STATE OF WASHINGTON

DEPARTMENT OF HEALTH

Olympia, Washington 98504

October 24, 2018

CERTIFIED MAIL # 7017 3380 0000 0863 8345

Lance Baldwin, Director of Nursing
Northwest Eye Surgeons
10330 Meridian Avenue North, #370
Seattle, Washington 98133

RE: Certificate of Need Application #18-23-East Clallam County

Dear Mr. Baldwin:

We have completed review of the Certificate of Need application submitted by Northwest Eye Surgeons. The application proposes the establishment of an ambulatory surgery center in Sequim, within east Clallam County. Enclosed is a written evaluation of the application.

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

Project Descriptions:
This certificate approves the establishment of a two-operating room ambulatory surgical facility in Sequim, within East Clallam County. The surgery center will serve patients aged 5 years and older that require surgical services that can be served appropriately in an outpatient setting. Surgical services within the two ORs are limited those associated with ophthalmic surgical procedures, such as cataract extraction and laser eye surgery.

Conditions:

1. Northwest Eye Surgeons, PC agrees with the project description as stated above. Northwest Eye Surgeons, PC 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. Northwest Eye Surgeons, PC will provide charity care in compliance with its charity care. Northwest Eye Surgeons, PC will use reasonable efforts to provide charity care consistent with the regional average or the amount identified in the application – whichever is higher.

The regional charity care average from 2014-2016 was 1.16% of gross revenue and 3.20% of adjusted revenue. Northwest Eye Surgeons, PC will maintain records of charity care applications received and the dollar amount of charity care discounts granted at the location of the surgery center. The records must be available upon request.

3. Northwest Eye Surgeons, PC agrees that the ASF will maintain Medicare and Medicaid certification, regardless of facility ownership.

Approved Costs:
There is no capital expenditure associated with this project.

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

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

Send your written response to the Certificate of Need Program, at one of the following addresses.

Mailing Address:
Department of Health
Certificate of Need Program
Mail Stop 47852
Olympia, WA 98504-7852

Physical Address:
Department of Health
Certificate of Need Program
111 Israel Road SE
Tumwater, WA 98501

If you have any questions, or would like to arrange for a meeting to discuss our decision, please contact the Certificate of Need Program at (360) 236-2955.

Sincerely,

Nancy Tyson, Executive Director
Health Facilities and Certificate of Need

Enclosure

EVALUATION DATED OCTOBER 24, 2018 OF THE CERTIFICATE OF NEED APPLICATION SUBMITTED BY NORTHWEST EYE SURGEONS, PC PROPOSING TO ESTABLISH AN AMBULATORY SURGICAL FACILITY IN EAST CLALLAM COUNTY

APPLICANT DESCRIPTION

Northwest Eye Surgeons, PC is a for-profit Washington State professional service corporation [1] specializing in eye surgery services, such as ophthalmic and laser eye surgery. Northwest Eye Surgeons, PC owns and operates six separate practice sites within Washington State. Northwest Eye Surgeons, PC does not operate any facilities outside of Washington. The six Washington State practice sites are listed below. [source: Application, p9]

Practice Site Address	Licensed #	City	County
16404 Smokey Point Blvd, #111	ASF.FS.60101736	Arlington	Snohomish
2075 Barkley Boulevard, #205	N/A	Bellingham	Whatcom
1306 Roosevelt Avenue	ASF.FS.60264053	Mount Vernon	Skagit
1412 Southwest 43rd Street# 310	ASF.FS.60101742	Renton	King
10330 Meridian Avenue, #370	ASF.FS.60101724	Seattle	King
795 North 5th Avenue	**ASF.FS. 60101741**	**Sequim**	**Clallam**

Of the six practice sites, the site in Bellingham does not have an adjoining ambulatory surgery facility (ASF). All five of the remaining practices sites hold a Washington State ASF license and accreditation through the American Association for Accreditation of Ambulatory Surgery Facilities (AAAASF). [source: AAAASF website and Department of Health internal database]

For reader ease, the applicant, Northwest Eye Surgeons, PC will be referenced throughout this evaluation as "Northwest Eye Surgeons."

HISTORICAL INFORMATION

This project focuses on the practice and surgery center located in Sequim, within Clallam County and identified in bold above. For reader ease, the practice site that includes the ASF will be referenced as "NES-Sequim" in this evaluation.

