



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

September 6, 2023

Glenda Bishop, CEO  
Quincy Valley Medical Center  
e-mail: [glenda.bishop@quincyhospital.org](mailto:glenda.bishop@quincyhospital.org)

Jody Carona, Consultant  
Health Facilities Planning and Development  
e-mail: [healthfac@healthfacilitiesplanning.com](mailto:healthfac@healthfacilitiesplanning.com)

RE: **Certificate of Need Application #23-30 Quincy Valley Medical Center**

Dear Ms. Bishop and Ms. Carona:

We have completed review of the Certificate of Need application submitted by Grant County Public Hospital District #2. The application proposes to replace Quincy Valley Medical Center with a new facility in Quincy, within Grant County at the same site as the current facility. Enclosed is a written evaluation of the application.

For the reasons stated in this evaluation, the application submitted by Grant County Public Hospital District #2 proposing to replace Quincy Valley Medical Center in its entirety at the current site is consistent with applicable review criteria of the Certificate of Need Program, provided the applicant agrees to the following in its entirety.

**Intent to Issue a Certificate of Need**

Because of the size of the construction project, the Department of Health may not issue a Certificate of Need until it receives a copy of the approved Conditional Use Permit. [WAC 246-03-030(4).] Once Grant County Public Hospital District #2 provides the Certificate of Need Program with a copy of a determination of non-significance or final environmental impact statement pertaining to the site for the hospital, a Certificate of Need will be issued for the project with the following conditions.

**Project Description:**

Grant County PHD No 2 owns and operates the acute care hospital known as QVMC located at 908 Tenth Avenue Southwest in Quincy [98848], within Grant County. Currently, the hospital operates 10 acute care beds. The hospital holds an active Washington State hospital license<sup>1</sup> and a Critical Access Hospital (CAH) designation from Centers for Medicare and Medicaid Services

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<sup>1</sup> Hospital License #00000129.

(CMS).<sup>2</sup> The Department of Health's Trauma Service office has designated QVMC as a level IV adult trauma facility. The applicant intends to maintain the license, certifications, and accreditations at QVMC.

This project proposes to replace QVMC at its current site in Quincy. Key elements of the replacement project include:

- QVMC will decrease the number of licensed beds from 10 to 8,
- QVMC will retain its CAH and level IV adult trauma designations,
- There will be no change in Medicare or Medicaid provider numbers.
- No addition of tertiary or other CN-reviewable services.
- The existing hospital will close and will likely be demolished once the replacement hospital opens.

**Conditions:**

1. Grant County PHD No 2 agrees with the project description as stated above and further agrees that any change to the project as described in the project description is a new project that requires a new Certificate of Need.
2. Grant County PHD No 2 will use reasonable efforts to ensure QVMC provides charity care consistent with the regional average or the amount identified in the application. The regional charity care average from 2019-2021 was 1.40% of gross revenue and 4.08% of adjusted revenue. QVMC will maintain records of charity care applications received and the dollar amount of charity care discounts granted. The department requires that these records be available upon request.
3. Grant County PHD No 2 agrees that QVMC will maintain Medicare and Medicaid certification.
4. Grant County PHD No 2 shall finance this project using the financing as described in the application.

**Approved Costs:**

The approved capital expenditure associated with this project is \$52,518,445. Grant County PHD No 2 will fund the project using bonds issued after the District's Commissioners elected to put forth a ballot measure to ask voters to fund the hospital replacement.

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<sup>2</sup> Medicare #: 50-1320; Medicaid #: 1043109. Critical Access Hospitals (CAH) are designated by CMS. The purpose of the program is to ensure people enrolled in Medicare have access to healthcare services, particularly hospital care, in rural areas. CAH are small hospitals with 25 or fewer beds located in rural areas and are often the central hub of health services in their communities, providing primary care, long-term care, physical and occupational therapy, cardiac rehabilitation, and other services in addition to emergency and acute inpatient care. Hospital staff provide these services either directly or in partnership with other community providers. [source: DOH Rural Health website]

Glenda Bishop, Quincy Valley Medical Center  
Jody Carona, Health Facilities Planning and Development  
Certificate of Need Application #23-30  
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Please notify the Department of Health within 20 days of the date of this letter whether you accept the above project description, conditions, and capital costs for your project. If you accept these in their entirety, your application will be approved, and a Certificate of Need sent to you.

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

Send your written response to the Certificate of Need Program at this e-mail address:

[fslcon@doh.wa.gov](mailto: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,

A handwritten signature in black ink, appearing to read "Eric Hernandez", written over a light blue horizontal line.

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

Enclosure

**EVALUATION DATED SEPTEMBER 6, 2023, FOR THE CERTIFICATE OF NEED APPLICATION SUBMITTED BY GRANT COUNTY PUBLIC HOSPITAL DISTRICT #2 DBA QUINCY VALLEY MEDICAL CENTER PROPOSING TO REPLACE THE HOSPITAL AT ITS CURRENT SITE IN QUINCY WITHIN GRANT COUNTY**

**APPLICANT DESCRIPTION**

**Grant County PHD No 2**

The legal name of the applicant is Grant County Public Hospital District No 2, dba Quincy Valley Medical Center. The public hospital district is governed by a publicly elected Board of Commissioners and organized under the Washington State public hospital district statute of chapter 70.44 Revised Code of Washington (RCW).<sup>1</sup> Quincy Valley Medical Center’s UBI number is: 135-000-687. [source: Application, pdf 4 and Washington State Secretary of State website]

The hospital district is managed by a publicly elected board of five commissioners identified below. [source: Letter of Intent, header]

- Anthony Gonzalez
- Sherri Kooy
- Robert Poindexter
- Michele Talley
- Randy Zolman

For this project, the Grant County Public Hospital District (PHD) No 2 is the applicant and will be referenced in this evaluation as either ‘Grant County PHD No 2’ or ‘the applicant.’ The facility is Quincy Valley Medical Center and will be referenced as ‘QVMC’ or ‘the hospital.’

**PROJECT DESCRIPTION**

Grant County PHD No 2 owns and operates the acute care hospital known as QVMC located at 908 Tenth Avenue Southwest in Quincy [98848], within Grant County. Currently, the hospital operates 10 acute care beds. The hospital holds an active Washington State hospital license<sup>2</sup> and a Critical Access Hospital (CAH) designation from Centers for Medicare and Medicaid Services (CMS).<sup>3</sup> The Department of Health’s Trauma Service office has designated QVMC as a level IV adult trauma facility. The applicant intends to maintain the license, certifications, and accreditations at QVMC. [source: Application, pdf 6]

This project proposes to replace QVMC at its current site in Quincy. Key elements of the replacement project include:

- QVMC will decrease the number of licensed beds from 10 to 8,
- QVMC will retain its CAH and level IV adult trauma designations,
- There will be no change in Medicare or Medicaid provider numbers,
- No addition of tertiary or other CN-reviewable services,
- The existing hospital will close and will likely be demolished once the replacement hospital opens.

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<sup>1</sup> RCW 70.44.003 states: “*The purpose of chapter 70.44 RCW is to authorize the establishment of public hospital districts to own and operate hospitals and other health care facilities and to provide hospital services and other health care services for the residents of such districts and other persons.*”

<sup>2</sup> Hospital License #00000129.

<sup>3</sup> Medicare #: 50-1320; Medicaid #: 1043109. Critical Access Hospitals (CAH) are designated by CMS. The purpose of the program is to ensure people enrolled in Medicare have access to healthcare services, particularly hospital care, in rural areas. CAH are small hospitals with 25 or fewer beds located in rural areas and are often the central hub of health services in their communities, providing primary care, long-term care, physical and occupational therapy, cardiac rehabilitation, and other services in addition to emergency and acute inpatient care. Hospital staff provide these services either directly or in partnership with other community providers. [source: DOH Rural Health website]

The hospital district provided the following background information regarding the replacement project. [source: Application, pdf 5]

*“This application proposes the replacement of the current hospital. Quincy Valley is a 10-bed critical access hospital (CAH) located in Quincy, in the Southwestern most portion of Grant County. The District was formed in 1950, and the Hospital opened in 1959. While minor additions and remodels have occurred over the years, Quincy Valley still operates in the original more than 60-year-old hospital.*

*Study and analysis that began in about 2019 confirmed that the current hospital building had reached the end of its useful life, and that structural, electrical, mechanical, and plumbing systems and other infrastructure are outdated. Studies also concluded that due to age, continued code compliance into the future and the ability to provide efficient care will become more challenging. In response to the findings, and in partnership with the Port of Quincy, the District began exploring the feasibility of a replacement hospital.*

*Located in a very young, diverse, and rapidly growing community, in the Spring of 2022, the publicly elected board of commissioners voted to place a bond issue on the ballot asking District residents to fund 100% of the cost of the replacement hospital. While the replacement hospital will not increase in number of beds, it will provide much needed expansion space for existing essential services such as the emergency department, surgical services and imaging. The measure passed by a margin exceeding 64%.*

*This CN application seeks approval for the project approved by the voters. The cost is estimated to be \$52 million and will be completed in a single phase.*

*Construction of the new hospital is estimated to begin by September 2023. Construction is expected to take approximately 16 months and anticipated opening is expected in March of 2025.”*

The hospital district provided the following table showing the estimated timeline for implementation of the proposed bed addition. [source: Application, pdf 9]

**Department’s Table 1  
Applicant’s Estimated Timeline for Completion**

<b>Event</b>	<b>Anticipated Month/Yr.</b>
Anticipated CN Approval	August 2023
Design Complete	August 2023
Construction Commenced	September 2023
Construction Completed	January 2025
Facility Prepared for Survey	February 2025
Facility Licensed-Project Complete WAC 246-310-010(47)	March 2025

The applicant provided the following clarification and support regarding the timeline above. [source: May 30, 2023, screening response, pdf 4]

*“Yes, the timeline in response to Q5 in the CN application fully considered currently known delays. The project is fully on task to meet the dates outlined in the initial application filing.*

*Specifically:*

- 1) The CRS application has been filed, and a meeting so that new CRS staff can be familiarized with the plans is scheduled for Wednesday, May 31.*
- 2) Design development is completed, and construction documents have been started.*

- 3) *The Guaranteed Maximum Price (GMP) is scheduled to be in place by August.*
- 4) *The contractor is under contract as are the mechanical and electrical contractors.*
- 5) *Groundbreaking is scheduled for early September.*”

Within the application and screening responses, the applicant provided clarification regarding the single line drawings and where the additional eight beds would be located within the replacement hospital. [source: Application, Exhibit 3 pdf 37]

Based on the timeline described above, if this project is approved, partial year one is 2025, and full years one through three are 2026 – 2028.

