

Hospital Certificate of Need Review Criteria

A. Need ([WAC 246-310-210](#))

[WAC 246-310-210](#) provides general criteria for an applicant to demonstrate need for healthcare facilities or services. Documentation provided in this section must demonstrate that the proposed project will be needed, available, and accessible to the community it proposes to serve. Do not skip any questions. If you believe a question is not applicable to your project, explain why it is not applicable.

1. List all other acute care hospitals currently licensed under [RCW 70.41](#) and operating in the hospital planning area affected by this project. If a new hospital is approved, but is not yet licensed, identify the facility.
2. For projects proposing to add acute care beds, provide a numeric need methodology that demonstrates need in this planning area. The numeric need methodology steps can be found in the Washington State Health Plan (sunset in 1989).
3. For existing facilities proposing to expand, identify the type of beds that will expand with this project.
4. For existing facilities, provide the facility's historical utilization for the last three full calendar years. The first table should only include the type(s) of beds that will increase with the project, the second table should include the entire hospital.

Project-Specific Only	Identify Year	Identify Year	Identify Year
Licensed beds			
Available beds			
Discharges			
Patient days			

Entire Hospital	Identify Year	Identify Year	Identify Year
Licensed beds			
Available beds			
Discharges			
Patient days			

5. Provide projected utilization of the proposed facility for the first seven full years of operation if this project proposes an expansion to an existing hospital. Provide projected utilization for the first ten full years if this project proposes new facility. For existing facilities, also provide the information for intervening years between historical and projected. The first table should only include the type(s) of beds that will increase with the project, the second table should include the entire hospital. Include all assumptions used to make these projections.

Project-Specific Only	Identify Year	Identify Year	Identify Year	Identify Year	Identify Year	Identify Year	Identify Year
Licensed beds							
Available beds							
Discharges							
Patient days							

Entire Hospital	Identify Year	Identify Year	Identify Year	Identify Year	Identify Year	Identify Year	Identify Year
Licensed beds							
Available beds							
Discharges							
Patient days							

6. For existing facilities, provide patient origin zip code data for the most recent full calendar year of operation.
7. Identify any factors in the planning area that currently restrict patient access to the proposed services.
8. Identify how this project will be available and accessible to underserved groups.
9. If this project proposes either a partial or full relocation of an existing facility, provide a detailed discussion of the limitations of the current location.
10. If this project proposes either a partial or full relocation of an existing facility, provide a detailed discussion of the benefits associated with relocation,
11. Provide a copy of the following policies:
 - Admissions policy
 - Charity care or financial assistance policy
 - Patient rights and responsibilities policy
 - Non-discrimination policy
 - End of life policy
 - Reproductive health policy
 - Any other policies directly associated with patient access

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

Financial feasibility is based on the criteria in [WAC 246-310-220](#).

1. Provide documentation that demonstrates the immediate and long-range capital and operating costs of the project can be met. This should include but is not limited to:
 - Utilization projections. These should be consistent with the projections provided under the Need section. Include all assumptions.
 - A current balance sheet at the facility level.
 - Pro forma balance sheets at the facility level throughout the projection period.
 - Pro forma revenue and expense projections for at least the first three full calendar years following completion of the project. Include all assumptions.
 - For existing facilities, provide historical revenue and expense statements, including the current year. Ensure these are in the same format as the pro forma projections. For incomplete years, identify whether the data is annualized.
2. Identify the hospital's fiscal year.
3. Provide the following agreements/contracts:
 - Management agreement
 - Operating agreement
 - Development agreement
 - Joint Venture agreement

Note, all agreements above must be valid through at least the first three full years following project completion or have a clause with automatic renewals. Any agreements in draft form must include a document signed by both entities committing to execute the agreement as submitted following CN approval.

4. Provide documentation of site control. This could include either a deed to the site or a lease agreement for the site. If a lease agreement is provided, the terms must be for at least five years with options to renew for a total of 20 years.
5. Provide county assessor information and zoning information for the site. If zoning information for the site is unclear, provide documentation or letter from the municipal authorities showing the proposed project is allowable at the identified site. If the site must undergo rezoning or other review prior to being appropriate for the proposed project, identify the current status of the process.

6. Complete the table on the following page with the estimated capital expenditure associated with this project. If you include other line items not listed below, include the definition of the line item. Include all assumptions used to create the capital expenditure estimate.

Item	Cost
a. Land Purchase	\$
b. Utilities to Lot Line	\$
c. Land Improvements	\$
d. Building Purchase	\$
e. Residual Value of Replaced Facility	\$
f. Building Construction	\$
g. Fixed Equipment (not already included in the construction contract)	\$
h. Movable Equipment	\$
i. Architect and Engineering Fees	\$
j. Consulting Fees	\$
k. Site Preparation	\$
l. Supervision and Inspection of Site	\$
m. Any Costs Associated with Securing the Sources of Financing (include interim interest during construction)	
1. Land	\$
2. Building	\$
3. Equipment	\$
4. Other	\$
n. Washington Sales Tax	\$
Total Estimated Capital Expenditure	\$

7. Identify the entity responsible for the estimated capital costs . If more than one entity is responsible, provide breakdown of percentages and amounts for all.
8. Identify the start-up costs for this project. Include the assumptions used to develop these costs. Start-up costs should include any non-capital expenditure expenses incurred prior to the facility opening or initiating the proposed service.
9. Identify the entity responsible for the start-up costs. If more than one entity is responsible, provide a breakdown of percentages and amounts for all.
10. Provide a non-binding contractor's estimate for the construction costs for the project.
11. Provide a detailed narrative supporting that 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 in the planning area.

