00	0.00	0.00	1.00
Assist Nurse Manager	1.00	0.00	0.00	0.00	0.00	0.00	1.00
Buyer	1.00	0.00	0.00	0.00	0.00	0.00	1.00
Surgical Techs	6.10	1.30	0.40	0.20	0.00	0.00	8.00
RNs	16.50	3.00	0.10	(0.10)	0.00	0.00	19.50
LPN	0.50	(0.50)	0.00	0.00	0.00	0.00	0.00
Nurse Aid/Patient Care Attendant	0.50	1.50	0.00	0.00	0.00	0.00	2.00
Health Unit Coordinator	1.90	0.10	0.00	0.00	0.00	0.00	2.00
Administration, Accounting, & Marketing	0.70	0.50	0.00	0.00	0.00	0.00	1.20
Facilities	0.10	0.10	0.00	0.00	0.00	0.00	0.20
IT Support	0.50	0.00	0.10	(0.10)	0.00	0.00	0.50
Billing & Collection	3.90	1.50	0.00	0.00	0.00	0.00	5.40
Scheduling Coordinator	2.20	0.90	(0.10)	0.10	0.00	0.00	3.10
Total FTEs	35.90	8.40	0.50	0.10	0.00	0.00	44.90

CSS, PS provided the following rationale for its staffing ratios above. [source: Application, pdf 41]
“To project staffing increases commensurate with the projected increases in utilization, we added a 3% staffing increase for RNs in 2023 and 2024. Likewise, Surgical Tech FTEs are assumed to increase by 4% between 2022 and 2023 and we anticipate adding 1 LPN FTE in 2025. All other categories are assumed equal to their 2022 levels, and no increases are forecast past 2024 aside from adding a LPN. The FTE levels in 2025 are equal to what it would take to run four rooms five days per week from 7:30am to 5:00pm.”

CSS, PS also clarified that the medical director will be an employed physician and provided a job description for the services. [source: Application, pdf 41 and Exhibit 12] As a result, the medical director is compensated by CSS, PS rather than CSC. [source: July 22, 2021, screening response, pdf 13]

Focusing on recruitment and retention of staff and timing for staff recruitment, CSS, PS provided its ‘Recruiting Process’ document that outlines the process used to recruit all staff for the surgery center and the practice. [source: Application, Exhibit 13] Information provided in the document is not repeated here, but is considered in this review.

No public comments were submitted for this sub-criterion.

Department Evaluation of Columbia Surgical Specialists, PS

Currently CSC provides ENT, colon and rectal surgery, general surgery, and plastic surgery within its four ORs. While the surgery center will remain at its current site and the number of ORs will remain at four, Columbia Surgical Specialists, PS proposes to add the following services to the services already provided: gastroenterology, gynecology, maxillofacial, ophthalmology, oral surgery, orthopedics, pain management, pediatric dentistry, podiatry, and urology. [source: Application, pdf 9 and July 22, 2021, screening response, pdf 8]

CSS, PS provided its historical and projected FTEs for the surgery center and extensive information regarding its timeline and process for recruitment of staff. As noted in the table above, with 44.3 FTEs in 2021, the majority of staff has already been recruited prior to the submission of this application. CSS, PS anticipates that less than one FTE will be needed between years 2022 through 2025. This timeline is consistent with the expected completion date of July 2022 identified in the application. The department concludes that the increase in staff and projected staffing ratios are based on reasonable assumptions.

For recruitment and retention of necessary staff, CSS, PS intends to rely on the strategies it has successfully used in the past. This approach is also reasonable.

CSS, PS clarified that the medical director is an employee of CSS, PS and is compensated by the applicant, not the surgery center. As a result, the medical director is not included in the staff table and no medical director contract is necessary.

Information provided in the application demonstrates the applicant has the ability to staff the surgery center and the staffing ratios are reasonable for the types of services to be provided. Based on the information above, the department concludes that the CSS, PS's project **meets this sub-criterion**.

Iron Bridge Surgery Center, LLC

If this project is approved, IBSC, LLC anticipates that the surgery center will be operational in June 2022. [source: February 22, 2022, screening response, pdf 2] IBSC, LLC provided a table showing the projected number of FTEs for IBSC, ASC for years 2022 through 2025. The information is summarized in the table below. [source: Application, pdf 24]

**Department's Table 24
Columbia Surgery Center
Historical, Current, and Projected FTEs for Years 2022 through 2025**

FTE Type	2022 Projected	2023 Increase	2024 No change	2025 No change	Total Projected Year 2025
Administrator	1.00	0.00	0.00	0.00	1.00
Admitter/Registration/Records	1.00	1.00	0.00	0.00	2.00
Receptionist/Scheduler	1.00	0.00	0.00	0.00	1.00
Clinic Director (RN)	1.00	0.00	0.00	0.00	1.00
Operating Room RN	3.00	0.00	0.00	0.00	3.00
Pre/Pos Op RN	9.00	1.00	0.00	0.00	10.00
Certified Surgical Technicians	3.00	0.00	0.00	0.00	3.00
Radiology Technicians	1.00	0.00	0.00	0.00	1.00
Processing Technician	1.00	0.00	0.00	0.00	1.00
Total FTEs	21.00	2.00	0.00	0.00	23.00

IBSC, LLC provided the following rationale for its staffing ratios above. [source: Application, pdf 24 and December 13, 2021, screening response, pdf 4]

“Iron Bridge Surgery Center’s assumptions used to project the number and types of FTEs identified for this project are as follows:

- *Projected number of surgical cases based on the surgeons’ historical volumes of cases that can be performed in an ASF setting (indicated in Table 4 above);*
- *Proposed number of operating rooms (indicated in answer to Question #8 above);*
- *Anticipated hours of operation, 6:30 a.m. to 5:00 p.m.”*

“Iron Bridge Surgery Center relied on the following standards in projecting the number and types of FTEs for the proposed project: American Society of PeriAnesthesia Nurses (“ASPAN”) guidelines, including ASPAN’s PeriAnesthesia Nursing Standards, Practice Recommendations and Interpretative Statements, and Association of periOperative Registered Nurses (“AORN”) guidelines, including AORN’s Position Statement on Perioperative Safe Staffing and On-Call Practices. See Exhibit B.”

IBSC, LLC also clarified that the medical director, Michael Maccini, MD, is an owning physician and provided a job description for the services. [source: Application, pdf 24 and Exhibit 11] As a result, the medical director is not included in the staff table above.

Focusing on recruitment and retention of staff and timing for staff recruitment, IBSC, LLC provided a description of the process it will continue to use for this project. [source: December 13, 2021, screening response, pdfs 4-5] The information is restated below.

“Iron Bridge Surgery Center will be employing several methods to recruit and retain staff. It will recruit from its regional market, and if necessary, nationally. Iron Bridge Surgery Center will offer salaries competitive with other ASCs. Iron Bridge Surgery Center will also offer benefits competitive with local healthcare providers. These benefits will include flexible time opportunities, and professional development support. Iron Bridge Surgery Center will offer staff a state-of-the-art surgery center focused on a single specialty. This offers the opportunity for nurses and technicians to develop center of excellence care skills. Staff will be provided with continuous opportunities to increase quality of care, patient satisfaction, and operational efficiencies. If necessary, Iron Bridge Surgery Center will employ the services of recruiting firms specializing in ASCs and will also use state and national industry organizations to post job openings.”