The total estimated capital expenditure for this project is \$52,518,445. Of that amount, approximately 79% is related to construction and equipment costs; 10% is related to fees, 7% is related to state sales tax, and 4% is for other costs, such as signage, artwork, and IT services. There are no start-up costs for this project. [source: Application, pdfs 18-19]

**WAC 246-03-030 State Environmental Policy Act**

WAC 246-03-030(4) of the State Environmental Policy Act precludes the Certificate of Need Program from issuing a Certificate of Need for a project that requires a Conditional Use Permit until the permit is received. The applicant provided confirmation of understanding of this specific rule within the May 30, 2023, screening response. Therefore, if this project is approved, the department would issue an ‘Intent to Issue a Certificate of Need’ until the required permits have been obtained by the applicant and submitted to the Certificate of Need Program.

**APPLICABILITY OF CERTIFICATE OF NEED LAW**

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

**EVALUATION CRITERIA**

WAC 246-310-200(1)(a)-(d) identifies four determinations the department must make for each application. WAC 246-310-200(2) provides additional direction in how the department is to make its determinations. To obtain Certificate of Need approval, the applicant must demonstrate compliance with the applicable criteria found in WAC 246-310-210 (need); 246-310-220 (financial feasibility); 246-310-230 (structure and process of care); 246-310-240 (cost containment).

Specific to this project, numeric need for the acute care beds at QVMC is deemed met because the hospital has been operational at its current site for many years and this replacement project does not include any increase in acute care beds.

**TYPE OF REVIEW**

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

**APPLICATION CHRONOLOGY**

<b>Action</b>	<b>Grant County PHD No 2 - QVMC</b>
Letter of Intent Submitted	September 19, 2022
Initial Application Submitted	March 2, 2023

Action	Grant County PHD No 2 - QVMC
Department's pre-review activities DOH 1 <sup>st</sup> Screening Letter Applicant's 1 <sup>st</sup> Screening Responses Received	March 23, 2023 May 30, 2023
Beginning of Review	June 5, 2023
Public comments accepted through the end of public comment. No public hearing requested or conducted	July 10, 2023
Rebuttal Comments Due <sup>4</sup>	July 24, 2023
Department's Anticipated Decision Date	September 7, 2023
Department's Actual Decision Date	September 6, 2023

### **AFFECTED PERSONS**

“Affected persons” are defined under WAC 246-310-010(2). To qualify as an affected person, someone must first qualify as an “interested person” defined under WAC 246-310-010(34). For this project, Health Trends request interested person status.

#### **Health Trends**

Health Trends is a healthcare consulting firm that often submits requests for interested person status on behalf of another provider of healthcare services. On March 29, 2023, a representative of the Health Trends consulting firm submitted a request for interested person status and did not identify any clients on whose behalf it was acting. Health Trends did not provide comments on this application and, therefore, does not qualify as an affected person.

During the review of this project, the department received three letters of support for the project and no letters of opposition. For that reason, the applicant did not provide rebuttal comments. This fact is stated here and not repeated throughout the evaluation.

### **SOURCE INFORMATION REVIEWED**

- Grant County PHD No 2 dba Quincy Valley Medical Center application received on March 2, 2023
- Grant County PHD No 2 first screening responses received May 30, 2023
- Public comments received on or before July 10, 2023
- Rebuttal comments received on or before July 24, 2023
- Hospital Finance and Charity Care Program’s (HFCCP) Financial Review received on August 24, 2023
- Washington Administrative Code 246-030 State Environmental Policy Act Guidelines
- Quality Certification and Oversight Reports (QCOR) data website: <https://qcor.cms.gov>
- DOH Provider Credential Search website: <http://www.doh.wa.gov/pcs>
- Joint Commission website at <https://www.jointcommission.org/about-us>

### **CONCLUSION**

For the reasons stated in this evaluation, the application submitted by Grant County PHD No 2 proposing a replacement hospital for QVMC located in Quincy, within Grant County is consistent with the applicable criteria of the Certificate of Need Program, provided the applicant agrees to the following in its entirety.

#### **Intent to Issue a Certificate of Need**

Because of the size of the construction project, the Department of Health may not issue a Certificate of Need until it receives a copy of the approved Conditional Use Permit. [source: WAC 246-03-030(4)] Once Grant PHD

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<sup>4</sup> During this review, the department received eight letters of support and no letters of opposition. Since all public comments were in support of this project; no rebuttal comments were submitted by the applicant.

No 2 provides the Certificate of Need Program with a copy of a determination of non-significance or final environmental impact statement pertaining to the site for the hospital, a Certificate of Need will be issued for the project with the following conditions.

**Project Description:**

This Certificate of Need approves the replacement of QVMC located in Quincy, within Grant County. At project completion, the hospital will operate eight inpatient beds. The current and proposed number of beds, broken down by service, is shown in the table below.

Service	Current	Proposed
General Acute Care	10	8
<b>Total</b>	<b>10</b>	<b>8</b>

**Conditions:**

1. Grant County PHD No 2 agrees with the project description as stated above and further agrees that any change to the project as described in the project description is a new project that requires a new Certificate of Need.
2. Grant County PHD No 2 will use reasonable efforts to ensure QVMC provides charity care consistent with the regional average or the amount identified in the application. The regional charity care average from 2019-2021 was 1.40% of gross revenue and 4.08% of adjusted revenue. QVMC will maintain records of charity care applications received and the dollar amount of charity care discounts granted. The department requires that these records be available upon request.
3. Grant County PHD No 2 agrees that QVMC will maintain Medicare and Medicaid certification.
4. Grant County PHD No 2 shall finance this project using the financing as described in the application.

**Approved Costs:**

The approved capital expenditure associated with this project is \$52,518,445. Grant County PHD No 2 will fund the project using bonds issued after the District’s Commissioners elected to put forth a ballot measure to ask voters to fund the hospital replacement.

**CRITERIA DETERMINATIONS**

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

Based on the source information reviewed, the department determines that the Grant County PHD No 2 project meets the applicable need criteria in WAC 246-310-210.

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

As stated above in the Evaluation Criteria section, numeric need is deemed met for this project because the hospital has been operational at its current site for many years and is not requesting any additional services or beds with this project. The availability and accessibility review under this criterion will focus on the services proposed to be provided by the replacement hospital.

**Grant County PHD No 2**

The applicant provided the following information in response to this sub-criterion. [source: Application, pdf 12]

*“Quincy Valley is physically located in the Grant County Hospital Planning Area. There are three other hospitals in the planning area, including:*

- *Samaritan Healthcare, Moses Lake (travel time is 42 minutes from Quincy to Samaritan)*
- *Columbia Basin Hospital, Ephrata (travel time is 24 minutes from Quincy Valley to Columbia Basin)*



- *Coulee Community Hospital, Grant Coulee (travel time is 1 hour 25 minutes from Quincy Valley to Coulee Community)*

*Like Quincy Valley, both Columbia Basin Hospital and Coulee Community Hospital are critical access hospitals. Samaritan Hospital, a sole community hospital, has CN approval to replace itself at a new location, but there is no increase in beds proposed as part of their project.”*

Since the QVMC would be replaced at its current location, the application does not anticipate any changes for patient access, public/patient/material flow, patient care, or delivery of services.

#### Public Comments

During the review of this project, the department received letters of support related to this sub-criterion. Many of the letters included much of the same information related to the need for a new critical access hospital in Grant County. While all letters are considered, below are excerpts from some of the letters.

#### Nancy E. Schanze, AEMT SEI

*“This letter is in support of the Certificate of Need for Quincy Valley Medical Center. Raised in Quincy, I have had the opportunity to grow up with Quincy Valley Medical Center with a mother that worked the night shift as an RN. Later, I served as a member of the volunteer ambulance service owned by the hospital. This experience demonstrated the true necessity of the facility to aid in life threatening situations, stabilizing the patient's and getting them to the required level of care.*

*With the continued improvements in equipment and technology, Quincy Valley Medical Center is behind the times and is in desperate need of replacement since the existing facility has had a number of upgrades over the years. The community recognizes the importance of the upgrade, passing a bond for construction of the new facility. Quincy's population has grown to just over 8,000 people with many low to moderate income families. The hospital provides a place for emergency care instead of driving 30 to 40 miles to go to Confluence Hospital in Wenatchee or Samaritan Hospital in Moses Lake.*

*The Quincy valley has had numerous large incidents where the hospital has brought in the necessary staff to assist with caring not only for those involved, but also for their families as they arrived to find their loved ones. As an EMS provider, I am ever grateful for having Quincy Valley Medical Center available for the area. There have been miracles that have taken place over the years including a premature baby girl, "Daisy", who decided to join the world a few months earlier than planned while her family was staying at Crescent Bar. Although the facility no longer does OB, that didn't stop the staff from getting done what needed to be done and getting Daisy to a higher level of care at the NICU at the University of Washington. She would not be alive today if Quincy Valley Medical Center did not exist.*

*There are so many ways the clinic and ER have been vital to the Quincy valley and the need for the facility's replacement is high. I look forward to the construction of the new facility and encourage the Department of Health to award the Certificate of Need in a timely manner.”*

#### Fernando Dietsch, MD CMO Quincy Valley Medical Center

*“I serve Director as at both Quincy the Valley Chief Medical Officer Center. In (CMO) my role and as the CMO, I am responsible for supporting our providers in providing provide safe, effective medical services to any patient that seeks our care. While our providers provide exceptional care, they are regularly challenged, and sometimes slowed, by an aged physical was plant that is inefficient. Its inefficiency is directly related to the fact that the building was built to the 1950's design standards and was not designed for today's care environment nor to patient and family centric standards. Beyond any doubt, Quincy Valley's replacement hospital will eliminate the inefficiencies and provide a better environment for our providers, staff and community.*

*In my Emergency Department role, I am also very aware of major inefficiencies, outdated design and space shortages. Patient privacy is an ongoing issue, and the ED is simply too small to handle the multiple patient emergencies we often experience because of our location along I-90 and our closeness to the Gorge and other recreational areas.*

*Our providers and staff are to be commended for their ability to provide quality care in the current physical plant. The fact that the community voted to 100% fund of the replacement provides the vehicle for the replacement project to commence in fall of this year. The publicly elected Commissioners of Grant County Public Hospital District No 2 should be commended for their foresight and their planning that is resulting in a replacement hospital that will be designed to assure patient access for our growing community for decades to come. I urge your timely approval.”*

### Rebuttal Comments

Given that all letters are in support of this project, the applicant did not provide rebuttal comments.