On February 27, 1998, the Certificate of Need (CN) Program approved Northwest Eye Surgeons to establish an exempt ASF at the Sequim practice site. The surgery center became operational at the Sequim practice site in late year 1998.

Services approved to be provided at the CN exempt surgery center include those associated with ophthalmic surgical procedures, such as cataract extraction and laser eye surgery.[2] The ASF currently has two operating rooms (ORs) and only physicians that are associated with Northwest Eye Surgeons can perform surgeries at the exempt surgery center. [source: CN historical files]

[1] Incorporated in March 1996; UBI #601 699 481.
[2] Determination of Reviewability dated February 27, 1998.

PROJECT DESCRIPTION

Northwest Eye Surgeons submitted this project for CN review primarily to allow access to the surgery center by physicians that are not associated with Northwest Eye Surgeons. If this project is approved, the surgery center will remain at the 795 North 5th Avenue in Sequim. Further the surgery center will continue to provide only surgeries associated with ophthalmic surgical procedures, such as cataract extraction and laser eye surgery. The number of operating rooms will remain at two. [source: March 23, 2018, screening response, p1]

With Certificate of Need approval, Northwest Eye Surgeons could allow other physicians, not associated with the practice, an opportunity to perform surgeries and procedures at the surgery center. This action requires prior Certificate of Need review and approval. [source: Application p13]

Since this project does not propose any structural changes to the surgery center or an expansion in types of services to be provided, there is no estimated capital expenditure associated with this project. [source: Application p29]

NES-Sequim is already licensed by the Department of Health and already holds AAAASF accreditation. If this project is approved, Northwest Eye Surgeons will maintain operations and meet any specific conditions related to the Certificate of Need approval within two months following approval. Based on the timing of this decision and the associated steps that an applicant must take in order to execute a Certificate of Need, Northwest Eye Surgeons proposes that its first full year of operation as a CN-approved ASF is year 2019 and year three is year 2021. [source: March 23, 2018, screening response, p6]

APPLICABILITY OF CERTIFICATE OF NEED LAW

This application proposes to convert an exempt surgery center to a Certificate of Need approved facility. This action is subject to review as the construction, development, or other establishment of new health care facility under Revised Code of Washington (RCW) 70.38.105(4)(a) and Washington Administrative Code 246-310-020(1)(a).

EVALUATION CRITERIA

WAC 246-310-200(1)(a)-(d) identifies the four determinations that the department must make for each application. WAC 246-310-200(2) provides additional direction in how the department is to make its determinations. It states:

"Criteria contained in this section and in WAC 246-310-210, 246-310-220, 246-310-230, and 246-310-240 shall be used by the department in making the required determinations.

(a) In the use of criteria for making the required determinations the department shall consider:

(i) The consistency of the proposed project with service or facility standards contained in this chapter;

(ii) In the event the standards contained in this chapter do not address in sufficient detail for a required determination the services or facilities for health services proposed, the department may consider standards not in conflict with those standards in accordance with subsection (2)(b) of this section; and

(iii)The relationship of the proposed project to the long-range plan (if any) of the person proposing the project"

In the event that WAC 246-310 does not contain service or facility standards in sufficient detail to make the required determinations, WAC 246-310-200(2)(b) identifies the types of standards the department may consider in making its required determinations. Specifically WAC 246-310-200(2)(b) states:

(b) "The department may consider any of the following in its use of criteria for making the required determinations:
(i) Nationally recognized standards from professional organizations;
(ii) Standards developed by professional organizations in Washington State;
(iii) Federal Medicare and Medicaid certification requirements;
(iv) State licensing requirements;
(v) Applicable standards developed by other individuals, groups, or organizations with recognized expertise related to a proposed undertaking; and
(vi) The written findings and recommendations of individuals, groups, or organizations with recognized experience related to a proposed undertaking, with whom the department consults during the review of an application."

To obtain Certificate of Need approval, the applicant must demonstrate compliance with the criteria found in WAC 246-310-210 (need); 246-310-220 (financial feasibility); 246-310-230 (structure and process of care); 246-310-240 (cost containment). Additionally, WAC 246-310-270 (ambulatory surgery) contains service or facility specific criteria for ASF projects and must be used to make the required determinations for applicable criteria in WAC 246-310-210.