No public comments were submitted for this sub-criterion.

Department Evaluation of Iron Bridge Surgery Center, LLC

IBSC, LLC proposes the establishment of a new, single specialty surgery center in Spokane County. The surgery center would have five ORs and provide solely urology services. Using ASPAN and AORN guidelines and standards, IBSC, LLC projected its number and type of staff needed for the new surgery center. Once fully staffed in year 2023, the applicant does not anticipate requiring additional staff in the projection years. The department concludes that the approach used by IBSC, LLC to project staff for the new surgery center is acceptable and the increase in staff and projected staffing ratios are based on published standard industry guidelines.

For recruitment and retention of necessary staff, IBSC, LLC explained the process it would use, which includes recruitment firms and state / national advertising. This approach is also reasonable.

IBSC, LLC clarified that the medical director is an owning physician and no medical director contract is used for the medical director services.

Information provided in the application demonstrates the applicant has the ability to staff the surgery center and the staffing ratios are reasonable for the types of services to be provided. Based on the information above, the department concludes that the IBSC, LLC project **meets this sub-criterion.**

Sight Partners Physicians, PC

If this project is approved, SPP, PC anticipates that the surgery center will be operational as soon as the project is approved. The application identifies March 2022; however, this evaluation is scheduled for release in June 2022. [source: December 13, 2021, screening response, pdf 3] SPP, PC provided a table showing the current and projected number of FTEs at EESC for years 2022 through 2025. The information is summarized in the table below. [source: Application, pdf 6]

**Department’s Table 25
Empire Eye Surgery Center
Current and Projected FTEs for Years 2022 through 2025**

FTE Type	2022 Projected	2023 No change	2024 No change	2025 No change	Total Projected Year 2025
Office/Clerical Employees	1.00	0.00	0.00	0.00	1.00
Registered Nurses	1.50	0.00	0.00	0.00	1.50
OR Technicians	2.00	0.00	0.00	0.00	2.00
Manager	1.00	0.00	0.00	0.00	1.00
Total FTEs	5.50	0.00	0.00	0.00	5.50

SPP, PC provided the following rationale for its staffing ratios above. [source: December 13, 2021, screening response, pdf 6]

“The assumptions used for staffing are based on staff utilization at the Houk Rd location. Empire Eye will be performing the same type of surgeries at a similar volume thus not requiring additional staff.”

SPP, PC also clarified that the medical director, Mark Kontos, MD, is an employee rather than under contract. [source: Application, pdf 37] None of the physicians, whether owners or employees, are included in the staff table above.

Focusing on recruitment and retention of staff and timing for staff recruitment, SPP, PC provided a description of the process it uses and will continue to use. [source: December 13, 2021, screening response, pdf 6] The information is restated below.

“Sight Partners utilizes a human resource department and an applicant tracking software (ATS) to recruit staff. Retention processes include training, incentivization, career development, and leadership pathways. Empire Eye’s staffing model allows for the increased number of cases without increasing the number of staff.”

Public Comments

“Sight Partners expects to add zero FTEs over its planning area forecast but forecasts increased ASC utilization. Over the period 2021 to 2025, Empire Eye projects cases to increase from 2,061 to 2,153 but forecasts no increase in FTEs. This implies that the same set of staff will handle, on average, about an additional 2 cases each week.” [source: Columbia Surgical Specialists public comment, pdf 12]

Rebuttal Comments

In response to the comments above, SPP, PC provided the following rebuttal comments. [source: April 19, 2022, rebuttal comments, pdf 6]

“That is correct. Ophthalmic procedures average 10-15 minutes, so yes, we do expect our staff to handle an additional 2 cases per week at existing staffing levels.”

Department Evaluation of Sight Partners Physicians, PC

Given that EESC is currently operational as a CN exempt surgery center, the applicant provided a current and projected staffing table that shows all staff are already in place. SSP, PC based its staffing ratios on current operations.

During public comment, CSS, PS expressed concerns that the number of surgeries is projected to increase, yet the staff is not projected to increase. In response, SPP, PC confirmed that the increase represents an additional two cases per week and since the ophthalmic procedures average 10 – 15 minutes each, current staff would have the capacity to absorb the additional procedures.

The department concludes that the projected staff and staffing ratios are based on reasonable assumptions.

Even though SPP, PC does not project any increase in staff if this project is approved, specific information regarding both recruitment and retention of staff was provided in the application. If additional staff is necessary, SPP, PC intends to rely on the strategies it has successfully used in the past. This approach is also reasonable.

SPP, PC clarified that the medical director is not included in the staff table even though he is already in place and no medical director contract is necessary.

Information provided in the application demonstrates the applicant has the ability to staff the surgery center and the staffing ratios are reasonable for the types of services to be provided. Based on the information above, the department concludes that the SPP, PC’s project **meets this sub-criterion.**

- (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.*

Chapter 246-310 WAC 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 projects of this type and size. Therefore, using its experience and expertise the department assessed the materials contained in the applications.

Columbia Surgical Specialists, PS

Given that CSC is an existing surgery center operating under an exemption from CN review, ancillary and support services are already in place. CSS, PS provided a table showing the current ancillary and support services. [source: Application, pdfs 44-45]

Applicant's Table

Table 19: Columbia Surgery Center, Ancillary and Support Services	
Organization Name	Services Provided
NORCO	Medical gases
AMR	Ambulance transport
Heart Clinics NW	EKG Overread services
Henry Schein	General medical supplies
AmeriSource Bergen	Pharmaceutical supplies
Olympus	GI Specialty Supplies, ENT Specialty supplies
Medtronic	ENT specialty supplies
Applied Medical	GS supplies
Boston Scientific	PEG tubes supplies/GI supplies

Stryker	GS specialty supplies, ENT specialty supplies
ABM	Janitorial Services
Kalispel Linen Services	Laundry / linen/ scrubs
InDemand	Interpreter services
SteriCycle	Biomedical and pharmaceutical waste
Devry	Shredding services
CoMedical	Biomed services / maintenance
Steris	OR beds, hand controls, cleaning solutions, service contract
Allied Security	Security
InCyte	Lab/pathology services
Inland Northwest	Fire Protection Services
Anesthesia Associates	Anesthesia services
Source: Applicant	

The applicant confirmed that the current ancillary and support agreements are not expected to change if this project is approved.

CSS, PS also provided a copy of the executed Patient Transfer Agreement between itself and Sacred Heart Medical Center. The agreement was executed on October 12, 2004, and is not expected to change if this project is approved. [source: Application, pdf 45 and Exhibit 15]

No public comments were submitted for this sub-criterion.

Department Evaluation of Columbia Surgical Specialists, PS

Since the surgery center is currently operational as an CN exempt facility, CSS, PS provided a listing of current ancillary and support services and states that the services are not expected to change if this project is approved.

As previously stated, even though the Patient Transfer Policy is executed, it identifies Spokane Ear, Nose, & Throat Clinic, PS, rather than CSS, PS or CSC. As a result, the policy is considered a draft. If this project is approved the department would attach a condition requiring CSS, PS to provide an

executed Patient Transfer Policy between either CSS, PS or CSC and a local hospital that is consistent with the draft provided in the application.