12. Provide the projected payer mix for the hospital by revenue and by patients using the example table below. Medicare and Medicaid managed care plans should be included within the Medicare and Medicaid lines, respectively. If “other” is a category, define what is included in “other.”

Payer Mix	Percentage by Revenue	Percentage by Patient
Medicare		
Medicaid		
Commercial		
Other Government (L&I, VA, etc.)		
Self-Pay		
Charity Care		
Other Payers (please list)		
Total		

13. If this project proposes the addition of beds to an existing facility, provide the historical payer mix by revenue and patients for the existing facility. The table format should be consistent with the table shown above.
14. Provide a listing of all new equipment proposed for this project. The list should include estimated costs for the equipment. If no new equipment is required, explain.
15. Identify the source(s) of financing and start-up costs (loan, grant, gifts, etc.) and provide supporting documentation from the source. Examples of supporting documentation include: a letter from the applicant’s CFO committing to pay for the project or draft terms from a financial institution.

If this project will be debt financed through a financial institution, provide a repayment schedule showing interest and principal amount for each year over which the debt will be amortized.

16. Provide the most recent audited financial statements for:
- The applicant, and
 - Any parent entity.

C. Structure and Process of Care ([WAC 246-310-230](#))

Projects are evaluated based on the criteria in [WAC 246-310-230](#) for staffing availability, relationships with other healthcare entities, relationships with ancillary and support services, and compliance with federal and state requirements. Some of the questions within this section have implications on financial feasibility under WAC 246-310-220.

1. Identify all licensed healthcare facilities owned, operated, or managed by the applicant. This should include all facilities in Washington State as well as any out-of-state facilities. Include applicable license and certification numbers.
2. Provide a table that shows full time equivalents (FTEs) by type (e.g. physicians, management, technicians, RNs, nursing assistants, etc.) for the facility. If the facility is currently in operation, include at least the most recent full year of operation, the current year, and projections through the first three full years of operation following project completion. There should be no gaps. All FTE types should be defined.
3. Provide the basis for the assumptions used to project the number and types of FTEs identified for this project.
4. Identify key staff (e.g. chief of medicine, nurse manager, clinical director, etc.) by name and professional license number, if known.
5. Describe your methods for staff recruitment and retention. If any barriers to staff recruitment exist in the planning area, provide a detailed description of your plan to staff this project.
6. For **new** facilities, provide a listing of ancillary and support services that will be established.
7. For **existing** facilities, provide a listing of ancillary and support services already in place.
8. Identify whether any of the existing ancillary or support agreements are expected to change as a result of this project.
9. If the facility is currently operating, provide a listing of healthcare facilities with which the facility has working relationships.
10. Identify whether any of the existing working relationships with healthcare facilities listed above would change as a result of this project.

11. For a new facility, provide a listing of healthcare facilities with which the facility would establish working relationships.
12. Provide an explanation of how the proposed project will promote continuity in the provision of health care services in the planning area, and not result in an unwarranted fragmentation of services.
13. Provide an explanation of how the proposed project will have an appropriate relationship to the service area's existing health care system as required in [WAC 246-310-230](#)(4).
14. Identify whether any facility or practitioner associated with this application has a history of the actions listed below. If so, provide evidence that the proposed or existing facility can and will be operated in a manner that ensures safe and adequate care to the public and conforms to applicable federal and state requirements.
 - a. A criminal conviction which is reasonably related to the applicant's competency to exercise responsibility for the ownership or operation of a health care facility; or
 - b. A revocation of a license to operate a healthcare facility; or
 - c. A revocation of a license to practice as a health profession; or
 - d. Decertification as a provider of services in the Medicare or Medicaid program because of failure to comply with applicable federal conditions of participation.

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

Projects are evaluated based on the criteria in [WAC 246-310-240](#) in order to identify the best available project for the planning area.

1. Identify all alternatives considered prior to submitting this project. At a minimum include a brief discussion of this project versus no project.
2. Provide a comparison of this project with alternatives rejected by the applicant. Include the rationale for considering this project to be superior to the rejected alternatives. Factors to consider can include, but are not limited to: patient access to healthcare services, capital cost, legal restrictions, staffing impacts, quality of care, and cost or operation efficiency.
3. If the project involves construction, provide information that supports conformance with WAC 246-310-240(2):
 - The costs, scope, and methods of construction and energy conservation are reasonable; and
 - The project will not have an unreasonable impact on the costs and charges to the public of providing health services by other persons.
4. Identify any aspects of the project that 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.