TYPE OF REVIEW

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

APPLICATION CHRONOLOGY

Action	Northwest Eye Surgeons, PC
Letter of Intent Submitted	December 18, 2018
Application Submitted	February 2, 2018
Department's pre-review activities • DOH 1st Screening Letter • Applicant's Responses Received • DOH 2nd Screening Letter • Applicant's Responses Received	 February 26, 2018 March 23, 2018 April 11, 2018 April 19, 2018
Beginning of Review	April 26, 2018
End of Public Comment/No Public Hearing Conducted • Public comments accepted through end of public comment	May 31, 2018
Rebuttal Comments Received[3]	June 15, 2018
Department's Anticipated Decision Date	July 30, 2018
Department's Anticipated Decision Date with 90-day Extension	October 29, 2018
Department's Actual Decision Date	October 24, 2018

[3] No public comments were submitted, as a result, no rebuttal comments were submitted.

AFFECTED PERSONS

Washington Administrative Code 246-310-010(2) defines "affected person" as:

"…an "interested person" who:

(a) Is located or resides in the applicant's health service area;
(b) Testified at a public hearing or submitted written evidence; and
(c) Requested in writing to be informed of the department's decision."

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

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

During the course of review, one healthcare provider requested interested person status for this project. A brief description of the provider is below.

Olympic Medical Center

Clallam County Public Hospital District #2 operates a 126-bed acute care hospital in Port Angeles known as Olympic Medical Center. The hospital provides a variety of healthcare services, including both inpatient and outpatient surgical services. Olympic Medical Center meets the definition of "interested person" under WAC 246-310-010(34)(b) because they provide similar services within the planning area. Since Olympic Medical Center did not provide public comments on this project, it does not meet the definition of an affected person.

SOURCE INFORMATION REVIEWED

- Northwest Eye Surgeons, PC's Certificate of Need application submitted February 2, 2018
- Northwest Eye Surgeons, PC's screening responses received March 23, 2018
- Northwest Eye Surgeons, PC's screening responses received April 19, 2018
- Compliance history for credentialed or licensed staff from the Medical Quality Assurance Commission and Nursing Quality Assurance Commission
- Compliance history for Northwest Eye Surgeons, PC obtained from the Washington State Department of Health – Office of Health Systems and Oversight[4]

[4] Formerly the Office of Investigations and Inspections.

SOURCE INFORMATION REVIEWED (continued)

- DOH Provider Credential Search website: http://www.doh.wa.gov/pcs
- Historical charity care data for years 2015, 2016, and 2017 obtained from the Department of Health's Hospital/Finance and Charity Care (HFCC) office
- Year 2017 Annual Ambulatory Surgery Provider Survey for Surgical Procedures Performed During Calendar Year 2016 for hospitals, ambulatory surgical facilities, or ambulatory surgical facilities located in east Clallam County
- Year 2016 Claritas population estimates
- Department of Health internal database – Integrated Licensing & Regulatory Systems (ILRS)
- Northwest Eye Surgeons, PC website: https://www.nweyes.com
- Washington State Secretary of State website: https://www..sos.wa.gov
- Washington State Department of Revenue website: http://www.dor.wa.gov
- Center for Medicare and Medicaid Services website: https://www.cms.gov
- Certificate of Need historical files

CONCLUSION

For the reasons stated in this evaluation, the application submitted by Northwest Eye Surgeons, PC proposing to establish a two-operating room ambulatory surgical facility in Sequim, within the East Clallam County secondary service planning area is consistent with the applicable criteria of the Certificate of Need Program, provided Northwest Eye Surgeons, PC agrees to the following in its entirety.

Project Descriptions:

This certificate approves the establishment of a two-operating room ambulatory surgical facility in Sequim, within East Clallam County. The surgery center will serve patients aged 5 years and older that require surgical services that can be served appropriately in an outpatient setting. Surgical services within the two ORs are limited those associated with ophthalmic surgical procedures, such as cataract extraction and laser eye surgery.