Based on the information reviewed in the application and the applicant's agreement to the condition referenced above, the department concludes that there is reasonable assurance that CSS, PS will maintain the necessary relationships with ancillary and support services for CSC if this project is approved. **This sub-criterion is met.**

Iron Bridge Surgery Center, LLC

The applicant provided the following information and documentation to demonstrate compliance with this sub-criterion. [source: Application, pdf 26, Exhibit 12, Exhibit 18, and December 13, 2021, screening response, pdfs 6-7]

"Please see Exhibit 18 for a copy of the executed Transfer Agreement between Iron Bridge Surgery Center, LLC and Providence Health & Services – Washington d/b/a Providence Sacred Heart Medical Center."

IBSC, LLC identified the entities that would be used for ancillary services at the surgery center.

- Radiology - Inland Imaging, L.L.C.
- Laboratory - Incyte Pathology, P.S.
- Pharmacy - Sixth Avenue Medical Building Pharmacy, Inc.

In addition to the statements above, IBSC, LLC provided copies of its executed Operating Agreement and Oversight Consulting Services Agreement. [source: Application, Exhibit 12 and February 22, 2022, screening response, Exhibit E] Below is an overview of each agreement.

Operating Agreement

This Operating Agreement is among the six initial members of Iron Bridge Surgery Center, LLC. The initial members are: Levi Deters, MD; David Mikkelsen, MD; Raymond Lance, MD; Michael Maccini, MD; Bryan Voelzke, MD; and Shane Pearce, MD. The agreement was executed on September 14, 2021, and is effective in perpetuity until the membership is dissolved. [source: Operating Agreement, Section 2.3] The stated purpose of the agreement is *'owning and operating an ambulatory surgical facility in Spokane, Washington and to otherwise engage in any lawful activity as may be necessary, incidental, or convenient to carry on such purpose...'* There are no costs associated with the Operating Agreement.

Oversight Consulting Services Agreement

This agreement is between American Medical Buildings, LLC and Iron Bridge surgery Center, LLC. It was executed on February 15, 2022, and is effective for five years from the signature date. The agreement is used for oversight / management of the surgery center and outlines roles and responsibilities for both entities. Costs associated with the agreement are identified in Section 5.1 and are identified at \$60,000 for year one and increase at 3.0% each year thereafter.

IBSC, LLC also provided a copy of its executed 'ASC Patient Transfer Agreement' between itself and Providence Sacred Heart Medical Center in Spokane. The agreement identifies roles and responsibilities for both entities and was signed by both entities on September 16, 2021. [source: Application, Exhibit 18] There are no costs associated with this agreement.

No public comments were submitted for this sub-criterion.

Department Evaluation of Iron Bridge Surgery Center, LLC

This applicant proposes the establishment of a new surgery center in Spokane County. IBSC, LLC provided a listing of ancillary and support services that are generally used for a urology-only surgery center. The listing includes radiology, laboratory, and pharmacy services. This approach is acceptable.

IBSC, LLC also provided a copy of the executed Patient Transfer Agreement between itself and Providence Sacred Heart Medical Center in Spokane. The agreement is signed by a representative of both entities and its ‘effective date’ is September 16, 2021.

IBSC, LLC also provided two other documents that would be used for the new surgery center. An Operating Agreement and an Oversight Consulting Services Agreement. As described in detail above, both are executed. The Operating Agreement does not have costs associated with it. The Oversight Consulting Services Agreement has specific costs associated with it, and the costs are stated to be identified in the pro forma Revenue and Expense Statement.

Although these factors are a part of the basis confirming compliance with this sub-criterion, the department takes into consideration its own analysis and conclusions on this project related to WACs 246-310-210, -270, -220, and -230. With failures in WAC 246-310-220, the department cannot substantiate the costs associated with the Oversight Consulting Services Agreement. For this reason, the department concludes there is not reasonable assurance that ancillary and support services will be sufficient to support the proposed health services for Spokane County. **This sub-criterion is not met.**

Sight Partners Physicians, PC

SPP, PC provided a table showing existing ancillary and support services for EESC. [source: February 22, 2022, screening response, pdfs 12-13] The table is recreated below.

Applicant’s Table Recreated

- Alcon
- Avedro Inc
- AlSCO
- Notal Vision
- Clean Rite
- Clifton Larson Allan LLP
- Creative Anesthesia Solutions, LLC
- Doxy
- iMedicware
- Nextech
- Intermountain Management Services
- J&J Vision
- Kubik Building Maintenance
- Omidria
- Pointguard Financial
- Sun Pharmaceuticals
- Ambulance Contract American Medical response
- Focal point
- Intermax
- Incite Laboratory
- LinenASCLO
- Medical gas A-L Compressed Gasses, Inc
- Sacred Heart Medical Center
- U Haul Leases
- Medication Review, Inc

No public comments were submitted for this sub-criterion.

Department Evaluation of Sight Partners Physicians, PC

Since EESC is currently operational all ancillary and support contracts are already in place. SPP, PC provided a listing of ancillary and support services in use for the ophthalmology only surgery center.

SPP, PC also provided a copy of its executed Patient Transfer Agreement signed by representatives of both Empire Eye Surgery Center and Providence Sacred Heart Medical Center. The agreement was executed on June 8, 2009, and is not expected to change if this project is approved. There are no costs associated with this agreement.

Based on the information reviewed in the application, the department concludes that there is reasonable assurance that SPP, PC will obtain and/or maintain the necessary relationships with ancillary and support services for the surgery center if this project is approved. **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.*

Chapter 246-310 WAC 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 each applicant's history in meeting these standards at other facilities owned or operated by each applicant.

As a 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.²⁶ For surgery centers, the department reviews two different areas when evaluating this sub-criterion. One is a review of the Centers for Medicare and Medicaid Services (CMS) "Terminated Provider Counts Report" covering years 2019 through 2022. The department uses this report to identify surgery centers that were involuntarily²⁷ terminated from participation in Medicare reimbursement.

The department also reviews an applicant's conformance with Medicare and Medicaid standards, with a focus on Washington State facilities. The department uses the CMS 'Survey Activity Report' to identify Washington State facilities with a history of condition level findings. For CMS surveys, there are two levels of deficiencies: standard and condition.²⁸

- Standard Level
A deficiency is at the Standard level when there is noncompliance with any single requirement (or several requirements) within a particular standard that is not of such character as to substantially limit a facility's capacity to furnish adequate care, or which would not jeopardize or adversely affect the health or safety of patients if the deficient practice recurred.
- Condition Level
Deficiency at the Condition level may be due to noncompliance with requirements in a single standard that, collectively, represent a severe or critical health or safety breach, or it may be the result of noncompliance with several standards within the condition. Even a seemingly small breach in critical actions, or at critical times, can kill or severely injure a patient, and such breaches would represent a serious or severe health or safety threat.

²⁶ WAC 246-310-230(5).

²⁷ For CMS, involuntary termination does not include terminations or change in provider number because of a change of ownership.