### Department’s Evaluation

QVMC has been operating in Quincy for many years and, as a critical access hospital, provides acute care services, including emergency services, to the residents of Quincy and surrounding communities within Grant County. As a critical access hospital, QVMC operates 10 acute care beds. Furthermore, the hospital holds a level IV adult trauma designation from the Department of Health’s Trauma Service office. Information provided in the application demonstrates that QVMC is an important part of the healthcare infrastructure of Grant County.

Public comments in support of this project expressed the desire for the hospital’s continued operation and the necessity for the hospital to continue operations within the existing healthcare infrastructure. There were no comments submitted in opposition to this project.

Based on the information provided in the application, including public comments in support of this project, the department concludes that the hospital district provided sufficient documentation to demonstrate continued operations of QVMC in Quincy. **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 aged 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 a provider to provide services to individuals who do not have private insurance, do not qualify for Medicare or Medicaid, or who are underinsured.

## Grant County PHD No 2

As an existing, operational critical access hospital operated within the Grant County PHD No 2, QVMC has existing policies and procedures in place regarding patient admissions and care financing. The applicant provided copies of the following policies used as its Washington State hospitals, including QVMC. [source: Application, Exhibit 5 and screening responses, Attachment 3]

### Admission of a Patient

#### Policy statement:

- *It is the policy of Quincy Valley Medical Center, to establish admission criteria for Observation stays, and Inpatient services.*
- *Admissions shall be appropriate for the level of care that can be provided at Quincy Valley Medical Center.*
- *Admissions, transfers, and referrals will be carried out in a consistent and efficient manner.*
- *No admission will be denied based on race, age, sex, sexual preference, religious status, color, national origin, disability, or financial status.”*

The policy also includes the procedures for admission of a patient.

### Financial Assistance/Charity Care Policy

Policy statement: *“Quincy Valley Medical Center will notify all patients of the organization’s FAP (Financial Assistance Policy) and provide an application to all patients/guarantors that request consideration. Each patient will have an initial consultation to determine eligibility. At the time of the review, Quincy Valley Medical Center will determine if there are any other programs that the patient may be eligible for.”*

The policy includes the process one would follow to obtain charity care and an ‘Appeals’ section if charity care is denied.

### Patient Rights and Responsibilities:

Policy statement: *“To recognize and support the Patient Rights and Responsibilities Statement. Those individuals who receive health care at Quincy Valley Medical Center will be given information describing their rights and responsibilities as patients. One of Quincy Valley Medical Center’s goals is to improve patient care and outcomes by establishing and maintaining ethical relationships with the community, whether local or visiting.”*

The policy also includes the procedures to ensure patients are informed of their rights.

### Patient Non-Discrimination Policy

Policy statement: *“Grant Count Public Hospital District #2 dba Quincy Valley Medical Center is committed to ensuring that patients are treated with equality consistent with state and federal law.*

*Quincy Valley Medical Center provides an environment for patients that is free from discrimination and does not exclude, deny benefits to or otherwise discriminate against any person nor limit participation in or receipt of the services and benefits under any of its programs on the basis of age, race, color, creed, ethnicity, religion, national origin, marital status, sex, sexual orientation, gender identity or expression, disability, veteran or military status or any other basis prohibited by federal, state, or local law.*

*Patients have a right to choose the family members and/or other individuals close to them who may participate in their healthcare decisions and have access to protected health information about them. We will respect patient choice.”*

Since QVMC is currently operational, Grant County PHD No 2 provided tables showing both the historical and projected payer mixes for the hospital. If the eight acute care beds are approved, Grant County PHD No 2 does not anticipate any changes in the payer mix for the hospital. [source: Application, pdf 20 & screening response, pdf 5]

**Department’s Table 2  
Quincy Valley Current and Proposed Payer Mix – Gross Revenue**

Payer Mix	Percentage by Revenue	Percentage by Patient
Medicare	28.6%	27.1%
Medicaid	21.0%	23.2%
Commercial	42.7%	28.9%
Self-Pay	7.8%	5.6%
Other	0.0%	15.2%
<b>Total</b>	<b>100.1%</b>	<b>100%</b>

Public Comments

During the review of this project, the department received letters of support related to this sub-criterion. Many of the letters included much of the same information related to the need for a new CAH in Grant County. While all letters are considered, below are excerpts from some of the letters.

Paul Worley, Mayor of Quincy

*“I am writing this letter to assure the Department is aware of the City's support for the Quincy Valley Medical Center (QVMC) replacement hospital project, which we see as vital to the community for a number of reasons.*

*First, the City of Quincy and surrounding communities are highly diverse, with more than 70% of our residents of Hispanic origin. The City embraces this diversity, and so does QVMC. While our community is generally prospering, there are too many residents living in poverty, and we are well aware of the link between poverty and the ability to access health care. While QVMC is not adding beds, the replacement hospital will be better equipped to offer timely, quality, accessible health care locally, and we are confident that it both increases access and reduces the need for unnecessary travel out of the area.*

*In addition, the City supports economic development and assuring more and better job opportunities. Continued economic development requires that employers know that the infrastructure exists locally to support both their business and their employees. The replacement hospital will address the current aged hospital physical plant and will provide the community with a new state-of- the art hospital. Studies also show that the ability to recruit, and importantly retain, providers and hospital and clinic staff improves in a new physical plant. This is also important to our growing community.*

*I can speak from both my knowledge as Mayor and my personal experience: our growing community is very eager to see the new hospital; and we urge the Department's timely award of the certificate of need.”*

Dr, Nik Bergman, Superintendent Quincy School District

*“The Quincy School District serves nearly 3200 students with five elementary schools, one middle school, one high school and Quincy Innovation Academy. Eighty-eight percent of our students are*

*Hispanic/Latino. About 15,000 residents live within the school district boundaries. Local, available, accessible, and equitable health care is important for our student's learning.*

*Ideally our students, and residents should be able to conveniently and timely access services such as primary care, emergency care, behavioral health, and hospitalization to support prevention, detection, diagnosis, and treatment of illness. Quincy Valley Medical Center has done a very good job of minimizing access barriers, supporting care and being present in the community, but its aged facilities are in clear need of replacement. Quincy Valley Medical Center is also a good partner and a friend of Quincy School District. Both of our organizations fundamentally agree that we should share responsibility in the management of health conditions for our children. We also agree that our partnership should strive to improve health and educational outcomes.*

*I should note that my family, which includes four children has lived in Quincy for nearly 20 years. We have depended on Quincy Valley through the years and are personally gratified that the community wholeheartedly supported its replacement. We see the Hospital's replacement project as a game-changer for our community. We offer our full support of a timely State certificate of need award.*

*Thank you for the opportunity to provide this comment.”*

Sheila Berschauer, Moses Lake Community Health Center, CEO

*“I am writing in support of Quincy Valley Medical Center’s (QVMC) certificate of need application to replace its current hospital. As the Chief Executive Officer of Moses Lake Community Health Center (MLCHC), which owns and operates Quincy Community Health Center (QCHC) and the Quincy Student Health and Wellness Center; this letter is to confirm our support of the replacement hospital.*

*MLCHC originally expanded into the Quincy area because of demand and the burden of travel to Moses Lake for many Quincy and George residents. The community’s population has grown by more than 50% in the past 10 years; our community is 70% Hispanic, with 50% speaking a language other than English. QCHC is committed to providing high quality, compassionate health services for the entire family, with a special focus on the uninsured, underinsured, migrant and seasonal farmworkers and others who have difficult accessing care. Our school-based clinic supports area youth by providing onsite medical and behavioral health services at Quincy High School.*

*Continuity of care and open access are key values of our organization. These values are shared by QVMC. In addition, the replacement project is also aligned with our vision to Continually transform our health care delivery system to improve the health of the communities we serve. We will relentlessly pursue perfection and be driven by continuous learning and growing. We will achieve superior clinical outcomes and the highest levels of satisfaction with a patient and family-centered focus.*

*The project is vital to supporting quality outcomes and patient satisfaction. With its current facility nearing sixty-five years old, we see this project is absolutely necessary for QVMC to be able to provide the patient and family centric high-quality care to which both organizations are dedicated.”*

#### Rebuttal Comments

Given that all letters are in support of this project, the applicant did not provide rebuttal comments.

#### **Department’s Evaluation:**

All policies provided by the applicant are currently being used and no changes are expected from this project. Focusing on admission of patients to the replacement hospital, the applicant provided three separate policies that are used in conjunction with one another to fully meet the requirements of this sub-criterion.

The Admission and Patient Rights Policy provides the admission criteria and includes specific non-discrimination language and provides the grievance process to be followed by the hospital if needed.

The Financial Assistance/Charity Care Policy ensures each patient is accepted for admission, regardless of ability to pay. It also includes specific non-discrimination language. The policy includes the process one would follow to obtain charity care and a ‘Policy’ if charity care is denied. Financial data provided in the application also includes charity care as a 1.48% deduction from gross revenue.