Conditions:

1. Northwest Eye Surgeons, PC agrees with the project description as stated above. Northwest Eye Surgeons, PC 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. Northwest Eye Surgeons, PC will provide charity care in compliance with its charity care. Northwest Eye Surgeons, PC will use reasonable efforts to provide charity care consistent with the regional average or the amount identified in the application – whichever is higher. The regional charity care average from 2014-2016 was 1.16% of gross revenue and 3.20% of adjusted revenue. Northwest Eye Surgeons, PC will maintain records of charity care applications received and the dollar amount of charity care discounts granted at the location of the surgery center. The records must be available upon request.

3. Northwest Eye Surgeons, PC agrees that the ASF will maintain Medicare and Medicaid certification, regardless of facility ownership.

Approved Costs:

There is no capital expenditure associated with this project.

CRITERIA DETERMINATIONS

A. Need (WAC 246-310-210)

Based on the source information reviewed and the applicant's agreement to the conditions identified in the "Conclusion" section of this evaluation, the department concludes that Northwest Eye Surgeons has met the need criteria in WAC 246-310-210.

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

WAC 246-310-270(9)-Ambulatory Surgery Numeric Methodology

The Department of Health's Certificate of Need Program uses the numeric methodology outlined in WAC 246-310-270 for determining the need for additional ASFs in Washington State. The numeric methodology provides a basis of comparison of existing operating room (OR) capacity for both outpatient and inpatient ORs in a planning area using the current utilization of existing providers. The methodology separates Washington State into 54 secondary health services planning areas. NES-Sequim is located in Sequim, within the east Clallam secondary health service planning area.

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

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

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

Northwest Eye Surgeons

Northwest Eye Surgeons determined the existing capacity in the east Clallam secondary service planning area to be 3 dedicated outpatient ORs and 6 mixed use ORs. Based on a computed use rate, Northwest Eye Surgeons calculated a surplus of 4.13 mixed-use ORs in the east Clallam planning area, which equates to no numeric need for additional outpatient ORs. [source: Application p24 and Exhibit 24]

Northwest Eye Surgeons provided the following statements related to the numeric need methodology. [source: Application, p23]

"WAC (246-310-270) describes how to take current surgical capacity, hospital and ambulatory surgery utilization figures and population estimates and forecasts to prepare a planning area need forecast to determine if there is need for additional inpatient/mixed use and/or outpatient ORs.

After identifying planning area inpatient/mixed use and outpatient surgical capacity, surgery volumes by licensed surgery centers were obtained from the data from the Washington State Certificate of Need Program 2017 Annual Operating Room Use Survey. This is specific for surgical

procedures performed during CY2016. Only NWES Sequim responded in 2017, therefore the CON Program indicated that using the 2015 data for unresponsive facilities was appropriate. Operating room identified in the methodology were used only from CON approved facilities with an active license on 01/01/2018."

Public Comment
None

Rebuttal Comment
None

Department's Numeric Methodology and Evaluation

The numeric portion of the methodology requires a calculation of the annual capacity of the existing provider's inpatient and outpatient ORs in a planning area – east Clallam County. The planning area ZIP codes are identified in the 1980 State Health Plan. A review of the ZIP codes shows that all are located in east Clallam County. Below is a listing of the ZIP codes in the planning area and includes any new ZIP codes that have been created for east Clallam County.

Table 1
East Clallam County ZIP Codes

1980 State Health Plan		
ZIP Code	**City**	**County**
98324	Carlsborg	Clallam
98343	Joyce	Clallam
98362	Port Angeles	Clallam
98382	Sequim	Clallam

New Zip Codes		
ZIP Code	**City**	**County**
98363	Port Angeles	Clallam

According to the department's records, there are three planning area providers with OR capacity. Of these providers, one is the hospital, Olympic Medical Center. Of the remaining two, one is the applicant, Northwest Eye Surgeons and is a CN exempt facility. The other is a CN approved ASF known as Sequim Same Day Surgery. This facility was recently purchased by Olympic Medical Center. After the purchase, the hospital relinquished Sequim Same Day Surgery's ASF license and licensed the ASF under the Olympic Medical Center hospital license.

Because there is no mandatory reporting requirement for utilization of ASFs or hospital ORs, the department sends an annual utilization survey to all hospitals and known ASFs in the state. When this application was submitted in February 2018, the most recent utilization survey data available was for year 2016. The data provided in the utilization survey is used, if available.