²⁸ Definitions of standard and condition level surveys: <https://www.compass-clinical.com/deciphering-tjc-condition-level-findings/>

Columbia Surgical Specialists, PS

The applicant provided the following statements related to this sub-criterion and WAC 246-310-230(5). [source: Application, pdf 47]

“Columbia Surgery Center and its parent do not have a history of any of the actions listed above. Thus, this question is not applicable.”

No public comments were submitted for this sub-criterion.

Department Evaluation of Columbia Surgical Specialists, PS

As stated in the ‘Applicant Description’ section of this evaluation, Columbia Surgical Specialists currently operates a Certificate of Need (CN) exempt surgery center in Spokane, Washington. The surgery center is known as Columbia Surgery Center.²⁹ [source: Application, pdf and ILRS database]

The applicant does not own or operate any healthcare facilities outside of Washington State.

Terminated Provider Counts Report

Focusing on years 2019 through current year 2022, Columbia Surgery Center was not involuntarily terminated from participation in Medicare reimbursement.

Conformance with Medicare and Medicaid Standards

Focusing on years 2019 through current year 2022, no state or federal surveys were conducted for Columbia Surgery Center.³⁰

CSS, PS provided a listing of 69 current credentialed staff, which includes: 31 physicians, 25 registered nurses, 8 surgical technicians, 2 advanced registered nurses; 2 physician assistants, and 1 certified nursing assistant. These credentialed staff currently work at CSC and are expected to continue to work at the surgery center. Using data from the Medical Quality Assurance Commission, the Nursing Care Quality Assurance Commission, and the department’s provider credential search, the department confirmed that all identified staff hold an active state license, have no current conditions or limits on the license, and have no current enforcement actions.

For this sub-criterion, the department considered the compliance history of the surgery center and its current/proposed staff. Based on the information reviewed, the department concludes that CSC is in compliance with applicable state and federal licensing and certification requirements. As a result, the department concludes there is reasonable assurance that the approval of this project would not have a negative effect on the facility’s compliance. **This sub-criterion is met.**

Iron Bridge Surgery Center, LLC

The applicant provided the following statements related to this sub-criterion and WAC 246-310-230(5). [source: Application, pdf 27]

“No facility or practitioner associated with Iron Bridge Surgery Center has any history with respect to criminal convictions related to the ownership or operation of a health care facility, license revocation, or other sanction described in WAC 246-310-230(3) or (5).”

No public comments were submitted for this sub-criterion.

²⁹ Columbia Surgery Center ASF license # 60099962.

³⁰ Columbia Surgery Center’s most recent survey was conducted in late year 2016 and the follow up survey that included corrections of deficiencies was completed in early year 2017.

Department Evaluation of Iron Bridge Surgery Center, LLC

As stated in the ‘Applicant Description’ section of this evaluation, Iron Bridge Surgery Center is a new facility. While the surgery center would be owned by members of the existing practice known as Spokane Urology, PS, physician practices are not required to be licensed unless the practice has an associated surgery center. As a result, no facility survey information is available for Spokane Urology, PS. The applicant, IBSC, LLC, does not own or operate any healthcare facilities outside of Washington State.

Terminated Provider Counts Report

No information is available.

Conformance with Medicare and Medicaid Standards

No information is available.

IBSC, LLC provided a listing of 13 current credentialed staff that are associated with the practice known as Spokane Urology, which includes: 9 physicians, 2 advanced registered nurses; and 2 physician assistants. Using data from the Medical Quality Assurance Commission, the Nursing Care Quality Assurance Commission, and the department’s provider credential search, the department confirmed that all identified staff hold an active state license, have no current conditions or limits on the license, and have no current enforcement actions.

For this sub-criterion, the department considered the compliance history of the current/proposed staff. Based on the information reviewed, the department concludes that all staff are compliant with applicable state certification requirements. As a result, the department concludes there is reasonable assurance this new surgery center would operate in compliance with both state and federal regulations. **This sub-criterion is met.**

Sight Partners Physicians, PC

The applicant provided the following statements related to this sub-criterion and WAC 246-310-230(5). [source: Application, pdf 42]

“Empire Eye has no history of any of the above actions.”

No public comments were submitted for this sub-criterion.

Department Evaluation of Sight Partners Physicians, PC

As stated in the ‘Applicant Description’ section of this evaluation, Sight Partners, LLC is registered with the Washington State Secretary of State office as a for-profit limited liability corporation under UBI #604 390 827 and is the applicant for this project. The corporation is owned by six physicians and each with varying ownership percentages. Previous to the Sight Partners ownership, the associated surgery centers were operated under the name of ‘Empire Eye Physicians, PS,’ and previous to that, operated under the name of ‘Northwest Eye Surgeons.’ The owner does not own or operate any healthcare facilities outside of Washington State. The table on the following page shows the six Sight Partners associated ambulatory surgery centers operating in Washington State, including city and county of location.

Name	WA License #	City Location	County Location
Northwest Eye Surgeons	60977737	Sequim	Clallam
Northwest Eye Surgeons	61186247	Seattle	King
Northwest Eye Surgeons	61256745	Seattle	King
Northwest Eye Surgeons	60977747	Renton	King
Northwest Eye Surgeons	60977760	Mount Vernon	Skagit
Empire Eye Surgery Center	60100027	Spokane Valley	Spokane

Terminated Provider Counts Report

Focusing on years 2019 through current year 2022, none of the six surgery centers associated with SPP, PC were involuntarily terminated from participation in Medicare reimbursement.

Conformance with Medicare and Medicaid Standards

Focusing on years 2019 through current year 2022, the Northwest Eye Surgeons surgery center located on Northgate Way in Seattle (#61186247) was surveyed in September 2021. The survey resulted in no deficiencies.³¹

SPP, PC provided a listing of 22 current credentialed staff, including owning physicians, that are associated with Sight Partners. The listing includes 10 physicians and 12 registered nurses. Using data from the Medical Quality Assurance Commission and the Nursing Care Quality Assurance Commission, the department confirmed that all identified staff hold an active state license, have no current conditions or limits on the license, and have no current enforcement actions.

For this sub-criterion, the department considered the total compliance history of SPP, PC-owned facilities and the compliance history of the current physicians and other employees that are associated with its surgery centers. Based on the information reviewed, the department concludes that the SPP, PC surgery centers and associated staff are in compliance with applicable state and/or federal licensing and certification requirements. As a result, the department concludes there is reasonable assurance that the surgery center located in Spokane County would continue to operate in compliance with state and federal regulations. **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.

Chapter 246-310 WAC 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 direct how to measure unwarranted fragmentation of services or what types of relationships with a services area's existing health care system should be for projects of this type and size. Therefore, using its experience and expertise the department assessed the materials in the application.

Columbia Surgical Specialists, PS

CSS, PS provided the following statements in response to this sub-criterion. [source: Application, pdfs 45-46]

“Columbia Surgery Center currently has a working relationship with Providence Sacred Heart Medical Center (PSHMC). Please see Exhibit 15 for a copy of the transfer agreement between CSS and PSHMC.

³¹ In 2015, the Spokane Valley Surgery Center was surveyed at the Houk Road location in Spokane Valley. This survey resulted in a listing of deficiencies and plans of corrections were accepted. No follow up visits were noted.

Columbia Surgery Center does not expect any of the existing working relationships to change as a result of this project.