Focusing on patient transition and referral, the applicant provided Transition Planning Referrals Policy that outlines the process the critical access hospital uses to discharge a patient to the next appropriate level of care. The policy also outlines the role and responsibility of the receiving facility.

In addition to the policies discussed above, information provided in the application demonstrates that the replacement hospital will continue to serve both Medicare and Medicaid eligible patients. The financial data provided in the application shows 50.4% of the hospital’s patients would be Medicare or Medicaid eligible. The department concludes that QVMC intends to be accessible and available to Medicare and Medicaid patients based on the information provided.

Charity Care Percentage Requirement

For charity care reporting purposes, Washington State is divided into five regions: King County, Puget Sound (less King County), Southwest, Central, and Eastern. QVMC is in Grant County, in the Central Region. Currently there are 20 hospitals operating within the region. Of the 20 hospitals, not all reported charity care data for the years three reviewed, including 2019, 2020, and 2021.<sup>5</sup>

The table below compares the three-year historical average of charity care provided by the hospitals currently operating in the Central Region with QVMC’s projected charity care percentages for full year three (2028). [source: Application, Exhibit 6 and HFCCP 2019-2021 charity care summaries]

**Department’s Table 3  
Charity Care Percentage Comparisons**

	<b>Percentage of Total Revenue</b>	<b>Percentage of Adjusted Revenue</b>
Central Region Historical 3-Year Average	1.19%	3.08%
Quincy Valley Medical Center Hospital Projected Average	1.52%	3.02%

As noted in the table above, the applicant projects to provide charity care at levels higher than the three-year regional average. If this project is approved, the department would attach a condition that requires the Grant County PHD No 2 to agree that QVMC would provide charity care at an amount consistent with the regional averages or consistent with the projected percentages provided in the application.

Based on the information provided in the application and the applicants’ agreement to a charity condition, the department concludes **this sub-criterion is met.**

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

<sup>5</sup> Wellfound Behavioral Health did not report charity care dollars in year 2019. Fairfax Monroe, Fairfax North did not report charity care dollars in year 2020. CHI/Franciscan Rehabilitation Hospital did not report charity care dollars in years 2019, 2020, and 2021.

- (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) do not apply to this project.

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

Based on the source information reviewed, the department determines that the Grant County PHD No 2 project 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 applicants' 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.<sup>6</sup>

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

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<sup>6</sup> 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.

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 own 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 hospital would be operated under the parent.

### **Grant County PHD No 2**

This project proposes to replace the current QVMC located in Quincy. If approved, Grant County PHD No 2 expects the eight beds would be licensed and operational in March 2025. Based on that timeline, partial year one is 2025, and full calendar year one is 2026; year three is 2028.

The applicant provided the following assumptions used to determine the immediate and long-range capital and operating costs of the project. [source: Application, pdf 16]

*“The requested data is included in Exhibit 6. For the assumptions, and in an effort to be conservative, Quincy Valley held discharges, patient days, staffing, operating costs and operating revenues, for all payers except Medicare flat (2022 actual). Medicare reimburses CAH’s based on allowable costs, and because depreciation increases, Medicare payments were increased based on cost report treatment.*”

*While District property owners are responsible for the debt, we accounted for both the interest income and interest expense in the pro forma. The only incremental expense is depreciation, a non-cash expense.”*

The applicant provided additional clarification regarding utilization forecast assumptions. [source: May 30, 2023, Screening Response, pdf 9]

*“Based on the screening questions, Quincy Valley revised the pro formas to correct for inconsistent assumptions and to eliminate a few mistakes; this included eliminating the 5% increase in cost and revenue in the prior model. There are now no discrepancies, and the revised financial statements are consistent with the assumptions. The revised pro formas are included in Attachment 4. New assumptions added in Attachment 4 include:*

- *Quincy Valley held discharges, patient days, staffing, operating costs and operating revenues, for all payers except Medicare flat (2022 actual). Medicare reimburses CAH’s based on allowable costs, and because depreciation increases, Medicare payments were increased based on cost report treatment.*
- *While District property owners are responsible for the debt, we accounted for both the interest income and interest expense in the pro forma. The only incremental expense is depreciation, a non-cash expense.*
- *In the without project - no capital asset purchases or disposals were assumed, so the assets become fully depreciated.*
- *In the “With Project” scenario - debt issuance costs were added, this includes the underwriter fees, bond counsel fees, and other costs of issuing the bonds related to the construction project, as estimated by bond counsel. These are consistent with those in the DA Davidson document included in Attachment 1 (please note that the debt issuance costs in the DA*
- *Davidson letter are only for Phase 1. We have estimated the costs for the remaining \$9 million, but they are, of course, not referenced in the DA Davidson document, because they have not been issued).”*



Based on the assumptions described above, Grant County PHD provided revised assumptions showing projected utilization for years 2022 through 2029. Full year three after project completion is year 2028. [source: May 30, 2023, screening response, pdf 10]

Grant County PHD No 2 provided historical assumptions used to prepare the projected Revenue and Expense Statement. See Department’s Table of this information below. [source: Application, pdf 13]

**Department’s Table 4**

<b>Projected Utilization</b>	<b>Full Yr. Projected 2023</b>	<b>Full Yr. Projected 2024</b>	<b>Full Yr. Projected 2025</b>
General Acute Licensed Beds	10	10	8
Admissions	33	33	33
Average Length of Stay (ALOS)	2.79	2.79	2.79
Total Patient Days	92	92	92
ADC	.25	.25	.25
Occupancy Acute Care Only (calculated)	2.5%	2.5%	3.2%

**Department’s Table 5**

<b>Full Yr. Projected 2026</b>	<b>Full Yr. Projected 2027</b>	<b>Full Yr. Projected 2028</b>	<b>Full Yr. Projected 2029</b>
8	8	8	8
33	33	33	33
2.79	2.79	2.79	2.79
92	92	92	92
.25	.25	.25	.25
3.2%	3.2%	3.2%	3.2%

Clarification of Line Items - May 30, 2023, screening responses, pdf 11

*“The “Other – UTGO CAH Cost Report Impact” is the estimated increase in Medicare reimbursement related to the increased depreciation and interest expenses related to the new hospital construction project. As a critical access hospital, the District is reimbursed based on cost by Medicare. Historically, the District has had approximately 28.2% of actual depreciation and interest expense reimbursed by Medicare, based on Medicare patient utilization in the departments these costs are allocated to. We used this percentage with the estimated depreciation and interest expenses related to the new hospital construction project to estimate the increase in Medicare reimbursement.*

*Per CMS regulations, the increase in Medicare reimbursement begins when the new building is placed into service and begins to depreciate in 2025. Medicare will not reimburse for either the depreciation or the interest expense related to the project until the building is placed into service. The decrease is due to the decrease in interest expense each year as more of the debt is repaid.”*

Clarification of Financing – Application, pdf 21 and May 30, 2023, screening responses, pdf 5

*“100% of the project costs are being funded by bonds issued after the District’s Commissioners elected to put forth a measure in August of 2022 to ask the voters to fund the replacement.*

*The guaranteed maximum price (GMP) is expected to be in place with the next 60 days. Washington State law (RCW 39.10) allows for an alternative public works contracting procedure wherein a public body (such as a PHD) selects a contractor to provide services during the design phase and the contractor agrees and negotiates a maximum allowable construction cost to act as construction manager and general contractor during the construction phase.*

*This removes the risk from the project, assuming the GMP comes in within budget. All indicators are that it will at this time.”*

Clarification of Expenses: Rentals and Leases, Insurance, and Licenses and Taxes – May 30, 2023, screening responses, pdf 11

- *Other – UTGO CAH Cost Report Impact: The “Other – UTGO CAH Cost Report Impact” is the estimated increase in Medicare reimbursement related to the increased depreciation and interest expenses related to the new hospital construction project. As a critical access hospital, the District is reimbursed based on cost by Medicare. Historically, the District has had approximately 28.2% of actual depreciation and interest expense reimbursed by Medicare, based on Medicare patient utilization in the departments these costs are allocated to. We used this percentage with the estimated depreciation and interest expenses related to the new hospital construction project to estimate the increase in Medicare reimbursement.*
- *Purchased Services: contracted services other than professional fees. This includes contracted services throughout all hospital departments including consultants, nurses, technicians, physical therapists, business office staffing, and information technology.*
- *Supplies: office and medical supplies used in the operation of the hospital.*
- *Professional Fees: expenses related to professionals such as MDs, lawyers, and accountants, and similar.*
- *Other: expenses not fitting in another category. This includes advertising, business and occupation taxes, dues, subscriptions, travel, education, recruiting, licenses, repairs and maintenance, and utilities.*
- *Rents and leases: expenses related to rent or lease of equipment or real property.*
- *Insurance: expenses related to the cost of insurance other than health insurance for employees.*

Based on the assumptions above, Grant Count PHD No 2 provided the following financial statements for QVMC. [source: Application, pdf 22-23 and May 30, 2023, screening response, Revised Exhibit 4]

Historical Statements – Year 2022

- Revenue and Expense Statement
- Wages and Salaries Schedule

Projected Statements for QVMC without replacement hospital – Years 2023 through 2029

- Revenue and Expense Statement
- FTE Schedule for Productive and Non-Productive Staff
- Wages and Salaries Schedule

Projected Statements for QVMC for the replacement hospital – Years 2026 through 2029

- Revenue and Expense Statement
- FTE Schedule for Productive and Non-Productive Staff
- Balance Sheet – Assets and Liabilities
- Wages and Salaries Schedule

While all statements referenced above are reviewed, only the projected statements for the replacement of Quincy Valley Medical Center are summarize in the tables below. [source: May 30, 2023, screening response, Revised Exhibit 7]

**Department’s Tables 6 & 7  
Quincy Valley Medical Center  
Projected Revenue and Expense Statement Summary**

	Projected Year 2023	Projected Year 2024	Projected Year 2025
Net Revenue	\$10,780,794	\$10,780,794	\$12,285,607
Minus Expenses	\$10,556,635	\$10,556,635	\$13,175,683
<b>Net Profit / (Loss)</b>	\$224,159	\$224,159	(\$890,076)

	Projected Year 2026	Projected Year 2027	Projected Year 2028
Net Revenue	\$12,269,991	\$12,261,957	\$12,251,808
Minus Expenses	\$13,175,683	\$12,940,995	\$12,896,544
<b>Net Profit / (Loss)</b>	(\$905,692)	(\$679,038)	(\$644,736)

The hospital's Balance Sheet for projection years 2025 through 2028 is summarized in the tables below.  
[source: May 30, 2023, screening response, Revised Exhibit 7]

**Department's Tables 8 & 9**  
**Quincy Valley Medical Center**  
**Projected Balance Sheet Statement Summary**

ASSETS	Projected Year 2025	Projected Year 2026	Projected Year 2027	Projected Year 2028
Current Assets	\$18,581,582	\$21,766,434	\$24,943,251	\$28,109,920
Property and Equipment	\$0	\$0	\$0	\$0
Other Assets	\$52,910,186	\$50,011,999	\$47,348,500	\$44,729,452
<b>Total Assets</b>	<b>\$71,491,768</b>	<b>\$71,778,433</b>	<b>\$72,291,751</b>	<b>\$72,839,372</b>

LIABILITIES	Projected Year 2025	Projected Year 2026	Projected Year 2027	Projected Year 2028
Current Liabilities	\$2,139,192	\$2,289,192	\$2,454,192	\$2,629,192
Long-Term Debt	\$51,511,841	\$50,675,955	\$49,675,065	\$48,499,182
Equity	\$17,834,873	\$18,807,425	\$20,156,630	\$21,705,138
<b>Total Liabilities</b>	<b>\$71,485,906</b>	<b>\$71,772,572</b>	<b>\$72,291,751</b>	<b>\$72,833,512</b>

There were no public comments or rebuttal comments submitted for this sub-criterion.

**Department's Evaluation**

To evaluate this sub-criterion, the department first reviewed the assumptions used by the applicants to determine the projected patient volumes and patient mix for the hospital. The projections are based upon the three main factors:

- The numeric methodology;
- Grant County population growth trends; and
- Historical utilization of QVMC.

After reviewing the utilization assumptions described above, the department concludes that they are reasonable.

The applicant based, in part, its projected revenues and expenses for the replacement hospital at the current site using historical operations of QVMC as a baseline. The department concludes this approach is also reasonable.

Below is a table summarizing the projected revenue and expenses for the new patient tower.

**Department’s Table 10  
Summary of Revenue and Expense Statement**

	Partial Year 2025	Full Year 1 2026	Full Year 2 2027	Full Year 3 2028
Net Revenue	\$12,285,607	\$12,269,991	\$12,261,957	\$12,251,808
Expenses	\$13,175,683	\$13,175,683	\$12,940,995	\$12,896,544
<b>Net Profit / (Loss)</b>	<b>(\$890,076)</b>	<b>(\$905,692)</b>	<b>(\$679,038)</b>	<b>(\$644,736)</b>

For the summary above, net revenues include gross revenues, minus deductions for contractual allowances, bad debt, and charity care. Expenses include all costs associated with the critical access hospital, including wages and benefits.

As summarized above, the applicant projects there will be operating losses over the first full three years of operation (2026 through 2028).

For this sub-criterion, the department also completes a focused financial and cost containment review (WAC 246-310-220 and WAC 246-310-240, respectively) that includes review of pro forma financial statements submitted in the application, including screening responses and rebuttal documents, and historical data reported to the data collection office within the Department of Health. A portion of the focused review is restated below. [source: August 24, 2023, Hospital Finance and Charity Care Program’s (HFCCP) analysis, pdf 2-4] *“The table below shows percentages of the cost of the new hospital compared to various assets.*

Quincy Valley Medical Center Replacement Hospital	
Capital Expenditure	\$ 52,518,445
Percent of Total Assets	501.65%
Percent of Equity	834.39%

*Quincy will increase its total assets by over 100% after this project is completed. This is a substantial increase in assets. Review also shows that this project will greatly impact reserves, total liability, and equity of Quincy.*

*Review of Quincy’s application is unusual for several reasons: first, it is only the second replacement facility of similar size reviewed in many years<sup>7</sup>; second, most other similar-sized replacement facilities reviewed were hospitals that leased the new facilities back from other entities<sup>8</sup>, therefore the hospitals did not show the entire impact of financing the construction of the new hospital on their books in the way that Quincy will; and third, it is only the third new or replacement hospital reviewed in many years that was not part of or subsidized by a larger system<sup>9</sup>. Quincy, or rather its parent, Grant County Public Hospital District No. 2, cannot rely on the borrowing capacity of a large healthcare system. Quincy must incur debt on its own behalf, guaranteed only by its own operations and the willingness of its taxpayers to approve bond measures.*

*Just as the department sometimes concludes it is appropriate in the case of new hospitals to look farther in the future than the customary three years for need projections, it is occasionally appropriate to examine a project’s financial feasibility over a longer time frame. This appears to be one such situation.*

<sup>7</sup> Prosser Memorial HealthCare, a 25-bed replacement critical access hospital, was reviewed in 2021, other recent replacement facilities contained 50 or more beds.

<sup>8</sup> Coulee Medical Center, 2009; and Snoqualmie Valley Hospital, 2012 and 2013.

<sup>9</sup> Samaritan Healthcare in 2020 and Prosser Memorial Health in 2021.

Quincy is proposing to build a replacement facility that is slightly smaller than the existing hospital. As a result, the applicant is not projecting increases in patient days<sup>10</sup>, nor is it proposing other changes to its services that might be expected to significantly increase revenues other than those driven by increases in Medicare allowable costs. Quincy has constructed its financial projections using conservative estimates and including known future cost increases. While Quincy has held operating costs constant at 2022 amounts, the department notes that in the Cost Containment section of the application the applicant identified expected cost decreases in areas where the new facility is projected to lower expenses.

During this review, the department identified a potential error in the projected revenue values for the hospital in its screening responses. For each year, the hospital's total operating revenues displayed on their table in Attachment 4b (hospital with the project) do not match the values calculated by the department using the stated inpatient and outpatient revenue amounts and stated deductions from revenue. In each year, the stated net patient revenue is less than the department's calculations by exactly the amount of projected inpatient revenue. In order to determine whether the applicant's error truly represented an accidental omission, the department reviewed Quincy's 2022 year-end financial report to the department's Hospital Charity Care and Financial Data program. The department was unable to compare the values in the screening responses to the values in the tables from the original application because the latter did not display the breakdown between inpatient and outpatient revenue, nor did they identify contractual deductions from revenue. The department's examination of Quincy's 2022 data from its screening responses against the data Quincy provided to the financial data program revealed that inpatient revenue in 2022 was consistent between the two, while outpatient revenue in the application was similar to, but somewhat lower than reported to the financial data program. The department can only conclude that the applicant unintentionally failed to include its projected inpatient revenue in Attachment 4b. This error actually understates the financial viability of the project by \$527,843 in each year of the projection period. In recent practice, the department has not considered easily identifiable and explainable errors of this nature to summarily render an applicant's projections unreasonable, particularly when they do not affect an applicant's demonstration that a project is likely to meet expenses in the future. All calculations included in this document are based on inclusion of both inpatient and outpatient revenue and, therefore, differ from those presented by the applicant.

I reviewed various ratios' that can give a snapshot of the financial health of Quincy as of December 31, 2022. Also detailed are the first nine years of the replacement. State 2021 is included as a comparison and is calculated from all community hospitals in Washington State whose fiscal year ended in 2021<sup>11</sup>. The data is collected by the Washington State Dept. of Health Community Health Systems section of the Health Systems Quality Assurance division. On the following page is a table showing the results. The A means it is better if the row result is above the State number and B means it is better if the row result is below the state number."

#### Focused Financial Analysis

Quincy Valley Medical Center		State	2022	2023	2024	2025	2026	2027	2028	2029
Ratio Category	Trend	2021	Actual	CONy1	CONy2	CONy1	CONy2	CONy3	CONy4	CONy5
Long Term Debt to Equity	B	0.426	0.501	3.090	3.073	2.888	2.694	2.464	2.234	2.013
Current Assets/Current Liabilities	A	3.287	8.895	22.002	12.447	8.686	9.508	10.164	10.691	11.090
Assets Funded by Liabilities	B	0.370	0.399	0.765	0.761	0.750	0.738	0.721	0.702	0.681
Operating Expense/Operating Revenue	B	0.973	0.754	0.969	1.010	1.117	1.115	1.096	1.092	1.089
Debt Service Coverage	A	6.123	45.330	3.332	2.749	2.233	2.187	2.130	2.078	2.025
Long Term Debt to Equity	Long Term Debt/Equity									
Current Assets/Current Liabilities	Current Assets/Current Liabilities									
Assets Funded by Liabilities	Current Liabilities+Long term Debt/Assets									
Operating Expense/Operating Revenue	Operating Expense/Operating Revenue									
Debt Service Coverage	Net Profit+Depr and Interest Exp/Current Mat. LTD and Interest Exp									

The focused review includes the following conclusions.

*"Most the ratios for Quincy are currently within appropriate range of the state 2021 figures.*

<sup>10</sup> No growth in patient days are projected past 2022, however increased Medicare reimbursement is assumed.

<sup>11</sup> Financial reports for 2022 are incomplete as of the writing of this evaluation, therefore the department has used ratios for 2021.

*The new hospital is better than break-even each year during construction and throughout the projection period. Usually the ratios for a brand new hospital are fair at best because of the large amount of debt. Most of Quincy's ratios are outside the preferred range from project completion through the third year of operation, with the exception of current assets to current liabilities, however, all except debt service coverage show steady improvement toward the statewide averages. Operating expense to operating revenue is very close to the statewide average in most years of the project. While the debt-related ratios may appear to hinder Quincy's future ability to borrow additional funds, its projected cash position should remain sufficient to more than cover the hospital's costs.*

*Review of the financing and ratios show the immediate and long-range capital and operating costs of the project can be met. This criterion is satisfied."*

The department concludes this project would not result in an unreasonable impact on the costs and charges for health services. **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 project's costs with those previously considered by the department.