Columbia Surgery Center promotes continuity of care now, since it offers all elements of outpatient Colon & Rectal Surgery, ENT, General Surgery, and Plastic Surgery care, including diagnoses, treatment, and outpatient surgery, if needed. Please also note, as detailed above, there are Gynecology and Urology physicians' specialists also currently employed by CSS.

CN approval of the proposed project will allow CSS physicians across all six of the CSS specialties to perform surgical procedures at the CSS ASC, to add additional specialties and allow non-employed physicians access. Currently there exist only three CN-Approved outpatient ASCs within the Spokane County Planning area, only one of which (Providence Surgery and Procedure Center) is licensed for procedures beyond Plastic Surgery and Ophthalmology. As such, CSS physicians within the Urology and Gynecology specialties, as well as many other planning area providers, must either compete for limited OR time at a single CN-Approved ASC, or access the relatively higher cost Mixed Use rooms at one of the planning area hospitals. The paucity of CN-Approved ASCs in Spokane County has led to current fragmentation of services, which the proposed project will help alleviate. The proposed project will thus promote continuity in the provision of planning area healthcare services.”

No public comments were submitted for this sub-criterion.

Department Evaluation of Columbia Surgical Specialists, PS

The surgery center has been operating as an exempt facility for many years, therefore CSC has an operational history to review for much of this sub-criterion. If this project is approved, CSS, PS proposes to expand the types of services at CSC and for Certificate of Need review purposes, CSC is considered a new surgical center.

CSS, PS asserts that approval of this project will ensure continuity in the provision of healthcare services historically provided by CSC. The department concurs. CSS, PS also asserts that the expansion of services at CSC will promote continuity in services for Spokane County because of the lack of available surgery centers to provide the additional services identified by CSS, PS. For this assertion, the department also takes into consideration the lack of public comment received in opposition to the project by existing providers, both CN approved and CN exempt. The department concurs with the applicant's assertion.

The department also considers the conclusions reached in the financial feasibility and structure and process of care reviews of the project. CSS, PS's project met the financial feasibility criteria in WAC 246-310-220(1) and the structure and process of care criteria in WAC 246-310-230(2).

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

Iron Bridge Surgery Center, LLC

In response to this sub-criterion, IBSC, LLC provided the following statements. [source: Application, pdf 27]

“The proposed ASF will improve access to affordable, high-quality ambulatory surgical services to the Spokane County secondary health services planning area residents. Approval of the proposed ASF will

allow Iron Bridge Surgery Center to offer a more convenient, lower-cost alternative to hospital-based outpatient urologic surgical services. CN approval will also make Iron Bridge Surgery Center available to all physicians in the community who are credentialed, privileged and in good standing and who perform ambulatory surgical services. Local physicians gaining access to Iron Bridge Surgery Center will improve Spokane County secondary health services planning area residents' access to the procedures expected to be performed at the Iron Bridge Surgery Center. Further, because freestanding ASFs are more efficient and cost-effective in comparison to hospital outpatient surgery departments, the contractual rates for purchasers in the Spokane County secondary health services planning area can be lower in a freestanding setting, which translates to cost savings to patients.”

No public comments were submitted for this sub-criterion.

Department Evaluation of Iron Bridge Surgery Center, LLC

IBSC, LLC provided information within application materials to demonstrate it intends to establish relationships with vendors and the relationships would be adequate to support the urology services to be provided. This includes an executed transfer agreement with an area hospital.

Although these factors are a part of the basis confirming this sub-criterion, the department takes into consideration its own analysis and conclusions on this project related to WACs 246-310-210, -270, -220, and -230.

With failures in WAC 246-310-220 and WAC 246-310-230, the department concludes there is no reasonable assurance that approval of this this project would promote continuity and avoid unwarranted fragmentation in the provision of health care services in Spokane County. **This sub-criterion is not met.**

Sight Partners Physicians, PC

In response to this sub-criterion, SPP, PC provided the following statements. [source: December 13, 2021, screening response, pdf 7]

“Because Empire Eye will continue to provide ophthalmic surgical procedures, the proposed project will continue to promote continuous care in the community.”

No public comments were submitted for this sub-criterion.

Department Evaluation of Sight Partners Physicians, PC

The applicant is requesting CN approval of an existing, operational surgery center with two OR that solely provides ophthalmic services in Spokane County. As a result, EESC has an operational history to review for much of this sub-criterion.

Additionally, the department considers the conclusions reached in this evaluation regarding need for the surgery center and whether the facility would be available and accessible to residents of Spokane County.

The department also considers the conclusions reached in the financial feasibility and structure and process of care reviews of the project. SPP PC's project met the financial feasibility criteria in WAC 246-310-220(1) and the structure and process of care criteria in WAC 246-310-230(2).

Based on the information provided in the application, the department concludes there is reasonable assurance that approval of this this project would continue to promote continuity in the provision of health care services in the community. **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.*

Department Evaluation of Columbia Surgical Specialists, PS

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

Department Evaluation of Iron Bridge Surgery Center, LLC

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

Department Evaluation of Sight Partners Physicians, PC

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

D. COST CONTAINMENT (WAC 246-310-240)

Columbia Surgical Specialists, PS

Based on the source information reviewed and agreement to the conditions identified in the conclusion section of this evaluation, the department concludes that Columbia Surgical Specialists meets the applicable cost containment criteria in WAC 246-310-240.

Iron Bridge Surgery Center, LLC

Based on the source information reviewed, the department concludes that the Iron Bridge Surgery Center, LLC project has not met the applicable cost containment criteria in in WAC 246-310-240.

Sight Partners Physicians, PC

Based on the source information reviewed and agreement to the conditions identified in the conclusion section of this evaluation, the department concludes that Sight Partners Physicians, PC meets the applicable cost containment criteria in WAC 246-310-240.

- (1) *Superior alternatives, in terms of cost, efficiency, or effectiveness, are not available or practicable.*
To determine if a proposed project is the best alternative, the department takes a multi-step approach. Step one determines if the application has met the other criteria of WAC 246-310-210 through 230. If it has failed to meet one or more of these criteria, then the project is determined not to be the best alternative and would fail this sub-criterion.

If the project has met the applicable criteria in WAC 246-310-210 through 230 criteria, in step two, the department 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 Chapter 246-310 WAC related to the specific project type in step three.

While there are three separate applications under review, the need section of this evaluation projects numeric need for at least 19 dedicated outpatient ORs for Spokane County. If all three applications are approved, 11 new ORs would be added to the county. As a result, all three applications could be approved. Therefore, the department will not apply superiority criteria to these three projects.

Columbia Surgical Specialists, PS

CSS, PS met the applicable review criteria under WAC 246-310-210 through 230. The applicant provided the following information related to this sub-criterion. [source: Application, pdfs 48-50]

“In deciding to submit this application, Columbia Surgery Center explored the following options: (1) no project—continuing as a CN-Exempt, four OR facility, and (2) request CN approval for four ORs and an expansion of specialties to include Colon & Rectal Surgery, ENT, Gastroenterology, General Surgery, Plastic Surgery, Gynecology, Maxillofacial, Ophthalmology, Oral Surgery, Orthopedics, Pain Management, Pediatric Dentistry, Podiatry, and Urology.