**Grant County PHD No 2**

As previously stated, the total capital expenditure for this project is \$52,518,445. Of that amount, \$35,649,361 is directly associated with building construction costs. There are no start-up costs because the existing hospital will remain operational at the current site while the replacement hospital is undergoing construction. [source: Application, pdf 18]

The hospital district provided the following information in response to this sub-criterion. [source: Application, pdf 19]

*"The replacement hospital will have only a very minor impact on costs and charges. The debt service will be paid by District taxpayers. The incremental depreciation expense will be borne by the hospital, and as a CAH, Medicare payments will be increased as a result of the incremental depreciation expense. While not quantified in the proforma, Quincy Valley expects efficiencies from operating a new state of the art hospital designed for 21st century care delivery and with HVAC and other systems designed for ultimate efficiencies."*

In addition to the information above, the applicant stated it has already met with the Department of Health's Construction Review Services office and has been assigned project number 61414399 for this project. [source: Application, pdf 11]

The application includes a letter from the general manager of Graham Construction<sup>12</sup> confirming the reasonableness and accuracy of the construction costs for the project. [source: Application, Exhibit 8]

There were no public comments or rebuttal comments submitted for this sub-criterion.

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<sup>12</sup> Graham Construction and Management is in Seattle and provides a wide range of services associated with construction projects, including project development, financial advisory services, asset management, deal arrangement, and contract management. [source: website: <https://www.grahambuilds.com/>]

**Department’s Evaluation**

The estimated capital expenditure associated with this project is \$52,518,445. All costs for the project will be covered by bonds that will be disbursed in two series. The first amount of \$44,770,000 was issued on March 7, 2023, and the remaining \$9,000,000 will be issue as needed to complete the project. [source: May 30, 2023, screening responses, Attachment 1]

The focused financial review concluded that QVMC’s rates are comparable to Washington statewide averages and concluded the project would have no unreasonable impact on the hospital or the community.

The department concludes this project would not result in an unreasonable impact on the costs and charges for health services. **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 project’s source of financing to those previously considered by the department.

**Grant County PHD No 2**

The total estimated capital expenditure for this project is \$52,518,445.

The table below shows the Certificate of Need related and un-related capital costs. [source: Application, pdf 18]

**Department’s Table 11  
Grant County Public Hospital District #2 Replacement Hospital  
Estimate Capital Expenditure Breakdown**

<b>Item</b>	<b>Total</b>	<b>Percentage</b>
Land Improvements	\$100,00	0.2%
Building Construction	\$35,649,361	67.9%
Moveable Equipment	\$5,816,590	11.1%
Architect/Engineering Fees	\$3,280,695	6.2%
Consulting Fees	\$1,707,626	3.3%
Washington Sales Tax	\$3,563,489	6.8%
Other: Site Survey/Studies	\$80,000	0.2%
Other: Fees to State & Local Agencies	\$329,454	0.6%
Other: Artwork	\$130,000	0.2%
Other: IT	\$1,671,230	3.2%
Other: Signage	\$150,000	0.3%
Other: Legal Fees	\$40,000	0.1%
<b>Total Capital Costs</b>	<b>\$52,518,445</b>	<b>100%</b>

There are no start-up costs because QVMC will remain in operation during construction of the replacement hospital. [source: Application, pdf 19]

Grant County PHD No 2 intends to fund the project using bonds and provided the following discussion regarding the funding sources and amounts. [source: Application, pdfs 19-21 and May 30, 2023, screening response, pdf 5]



*“The replacement hospital will have only a very minor impact on costs and charges. The debt service will be paid by District taxpayers. The incremental depreciation expense will be borne by the hospital, and as a CAH, Medicare payments will be increased as a result of the incremental depreciation expense. While not quantified in the proforma, Quincy Valley expects efficiencies from operating a new state of the art hospital designed for 21st century care delivery and with HVAC and other systems designed for ultimate efficiencies.*

*100% of the project costs are being funded by bonds issued after the District’s Commissioners elected to put forth a ballot measure in August of 2022 to ask the voters to fund the replacement.*

*The bonds will be issued in two series. The first, in the amount of \$44,770,000.00 were issued/closed on March 7, 2023. The remainder, in the amount of up to \$9 million will be issued as needed to complete the project. The timing of the second issuance is not clear yet, but it will be somewhere near the midpoint of construction, estimated to be late Spring of 2024.”*

The amortization table provided by the applicant is below.

*Applicant’s Table 1*

<i>Period Ending</i>	<i>Principal</i>	<i>Coupon</i>	<i>Interest</i>	<i>Debt Service</i>	<i>Annual Debt Service</i>
06/01/2023			522,316.67	522,316.67	
12/01/2023	1,480,000	5.000%	1,119,250.00	2,599,250.00	3,121,566.67
06/01/2024			1,082,250.00	1,082,250.00	
12/01/2024	725,000	5.000%	1,082,250.00	1,807,250.00	2,889,500.00
06/01/2025			1,064,125.00	1,064,125.00	
12/01/2025	365,000	5.000%	1,064,125.00	1,429,125.00	2,493,250.00
06/01/2026			1,055,000.00	1,055,000.00	
12/01/2026	480,000	5.000%	1,055,000.00	1,535,000.00	2,590,000.00
06/01/2027			1,043,000.00	1,043,000.00	
12/01/2027	610,000	5.000%	1,043,000.00	1,653,000.00	2,696,000.00
06/01/2028			1,027,750.00	1,027,750.00	
12/01/2028	745,000	5.000%	1,027,750.00	1,772,750.00	2,800,500.00
06/01/2029			1,009,125.00	1,009,125.00	
12/01/2029	895,000	5.000%	1,009,125.00	1,904,125.00	2,913,250.00
06/01/2030			986,750.00	986,750.00	
12/01/2030	1,060,000	5.000%	986,750.00	2,046,750.00	3,033,500.00
06/01/2031			960,250.00	960,250.00	
12/01/2031	1,230,000	5.000%	960,250.00	2,190,250.00	3,150,500.00
06/01/2032			929,500.00	929,500.00	
12/01/2032	1,425,000	5.000%	929,500.00	2,354,500.00	3,284,000.00
06/01/2033			893,875.00	893,875.00	
12/01/2033	1,620,000	5.000%	893,875.00	2,513,875.00	3,407,750.00
06/01/2034			853,375.00	853,375.00	
12/01/2034	1,840,000	5.000%	853,375.00	2,693,375.00	3,546,750.00
06/01/2035			807,375.00	807,375.00	
12/01/2035	2,075,000	5.000%	807,375.00	2,882,375.00	3,689,750.00
06/01/2036			755,500.00	755,500.00	
12/01/2036	2,330,000	5.000%	755,500.00	3,085,500.00	3,841,000.00
06/01/2037			697,250.00	697,250.00	
12/01/2037	2,600,000	5.000%	697,250.00	3,297,250.00	3,994,500.00
06/01/2038			632,250.00	632,250.00	
12/01/2038	2,885,000	5.000%	632,250.00	3,517,250.00	4,149,500.00
06/01/2039			560,125.00	560,125.00	
12/01/2039	3,195,000	5.000%	560,125.00	3,755,125.00	4,315,250.00
06/01/2040			480,250.00	480,250.00	
12/01/2040	3,525,000	5.000%	480,250.00	4,005,250.00	4,485,500.00
06/01/2041			392,125.00	392,125.00	
12/01/2041	3,885,000	5.000%	392,125.00	4,277,125.00	4,669,250.00
06/01/2042			295,000.00	295,000.00	
12/01/2042	4,265,000	5.000%	295,000.00	4,560,000.00	4,855,000.00
06/01/2043			188,375.00	188,375.00	
12/01/2043	4,670,000	5.000%	188,375.00	4,858,375.00	5,046,750.00
06/01/2044			71,625.00	71,625.00	
12/01/2044	2,865,000	5.000%	71,625.00	2,936,625.00	3,008,250.00
	44,770,000		33,211,316.67	77,981,316.67	77,981,316.67

The cost of capital from this amortization schedule enters the Revenue and Expense Statement, on an annual basis, through the Expense line-item “Interest/Amortization.”



As referenced above, Grant County PHD No 2 provided its ‘*Amortization Schedule*’ showing the 44-month payment scheduled beginning June 2023 and ending December 2044.

Grant County PHD No 2 provided the “Closing Memorandum” for the issuance of the Bonds for the replacement hospital. The letter includes the following language regarding the applicant’s funding sources. [source: May 31, 2023, screening response, Attachment 1]

*“After confirming the wires have been received, Bond Counsel, the Registrar and Fiscal Agent and the Underwriter shall telephone DTC and release the Bonds via DTC’s FAST System. After the Bonds have been released, the financing will be closed.”*

The table below recreates the information provided to the Department from the applicant.

**Department’s Tables 12 & 13**

<b>Source of Funds</b>	<b>Amount</b>
Par Amount of Bonds	<b>\$44,770,000</b>
Plus: Original Issue Premium	1,901,949.60
Less: Underwriter’s Discount	(\$514,855.00)
<b>Total Source of Funds</b>	<b>\$46,157,094.60</b>

<b>Distribution of Funds</b>	<b>Total</b>
Deposit to Project Fund	\$46,000,000.00
Deposit for 2023 Bond Fund (debt service fund)	\$2,313.60
Deposit to the Project Fun (Costs of Issuance)	\$39,781.00
<b>Total Wire to County Treasurer</b>	<b>\$46,042,094.60</b>
Wire to Bond Counsel	\$100,000.00
Wire to Underwriter’s Counsel	\$15,000.00
<b>Total Distribution of Funds</b>	<b>\$46,157,094.60</b>

There were no public comments or rebuttal comments submitted for this sub-criterion.

**Department’s Evaluation**

To determine whether the applicants could meet the immediate and long-range capital costs, the department reviewed the funding information provided in the application. Further, a focused financial review is for this sub-criterion is below. [source: August 24, 2023, focused financial HFCCP analysis]

*“Quincy Valley Medical Center’s capital expenditure is projected to be \$52,518,445. The applicant is building a completely new facility that will replace the existing hospital. Below is a summary of the current and projected 2029 balance sheets from the application.”*

*Applicant’s Tables 2 & 3*

<b>Quincy Valley Medical Center 2022</b>			
<b>Assets</b>		<b>Liabilities</b>	
Current	9,102,584	Current	1,023,340
Board Designated	-	Other	-
Property/Plant/Equipment	1,366,650	Long Term Debt	3,151,696
Other	-	Equity	6,294,199
<b>Total</b>	<b>10,469,234</b>	<b>Total</b>	<b>10,469,235</b>

Quincy Valley Medical Center 2029			
Assets		Liabilities	
Current	31,264,115	Current	2,819,192
Board Designated	-	Other	5,861
Property/Plant/Equipment	42,110,405	Long Term Debt	47,133,295
Other	-	Equity	23,416,171
Total	73,374,520	Total	73,374,519
from Applicant's Screening Responses			

*“As noted earlier in this review, complete replacement of a hospital like Quincy is uncommon in recent years. Just as need is generally evaluated on a longer time frame than three years for establishment of new hospitals, it is appropriate for the financial feasibility of a project like a hospital replacement to be evaluated on a longer term than construction of smaller, less costly facilities such as surgery or dialysis centers. District hospitals like Quincy are also more limited in how they may finance construction than other non- and for-profit hospitals, particularly hospitals that are part of larger organizations with significant financial resources upon which to draw.*

*The applicant indicates it will finance this project with a new series of long-term general obligation bonds that were issued on March 7, 202 The costs and interest rates of this finance method were included in Quincy’s projected financial statements. Quincy provided sufficient information about bonds, including amortization schedules, for the program to conclude that there is a reasonable probability of securing financing as proposed.*

*The financing method used is appropriate business practice. This criterion is satisfied.”*

The department concludes this project could be appropriately financed by the two funding entities. **This sub-criterion is met.**

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

Based on the source information reviewed, the department determines that the Grant County Public Hospital District No 2 project meets the applicable cost containment 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 evaluates whether the staffing proposed would allow for the required coverage.

**Grant County PHD No 2**

The hospital district proposes to replace the hospital at its current site in Grant County. Since the hospital is currently operating, all staff are expected to relocate with the hospital. The hospital would continue to be operational at its existing site while the new hospital is under construction. If this project is approved, the district expects construction of the new hospital to begin in September 2023 and the new hospital will be operational in March 2025. [source: Application, pdf 16]

In response to this sub-criterion, the district provided a staffing table for QVMC showing historical/current year 2022 and projected years 2023 through 2028. The applicant clarifies that the no new staff are expected to be added in any of the projection years.

The table below is a recreation of the applicant’s staffing table provided in the application. It shows historical/current year 2022 and projected years one through three [2026 – 2028]. [source: Application, pdfs 22-23]

**Department’s Table 14  
Projected FTEs for Current Year 2022 and Projected Years 2026 through 2028**

<b>FTE Type</b>	<b>Year 2022 Current Year</b>	<b>Year 2026 Increase</b>	<b>Year 2027 Increase</b>	<b>Year 2028 Increase</b>	<b>Total</b>
Management	4.70	0.00	0.00	0.00	4.70
Non-Physician Providers	1.25	0.00	0.00	0.00	1.25
RNs	13.70	0.00	0.00	0.00	13.70
Nursing Assistant/Medical Assistant	8.65	0.00	0.00	0.00	8.65
Other Staff	9.55	0.00	0.00	0.00	9.55
Imaging Services Tech	3.10	0.00	0.00	0.00	3.10
Lab Services Tech	4.40	0.00	0.00	0.00	4.40
Environmental Services	6.20	0.00	0.00	0.00	6.20
Food Service	1.10	0.00	0.00	0.00	1.10
Non-Tech Other	3.50	0.00	0.00	0.00	3.50
<b>Total</b>	<b>56.15</b>	<b>23.54</b>	<b>82.49</b>	<b>26.71</b>	<b>56.15</b>

The hospital district provided the following information regarding the assumptions used to project the staffing identified above. [source: Application, pdf 23]

*“The staffing is based on current staff to patient ratios for the hospital. No changes are assumed.”*

The hospital district provided the following information regarding recruitment and retention of staff for QVMC. [source: Application, pdf 25]

*“As noted in Table 8, Quincy Valley is assuming no increase in staffing over the life of the CN pro forma. Despite this, in this challenging workforce environment, we are aware that we will need to recruit for retirements and staff turnovers. The opportunity to work in a new hospital is a known attractor of staff. Further, Quincy Valley has close working relationships with several local and regional technical colleges and community colleges, and we encourage and support local residents and current employees to develop training and participate in career ladders.*

*Finally, Quincy Valley offers a generous benefit package for both full and part time employees that includes Medical, Dental, Paid Time Off/Extended Illness/Injury Time, Employee Assistance Plans, and a Tuition Reimbursement Program, among other benefits.”*

There were no public comments or rebuttal comments submitted for this sub-criterion.

**Department’s Evaluation**

This section of the evaluation focuses on the staffing of the proposed project. Given the hospital is currently operational, the applicant provided detailed information regarding staffing and recruitment strategies it would use to ensure appropriate staff, including key staff, is available. This approach is acceptable for a new healthcare facility.

If this project is approved, the department would attach a condition requiring the applicant to provide the names and professional license numbers for key staff.

Information provided in the application demonstrates that the applicants have the ability and expertise to recruit and retain a sufficient supply of qualified staff for this project. With agreement to the staffing condition, **this sub-criterion is met.**

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

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 a project of this type and size. Therefore, using its experience and expertise the department assessed the materials contained in the application.

**Grant County PHD No 2**

The applicant provided the following information related to this sub-criterion. [source: Application, pdf 25-26]

*“The existing ancillary and support services, and confirmation as to whether they are provided in house or under agreement, are provided in Table 10 below.”*

*Applicant’s Table 4: Existing Ancillary and Support Services*

Services Provided	In House or Under Agreement
Linen service	In house
Lab & Pathology	Lab licensed under hospital; send-outs under agreement; Pathology under agreement
Biomedical	Agreement
Biomedical waste	Agreement
PT	Agreement
Dietary	In house
Imaging	Inhouse. Radiologists under agreement
Health Information Management	In house
Biomedical/Clinical Engineering	Agreement
Quality Management	In house
Customer Service/Support	In house
Medical Staff Services	In house
Facilities/Environment of Care including janitorial services	In house
Utilization Review	In house
Supply Chain	In house
Pharmacy	Agreement
Interpretation Services	In house
Blood Products and Services	Agreement

Source: Applicant

*“No existing ancillary or support agreements are expected to change as a result of this project.”*

There were no public comments or rebuttal comments submitted for this sub-criterion.

**Department’s Evaluation**

As an operating facility, QVMC has long-established and well-functioning relationships with health and social service providers in the area.

Grant County PHD No 2 has provided a listing of the types of ancillary and support vendors it currently uses and stated that it does not anticipate any of its ancillary or support agreements or working relationships to change because of this project.

Information and statements provided demonstrate that the applicant has and will be able to continue to have access to all ancillary and support services needed for the hospital. Based on the information above and lack of comment, the department concludes **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 the applicants' history in meeting these standards at other facilities owned or operated by the applicant.

### **Grant County PHD No 2**

The hospital district provided the following statements to demonstrate compliance with this sub-criterion and the sub-criterion under WAC 246-310-230(5). [source: Application, pdf 28]

*"No facility or practitioner associated with Quincy Valley has any history with respect to the above."*

There were no public comments or rebuttal comments submitted for this sub-criterion.

### **Department's Evaluation**

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.<sup>13</sup> For hospital projects, 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 2020 through 2023.<sup>14</sup> The department uses this report to identify facilities that were involuntarily 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 facilities with a history of condition level findings.

For CMS surveys, there are two levels of deficiencies: standard and condition.<sup>15</sup>

- 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.

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<sup>13</sup> WAC 246-310-230(5).

<sup>14</sup> Reports are all current as of August 22, 2023.

<sup>15</sup> Definitions of standard and condition level surveys: <https://www.compass-clinical.com/deciphering-tjc-condition-level-findings/>

As part of this review, the department must conclude that the proposed services provided by an applicant would be provided in a manner that ensures safe and adequate care to the public.<sup>16</sup> To accomplish this task, the department reviewed the quality-of-care compliance history for the healthcare facilities owned, co-owned, operated, or managed by Grant County Public Hospital District No 2 or its subsidiaries. Additionally, the department reviewed the credentialing history of the lead medical professionals associated with Grant County PHD No 2.

Terminated Provider Counts Report

Focusing on years 2020 through current, no facilities associated with Grant County PHD No 2 were involuntarily terminated from participation in Medicare reimbursement.

CMS Survey Data

Using the Center for Medicare and Medicaid Services Quality, Certification & Oversight Reports (QCOR) website, the department reviewed the available historical survey information for the applicant’s hospitals focusing on the years 2020 through current. The QCOR review shows that since 2020, there have not been any surveys done at any Grant County PHD No 2 facilities.

In addition to the facility review above, Grant County PHD No 2 provided the names and professional license numbers for its key clinical staff, shown in the submitted table below [source: Application, pdf 25]

*Applicant’s Table 5*

**Table 9  
Key Acute Care Staff**

<b>Name</b>	<b>Title</b>	<b>Professional License Number</b>
Fernando Dietsch, MD	Medical Director	MD00041643
Jonathan Crosier, MD	Chief of Staff	MD00047202
Marissa Villela, RN	Chief Nursing Officer	RN60088421

*Source: Applicant*

Using data from the Washington State Medical Commission the department confirmed that the above individuals all have an active license with no enforcement action in Washington State.