We evaluate the options above using the following decision criteria: improving access; improving quality of care; capital and operating costs (efficiency); and legal restrictions:

Option:	Advantages/Disadvantages:
No project - remain CN-Exempt with 4 ORs	<ul style="list-style-type: none"> There is no advantage to continuing as presently in terms of improving access. (Disadvantage (“D”)) The Spokane County planning area will continue with only one CN-Approved ASC which provides services to a wide range of specialties. Patients requiring surgical services for specialties outside of plastic surgery and ophthalmology must either contend with scheduling challenges or have their procedure scheduled in a relatively higher cost room at one of the planning area acute care hospitals. (D)
CN Approval for 4 OR ASC (Requested project)	<ul style="list-style-type: none"> Allows an expansion of specialties at CSS, open to all physicians in the community who are credentialed and privileged as a member of Proliance’s medical staff, leading to improved access to planning area residents in need of procedures across the additional specialties (Advantage (“A”))

Option:	Advantages/Disadvantages:
No project - remain CN-Exempt with 4 ORs	<ul style="list-style-type: none"> Continuing as presently conveys no advantages or disadvantages from a quality-of-care perspective. (Neutral (“N”))
CN Approval for 4 OR ASC (Requested project)	<ul style="list-style-type: none"> CSS physicians within the Urology and Gynecology specialties will be able to perform surgical procedures at CSS, rather than scheduling surgical time at another facility. This would increase patient and provider convenience and improve scheduling flexibility for these procedures. (A) CN approval would allow expansion across the requested specialties and utilization of CSS by outside surgeons, thereby improving planning area access across these specialties and reducing the need for outmigration or scheduling at acute care hospitals. This improves quality of care for planning area residents. (A)

Option:	Advantages/Disadvantages:
No project - remain CN-Exempt with 4 ORs	<ul style="list-style-type: none"> • Under this option, there would be no impacts on costs or efficiency of CSS—the surgery center would continue as present. (N) • However, as stated above, without the project, some residents in need of outpatient surgical procedures for certain specialties would likely need to out-migrate or visit inpatient providers due to planning area constraints. This requires otherwise unnecessary travel or usage of relatively expensive inpatient care. (D)
CN Approval for 4 OR ASC (Requested project)	<ul style="list-style-type: none"> • The incremental cost of this option would be relatively low, and CSS costs and charges are based on fee schedules with CMS and principal payers. Therefore, this option would not be expected to affect costs and charges. (N) • An expansion of services and ability of outside physicians to use the facility would increase access within the planning area for persons needing Colon & Rectal Surgery, ENT, Gastroenterology, General Surgery, Plastic Surgery, Gynecology, Maxillofacial, Ophthalmology, Oral Surgery, Orthopedics, Pain Management, Pediatric Dentistry, Podiatry, and Urology procedures and reduce the need for outmigration or use of acute care inpatient facilities across these specialties. (A)

Option:	Advantages/Disadvantages:
No project - remain CN-Exempt with 4 ORs	<ul style="list-style-type: none"> • There are no legal restrictions to continuing operations as presently. (A)
CN Approval for 4 OR ASC (Requested project)	<ul style="list-style-type: none"> • Requires certificate of need approval. This requires time and expense. (D)

During the screening of this project, the department questioned CSS, PS about the option of increasing the OR capacity along with the increase in services. CSS, PS provided the following response. [source: July 22, 2021, screening response, pdf 12]

“The option of increasing OR capacity along with the increase in services was not discussed because it was determined not feasible in the existing location. The current location offers an efficient design where all four ORs are grouped together, and the ASC space includes sterile processing, instruments, implants, and central supply. Additional OR capacity would require additional square footage, which is not possible at the existing location.”

No public comments were submitted for this sub-criterion.

Department Evaluation of Columbia Surgical Specialists, PS

The applicant provided sound rationale for foregoing the “no project” option. Once the choice is made to convert a CN exempt surgery center to CN approved, the only option available is to submit a Certificate of Need application for review. Once CSS, PS determined that it would submit a CN application for a freestanding surgery center and expand services, the only other option to consider is

whether to include additional ORs at CSC. For the reasons stated above by CSS, PS, the expansion of ORs was not financially practical given the limited space.

The department did not identify any other alternatives that that would be considered superior based on quality, efficiency, and costs that are available or practicable for CSS, PS. Based on the information provided in the application and restated above, the department concludes that the option selected by CSS, PS is reasonable and prudent for the applicant. Further this option maintains the much needed outpatient services for the residents of Spokane County and surrounding communities.

This project met the review criteria under need, financial feasibility, and structure and process of care. Based on the above information, the department concludes that **this sub-criterion is met.**

Iron Bridge Surgery Center, LLC

IBSC, LLC did not meet all the applicable review criteria under WAC 246-310-220 and WAC 246-310-230. Therefore, the department concludes that this project is not the best alternative for the county. **This sub-criterion is not met.**

Sight Partners Physicians, PC

In response to this sub-criterion, SPP, PC provided the following information. [source: Application, pdfs 43-44]

“NWES considered the following options:

- *No project – continue as a licensed, certificate of need exempt facility*
- *Certificate of Need facility and the requested project.”*

Applicant’s Tables

Table 13- Alternative Analysis: Promoting Access to Healthcare Services

Option:	Advantages/Disadvantages:
No project	<ul style="list-style-type: none"> • Increasing facility costs due to rent increase, decreases the organizations ability to offer the highest quality services (Disadvantage) • The principal disadvantage is this option does nothing to address the ambulatory surgery OR shortages forecast in the Planning Area. (Disadvantage)
Requested Project	<ul style="list-style-type: none"> • The requested project best meets current and future access issues identified in the Planning Area and provides a low-cost alternative to all area ophthalmologists. (Advantage) • From an improved access perspective, there are no disadvantages. (Advantage)

Source: Empire Eye Director Discussion

Table 14- Alternative Analysis: Promoting Quality of Care

Option:	Advantages/Disadvantages:
No project	<ul style="list-style-type: none"> • There are no advantages from a quality of care perspective. However, there are no current quality of care issues. (Neutral) • The principal disadvantage with maintaining the current situation is driven by projected shortages of outpatient ambulatory surgery suites. Over time, as access is constrained, there will be adverse impacts on quality of care if Planning Area physicians and their patients either have to wait for surgical capacity or travel to other locations outside the Planning Area, assuming this is an option. (Disadvantage)
Requested Project	<ul style="list-style-type: none"> • The requested project best meets and promotes quality and continuity of care issues in the Planning Area. (Advantage) • From a quality of care perspective, there are only advantages. (Advantage)

Source: Empire Eye Director Discussion

Table 24 - Alternative Analysis: Promoting Cost and Operating Efficiency

Option:	Advantages/Disadvantages:
No project	<ul style="list-style-type: none"> Under this option, there will be increase in operating costs due to rent increase – the surgery center will make significant changes to adapt to increased costs. (Disadvantage) However, Empire Eye has already incurred all capital costs for two OR operating suite. It is much more efficient (lower cost) to better utilize fixed plant and equipment with greater volumes/throughput – average operating costs fall. This option constrains others' use of the ASC, and as a result, constrains case volumes at the ASC. As a direct result, the No Project option will reduce efficiency and cost-effectiveness. This is the principal disadvantage from an efficiency perspective. (Disadvantage)