Based on the above information, the Department concludes that Grant County PHD No 2 demonstrates reasonable assurance that the hospital would continue to operate in compliance with state and federal guidelines if this project is approved. **This sub-criterion is met.**

- (4) The proposed project will promote continuity in the provision of health care, not result in an unwarranted fragmentation of services, and have an appropriate relationship to the service area's existing health care system.

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 the department how to measure unwarranted fragmentation of services or what types of relationships with a services area’s existing health care system should be for a project of this type and size. Therefore, using its experience and expertise the department assessed the materials in the application.

**Grant County PHD No 2**

The applicant provided the following information related to this sub-criterion. [source: Application, pdf 27]

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<sup>16</sup> WAC 246-310-230(5)

*“This project proposes to replace an existing hospital. The project does not propose any new services or beds. Quincy Valley currently does and will continue to work closely with other providers throughout the region that support our residents.*

*Quincy Valley is a founding member of the Grand Columbia Health Alliance (GHCA), the purpose of which is to develop shared services, create operating efficiencies and reduce unnecessary outmigration for health care. Other members of the GCHA include each of the other hospitals in Grant County, the two hospitals in adjacent Adams County (Othello Community and East Adams Healthcare) and Odessa Healthcare in adjacent Lincoln County.*

*In addition, Quincy Valley works closely with local EMS, the local FQHC and post-acute providers, as well as tertiary care centers with whom Quincy Valley has transfer agreements to ensure that timely and seamless patient transitions continue to occur. No changes to these working relationships are proposed with the replacement hospital.*

*As documented above, Quincy Valley does, and will continue to work closely with other providers throughout our service area and County to ensure that timely and seamless patient transitions continue to occur.”*

#### Public Comments

During the review of this project, the department received letters of support related to this sub-criterion. Many of the letters included much of the same information related to the need for a new critical access hospital in Grant County. While all written comments are considered, below is an excerpt from one of the letters.

#### Curtis A. Morris, Commissioner Port of Quincy

*“The Port of Quincy was formed by local voters in 1958. While initially focused on the surrounding agricultural region, by the early 2000s, the Port expanded with the purchase of land in Quincy. This land was ultimately developed as an intermodal train terminal to expand the region's agricultural shipping capacity, serving as an inland alternative to coastal ports; and supporting the region's agricultural products to reach a greater market. The Port, with support from Washington State, also facilitated the development of server farms or data centers. Today, companies including Microsoft, Yahoo!, Intuit, HS Data Centers and Sabey have more than 2.5 million square feet of data centers in Quincy; with another 1 million square feet currently under construction.*

*In order for economic development to continue, strong local infrastructure is necessary. A key component of the infrastructure is health care; and for this reason, more than five years ago, the Port partnered with QVMC to help it review its current physical plant and identify options for growth. A 2019 study confirmed that the current hospital had reached the end of its useful life, and that structural, electrical, mechanical, and plumbing systems and other infrastructure were outdated. The Study also noted that due to age, continued code compliance into the future and the ability to provide efficient care would become challenging. In response to the Study, QVMC and Port pivoted to a very public process that explored the feasibility of a replacement hospital and culminated with the community voting to replace the hospital.*

*The Port views the replacement hospital as a critical component of the infrastructure needed to support current industry and assure that our abundant low-cost hydropower electricity, location, and affordability can continue to benefit not only Central Washington, but the entirety of the State.*

*By a margin of more than 64%, the voters agreed to fund the replacement, please approve the project timely.”*

## Rebuttal Comments

Given that all letters are in support of this project, the applicant did not provide rebuttal comments.

## **Department's Evaluation**

As noted in the need section of this evaluation, the department concluded a need for the beds requested by the applicant based on for a hospital in a rural area and an absence of voiced opposition. Also, that comment was received by the department from clinicians who practice at QVMC describing the desperate need for additional inpatient space at the hospital. The letters detailed the impact of lack of space and out of date equipment, on staffing and patient care. An updated hospital will allow clinicians to provide quality care to their community.

The financial feasibility section of this evaluation concluded that the financing is reasonable and supported by information in the application materials. Factors noted in the structure and process of care section of this evaluation concluded that the hospital would be appropriately staffed and maintain its accreditations and certifications to continue to provide high acuity services.

For those reasons, the department concludes that approval of this project is not expected to result in unwarranted fragmentation of acute care services in Grant County. **This sub-criterion is met.**

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

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

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

Based on the source information reviewed, the department determines that the PeaceHealth project 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, in terms of cost, efficiency, or effectiveness, the department takes a multi-step approach. First the department determines if the application has met the other criteria of WAC 246-310-210 through 230. If the project has failed to meet one or more of these criteria, the project cannot be considered the best alternative in terms of cost, efficiency, or effectiveness as a result the application would fail this sub-criterion.

If the project has met the applicable criteria in WAC 246-310-210 through 230 criteria, the department then assesses the other options considered by the applicant. If the department determines the proposed project is better or equal to other options considered by the applicant and the department has not identified any other better options, this criterion is determined to be met unless there are multiple applications. No competing application were submitted for review.

## **Grant County PHD No 2**

### Step One

Grant County PHD No 2 demonstrated that this application met the applicable review criteria under WAC 246-310-210, 220, and 230. Therefore, the department moves to step two below.

### Step Two

Below is an explanation and table regarding the decision by the applicant to reduce the number of beds from 10 to 8 at the replacement hospital. [source: May 30, 2023, Screening response, pdf 6]



*“Quincy Valley’s current patient volume do not require 10-beds. In lieu of constructing the full 10 beds, the second floor has space which will be used for administrative space in the short term. This space can be converted easily to 6 additional beds in the future if market conditions require, for a total of 14 beds.*

*The table below compares the 8 and 10 bed options:*

<b>Criterion</b>	<b>8 Beds</b>	<b>10 Beds</b>
<i>Patient Access</i>	<i>Current Inpatient ADC averages less than one patient per day. The pro forma assumed no increase in days, but even a 5% increase per year means that no additional beds are needed for at least the first 10 years of the project.</i>	<i>See response to 8 beds. Quincy Valley is largely an ED and outpatient provider. Access to inpatient beds is not a concern. See the response to Q9 above, for the ease with which additional beds can be made operational.</i>
<i>Capital Cost</i>	<i>Within scope of \$55 million in voter obligated bonds</i>	<i>While GMP is not in place at this time, all cost estimating done to date suggests that the finishing of the administrative space noted in Q9 could bump the project cost up to or over the \$55 million voter approved amount.</i>
<i>Legal Restrictions</i>	<i>None</i>	<i>None</i>
<i>Staffing</i>	<i>Staffing remains at current levels, but with efficiencies associated with new physical plant.</i>	<i>While the extra beds would not be clinically staffed, they would need housekeeping and maintenance staff.</i>
<i>Quality</i>	<i>No difference</i>	<i>No difference</i>
<i>Cost/operational efficiency</i>	<i>Best fit for patient/community demand.</i>	<i>When demand is present, the space will lend itself to expansion in an efficient manner.</i>

There were no public comments or rebuttal comments submitted for this sub-criterion.

**Department’s Evaluation**

The department reviewed the options identified and rejected by the applicant and found the conclusions to be reasonable. Further, the department did not identify any other alternatives that could be considered superior related to cost, efficiency, or effectiveness that is available or practicable.

In the need section of this evaluation, the applicants demonstrated need for at least eight acute care beds in Grant County. This project proposes build a replacement hospital due to the current facility being outdated. Once the project is complete, will have eight acute care beds instead of 10. The decrease in bed count was justified in the application and screening.

Based on the information provided in the application, the department concludes that the project as submitted by the joint applicants is the best available option for the planning area. **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.

**Grant County PHD No 2**

The hospital district provided the following information in response to this sub-criterion. [source: Application, pdfs 29-30]

*“The project involves a 100% replacement of the existing hospital. The replacement facility has been designed to be well below Washington State’s energy use thresholds. The replacement hospital will be almost an entirely electric hospital which means that there will be low energy costs as the cost of electricity in Quincy is the lowest cost energy source; and it reduces Quincy Valley’s carbon footprint.*

*The facility will be two-story with inpatient care on the 2nd floor. This will provide a more healing care environment for patients as it will be quieter than the current hospital. The inpatient unit in the existing hospital is located adjacent to the emergency department. The existing building is also very dark, while the replacement hospital includes lots of natural light (which also has a healing benefit). Lastly, Quincy has already retained a general contractor to provide input during the final design phase. This is much more efficient and cost effective than retaining the contractor after the design has been completed.*

*As noted previously, 100% of the capital costs are borne by District taxpayers. Further, Quincy Valley’s rates and charges are not determined by capital expenditures. There will be no unreasonable impact.”*

There were no public comments or rebuttal comments submitted for this sub-criterion.

**Department Evaluation**

This project involves construction of a new replacement of Quincy Valley Medical Center, a critical access hospital in Grant County. The applicant provided information regarding the design of the hospital and the standards that must be met for construction. Additionally, the department notes that the project to decrease the bed count from 10 to eight beds. The approach of reducing beds from one facility to another reduced costs and provides additional space in other areas of the hospital.

Further, the assumptions related to the costs and charges discussed under the Financial Feasibility section of this evaluation, the department does not anticipate an unreasonable impact on the costs and charges to the public because of financing the replacement hospital project. Therefore, the department concludes **this sub-criterion is met.**

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

**Grant County PHD No 2**

In response to this sub-criterion, the Grant County PHD No 2 provided the following statements. [source: Application, pdf 30]

*“Cost-efficiency will be realized when Quincy Valley begins operating in a new, right-sized and efficient building. This is an improvement in delivery.”*

There were no public comments or rebuttal comments submitted for this sub-criterion.

**Department Evaluation**

This project has the potential to improve delivery of acute care services to the residents of Grant County and surrounding communities with the replacement of Quincy Valley Medical Center, a critical access hospital. The department is satisfied the project is appropriate and needed. **This sub-criterion is met.**