Requested Project	<ul style="list-style-type: none"> Empire Eye is constructing ASC under CN exemption, a relocation that will overall decrease costs after the second year of operation. (Advantage) There are no disadvantages. (Neutral)
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Source: Empire Eye Director Discussion

Table 15 - Alternative Analysis: Staffing Impact

Option:	Advantages/Disadvantages:
No project	<ul style="list-style-type: none"> There are no disadvantages from a staffing point-of-view. (Neutral)
Requested Project	<ul style="list-style-type: none"> The principal disadvantage would be the necessity for Empire Eye to hire, employ, and train additional ASC staff. (Disadvantage)

Source: Empire Eye Director Discussion

Table 16- Alternative Analysis: Legal Restrictions

Option:	Advantages/Disadvantages:
No project	<ul style="list-style-type: none"> There are no legal restrictions to continuing operations as presently. (Advantage)
Requested Project	<ul style="list-style-type: none"> The requested project will improve access, quality and continuity of care and promote highest, efficient use of Empire Eye assets as compared to the No Project option. (Advantage) Requires certificate of need approval. This requires time and expense. (Disadvantage)

Source: Empire Eye Director Discussion

SPP, PC also provided the following information regarding continued operation of the exempt surgery center at the Houk Road location. [source: December 31, 2021, screening response, pdf 7]

“The former site was not owned but leased by the local hospital to Empire Eye. The lease was not going to be available in the future requiring relocation of ASC and accompanying services by Empire Eye.”

No public comments were submitted for this sub-criterion.

Department Evaluation of Sight Partners Physicians, PC

The applicant provided sound rationale for foregoing the “no project” option. Once the choice is made to convert a CN exempt surgery center to CN approved, the only option available is to submit a Certificate of Need application for review. SPP, PC correctly concluded that its only option was to submit a project for review.

The department did not identify any other alternatives that that would be considered superior based on quality, efficiency, and costs that are available or practicable for SPP, PC. Based on the information provided in the application and restated above, the department concludes that the option selected by SPP, PC is reasonable and prudent for the applicant. Further this option maintains the needed outpatient services for the residents of Spokane County and surrounding communities.

This project met the review criteria under need, financial feasibility, and structure and process of care. Based on the above information, the department concludes that **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;

(b) The project will not have an unreasonable impact on the costs and charges to the public of providing health services by other persons.

Department Evaluation of Columbia Surgical Specialists, PS

There is no capital expenditure associated with this project. This sub-criterion does not apply to the CSS, PS application.

Department Evaluation of Iron Bridge Surgery Center, LLC

This sub-criterion was evaluated in conjunction with WAC 246-310-220 and is not met.

Department Evaluation of Sight Partners Physicians, PC

This sub-criterion was evaluated in conjunction with WAC 246-310-220 and is considered 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.

Columbia Surgical Specialists, PS

The applicant provided the following statements in response to this sub-criterion. [source: Application, pdf 51]

“The ASC physical design is an efficient circle pattern of patient movement within a single floor. Operating rooms, sterile processing, instruments, implants, and central supply are all located within the ASC space. Please see Exhibit 3 for a floorplan of the CSS ASC.”

Department Evaluation of Columbia Surgical Specialists, PS

This project proposes to convert a CN exempt surgery center to CN approved, and maintain a total of four ORs. The services provided will expand. If approved, CSS, ASC will provide the following procedures: ear, nose, throat (ENT), colon and rectal surgery, general surgery, plastic surgery, gastroenterology, gynecology, maxillofacial, ophthalmology, oral surgery, orthopedics, pain management, pediatric dentistry, podiatry, and urology.

Given that CSS, ASC is currently operating as a CN exempt facility, there are no capital costs associated with expanding the services to be provided. To validate that there are no construction requirements to expand the services, the department reviewed the plan reviewer notes for the project submitted to the Department of Health’s Construction Review Services (CRS) office. Plan reviewer notes are restated below. [source: CRS project 61189053]

“Approved 7/8/21: - Based on material received 6/11/21 and phone conference 6/23/21. The facility’s operating rooms, with approximately 340 square feet of clear floor area and the surgical services proposed in the Certificate of Need application / functional program. The dimensions of 17’ by 20’, and building systems are consistent with the design requirements for operating rooms are not approved for major surgical services, such as partial or total joint replacements or any similar procedures which require staff, equipment, or otherwise reduce the usable floor area of the rooms beyond current procedures and those approved in this review and the Certificate of Need Program.”

Based on information provided within the application and evaluated under WAC 246-310-210, 220, and 230, and the CRS review above, the department is satisfied that this project is appropriate and needed. If approved, this project has the potential to improve or maintain the delivery of health services in Spokane County. **This sub-criterion is met.**

Iron Bridge Surgery Center, LLC

The applicant provided the following statements in response to this sub-criterion. [source: Application, pdfs 29-30]

“The design and specifications for the interior build out of the ASF space will provide the following benefits and efficiencies:

- *Patient traffic flow is in a circular pattern from pre-op to surgery and return to post-op care. Cross traffic is minimized, thereby reducing patient stress.*
- *Staff and surgeons enter and leave the facility from the building’s north end, away from the main entrance and waiting room. Staff and surgeons enter from directly into the staff lounge. The staff lounge is connected to the men and women lockers and change rooms. The change rooms connect directly to the OR semi-restricted corridor. This is a highly efficient flow which promotes infection control. Staff and surgeons do not travel through patient care areas as they arrive and depart.*
- *The central nurse station is located directly across from patient pre and post bays providing excellent visual and acoustical observation of patients.*
- *The ASF is located on the ground floor of the building with parking directly adjacent to the building. This provides patients and family with an easily accessible entrance and discharge and minimal travel distances.*
- *The Special Procedure Rooms and accompanying pre/post op bays are located such that patients can enter and be discharged without crossing the OR patients.*
- *The services rooms (water, electric, medical gases, vacuum pump, etc.) are located so they can be serviced without entering into the patient care areas or semi-restricted corridors.*

The ASF also incorporates the following architectural and engineering elements:

- *LED lighting throughout, including occupancy sensors;*
- *State of the art, energy efficient HVAC system providing required air changes and filtration and energy conservation;*
- *Digitally controlled, cloud based, heating, air conditioning and humidification computer system to maximize efficient operation of the HVAC units; and Recirculated hot water system meeting or exceeding energy standards.”*

No public comments were submitted for this sub-criterion.

Department Evaluation of Iron Bridge Surgery Center, LLC

IBSC, LLC provided information supporting its proposal to establish a new, urology-only surgery center in Spokane County. However, since the proposed project did not meet the applicable review criteria under WAC 246-310-220 and 230, the department cannot conclude that this project would improve or maintain the delivery of health services for Spokane County residents. **This sub-criterion is not met.**

Sight Partners Physicians, PC

The applicant provided the following information in response to this sub-criterion. [source: December 13, 2021, screening response, pdf 7]

“Empire Eye used modern construction techniques and materials to reduce waste. The design and construction met the requirements of city, county, and state requirements resulting in improved

efficiencies and decreased energy demands. The design of the ASC incorporated efficiencies such as the dual OR design to reduce patient's stay thereby reducing risk for infection and improved patient outcomes."

No public comments were submitted for this sub-criterion.

Department Evaluation of Sight Partners Physicians, PC

This project proposes to convert a CN exempt surgery center to CN approved. If approved, the number of ORs would remain at two. The project results in the continuation of outpatient services and the availability of those services in an outpatient setting.

Based on information provided within the application and evaluated under WAC 246-310-210, 220, and 230, the department is satisfied that this project is appropriate and needed. If approved, this project has the potential to improve or maintain the delivery of health services in Spokane County. **This sub-criterion is met.**

APPENDIX A



**APPENDIX A
ASC Need Methodology
Spokane County**

Facility	Special Procedure Rooms	Dedicated Inpatient ORs	Dedicated Outpatient ORs	Mixed Use ORs	Mixed Use min/case	2011 Inpatient Cases in Mixed Use	Inpatient Mins. In Mixed Use ORs	Outpatient Min/Case	Outpatient Cases	Outpatient Mins.	Data Source
MultiCare Deaconess Hospital	6	0	0	17	118.4	9,888	1,171,213	0.0	0	0	Survey 2021 collecting 2020 data
MultiCare Valley Hospital	3	0	0	8	91.4	5,700	521,150	0.0	0	0	Survey 2021 collecting 2020 data-closed 2 months b/c of pandemic
Providence Holy Family	0	0	0	19	71.7	11,759	842,553	0.0	0	0	Survey 2021 collecting 2020 data
Providence Sacred Heart	0	0	0	41	109.4	27,662	3,024,877	0.0	0	0	Survey 2021 collecting 2020 data
Shriners Hospital for Children	0	0	0	0	0.0	0	0	0.0	0	0	DOH Internal Database (ILRS); no OR data collected; did not complete survey.
St. Luke's Rehabilitation Institute	0	0	0	0	0.0	0	0	0.0	0	0	No ORs at St. Luke's Rehabilitation Institute
Advanced Dermatology and Skin Surgery	0	0	6	0	0.0	0	0	50.0	1,891	94,550	DOH Internal Database (ILRS); total outpatient minutes calculated.
Chesnut Institute of Cosmetic and Reconstructive Surgery	0	0	2	0	0.0	0	0	50.0	1,200	60,000	DOH Internal Database (ILRS); total outpatient minutes calculated.
Columbia Surgical Specialists (applicant #21-65)	0	0	4	0	0.0	0	0	56.9	4,930	280,757	Survey 2021 collecting 2020 data-closed 2 months b/c of pandemic
Empire Eye Surgery Center (applicant #21-59)	0	0	2	0	0.0	0	0	50.0	1,488	74,400	Applicant did not complete 2019 or 2020 survey; data from CN App #21-59A, pdf 19
MultiCare Rockwood Eye Surgery Center	0	0	2	0	0.0	0	0	40.0	1,206	48,240	Survey 2021 collecting 2020 data.
Northwest Eyelid and Orbital Specialists (NEOS)	0	0	1	0	0.0	0	0	50.0	881	44,050	Survey 2021 collecting 2020 data-closed 2 months b/c of pandemic. Total minutes not provided=calculated
Northwest Orthopaedic Specialists	0	0	5	0	0.0	0	0	81.3	5,456	443,362	Survey 2021 collecting 2020 data-closed 2 months b/c of pandemic
Pacific Cataract and Laser Institute	0	0	3	0	0.0	0	0	50.0	3,566	178,300	Survey for 2021 collecting 2020 data not provided. Used survey 2020 collecting 2019 data; total minutes not provided=calculated
Providence Surgery and Procedure Center	3	0	4	0	0.0	0	0	37.9	4,966	188,195	Survey 2021 collecting 2020 data.
Seattle Reproductive Medicine [SRM Spokane]	0	0	3	0	0.0	0	0	38.3	2,924	111,850	Survey 2021 collecting 2020 data.
Shape Cosmetic Surgery and Medspa, PLLC	0	0	2	0	0.0	0	0	50.0	1,000	50,000	Survey 2021 collecting 2020 data-closed 2 months b/c of pandemic. Total minutes not provided=calculated
South Perry Endoscopy	Endoscopy Only - ORs and Cases Not Counted					Endoscopy Only - ORs and Cases Not Counted					DOH Internal Database (ILRS)
Spokane Digestive Disease Center	Endoscopy Only - ORs and Cases Not Counted					Endoscopy Only - ORs and Cases Not Counted					DOH Internal Database (ILRS)
Spokane Eye Clinic (The Spokane Eye Surgery Center)	0	0	11	0	0.0	0	0	15.0	10,268	154,020	Survey 2021 collecting 2020 data-closed 3 months b/c of pandemic. Total minutes not provided=calculated
Spokane Surgery Center	0	0	2	0	0.0	0	0	50.0	310	15,500	DOH Internal Database (ILRS); total outpatient minutes calculated.
Spokane Valley ENT (Spokane Valley ASC)	0	0	2	0	0.0	0	0	50.0	655	32,750	Information in 2021 survey unreliable; used 2020 survey data collecting 2019 data-closed 2 months b/c of pandemic. Total minutes of provided=calculated.
The Plastic Surgicenter	0	0	2	0	0.0	0	0	50.0	645	32,250	DOH Internal Database (ILRS); total outpatient minutes calculated.
Totals	12	0	51	85	390.9	55,009	5,559,793	719.4	41,386	1,808,224	
ORs counted in numeric methodology			8	85			390.88			43.69	
Most recent survey: 2020 survey collecting 2019 data											
Population data source: OFM released 2017											
Total Surgeries	96,395										
Area population 2020 [0 - 85+]	516,808										
Use Rate	186.520										
Planning Area projected population Year: 2024	535,216										
% Outpatient of total surgeries	42.93%										
% Inpatient of total surgeries	57.07%										

Spokane County Population

Age	2010	2015	2020	2025	2030
Spokane 0-4	30,241	29,915	31,770	32,005	32,058
Spokane 5-9	29,752	31,128	32,465	33,789	34,275
Spokane 10-14	30,441	30,515	33,664	34,187	35,885
Spokane 15-19	34,817	35,373	33,598	36,223	37,204
Spokane 20-24	38,015	39,195	34,881	35,258	38,075
Spokane 25-29	33,376	32,518	35,440	33,304	33,684
Spokane 30-34	28,921	30,408	34,685	34,204	32,652
Spokane 35-39	28,317	28,304	33,619	36,263	36,353
Spokane 40-44	29,426	28,534	30,718	34,486	37,483
Spokane 45-49	33,652	30,234	29,208	31,125	35,214
Spokane 50-54	34,173	33,239	29,722	29,320	31,451
Spokane 55-59	32,241	33,966	33,148	29,584	29,467
Spokane 60-64	26,880	31,163	32,529	32,164	28,811
Spokane 65-69	18,719	25,858	30,621	31,780	31,706
Spokane 70-74	13,446	17,757	24,870	29,230	30,482
Spokane 75-79	10,790	11,853	15,682	22,282	26,337
Spokane 80-84	8,645	8,511	9,595	12,866	18,520
Spokane 85+	9,369	9,839	10,593	11,748	14,881
Spokane Total	471,221	488,310	516,808	539,818	564,538