Below, Table 2 shows a listing of the hospital and the two ASFs. [source: CN historic files and ILRS]

Table 2
East Clallam County Planning Area Hospitals and ASFs

Type of Facility	Facility	ZIP Code
Hospital	Olympic Medical Center	98362
Hospital Based ASF	Sequim Same Day Surgery	98382
CN Exempt ASF	Northwest Eye Surgeons (Applicant)	98382

For Olympic Medical Center, all known OR capacity and procedures are included in the methodology calculations for the planning area. For Sequim Same Day Surgery, all know OR capacity and procedures will also be counted in the methodology.

For the applicant's facility in Sequim, the use of this ASF is restricted to physicians that are employees or members of the clinical practice. Therefore, this facility does not meet the ASF definition in WAC 246-310-010. For Certificate of Need-exempt ASFs, the number of surgeries, but not ORs, is included in the methodology for the planning area.

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

Table 3
Department's Methodology Assumptions and Data

Assumption	Data Used
Planning Area	East Clallam County
Population Estimates and Forecasts	Age Group: 0 – 85%+ Claritas Population Data released year 2016 Year 2016 – 66,433 Year 2020 – 68,927
Use Rate	Divide the calculated surgical cases by 2016 population results in the service area use rate of 111.255/1,000 population
Year 2016 Total Number of Surgical Cases	3,335 – Inpatient or Mixed-Use; 4,056 – Outpatient 7,391 – Total Cases
Percent of surgery: outpatient vs. inpatient	Based on DOH survey and ILRS: 54.88% outpatient; 45.12% inpatient
Average minutes per case	Based on DOH survey and ILRS: Outpatient cases: 21.37 minutes Inpatient cases: 85.87 minutes
OR Annual capacity in minutes	68,850 outpatient surgery minutes; 94,250 inpatient or mixed-use surgery minutes (per methodology in rule)
Existing providers/ORs	Based on listing of east Clallam County Providers: 1 dedicated outpatient ORs 6 mixed use ORs
Department's Methodology Results	Shortage of 0.31 outpatient ORs

Based on the assumptions described in Table 3 above, the department's application of the numeric methodology indicates a shortage of 0.31 outpatient ORs in year 2020.

When comparing the applicant's and department's methodology, there are differences in three main data points. Noted differences are shown below.

Data Points
Population Estimates and Forecasts
Existing Providers/ORs
Use Rate

These three data points are tightly connected. When the 2016 total number of surgical cases is divided by the year 2016 population, the result is a planning area use rate. The use rate is then applied to the projected population.

Once the methodology projects the number of ORs needed in a planning area, the existing number of ORs is subtracted, resulting in the net need or surplus of ORs for a planning area.

Population Estimates/Forecasts

The source of the applicant's projected population is the similar to that used by the department (Claritas). However, the department first reviewed the 1980 State Health Plan ZIP codes for east Clallam County and determined one additional ZIP code should be included in the planning area. The ZIP code may not have been included in the applicant's calculations.

Use Rate

As stated above, the data points used in this numeric need methodology are tightly connected. The population figures are a factor used in the methodology to determine the use rate in the planning area. A use rate per 1,000 residents is calculated by dividing the total number of surgeries by the base year (2016) population and then dividing by 1,000. The applicant calculated a use rate of 115.112/1,000 for east Clallam County planning area. The department calculated a use rate of 111.255/1,000 residents in the planning area. For this project, the department's use rate is more accurate because it included accurate population information based on current ZIP codes in the planning area.

Number of Existing ORs

A comparison review of the department's and the applicant's numeric methodology shows that the largest difference is in the number of ORs counted in the numeric methodology. Northwest Eye Surgeons counted 6 ORs for Olympic Medical Center. This is the same number of ORs counted in the department's methodology. The applicant counted 3 outpatient ORs for the ASFs in the planning area. For ASFs, as previously stated, the cases, but not the ORs, are counted in CN exempt ASFs.

This approach by Northwest Eye Surgeons would affect the existing number of ORs subtracted from the gross number of ORs needed in the planning area.

In summary, while the two methodologies are very similar and the use rates used are not significantly different, the department considers its numeric methodology more accurate than that provided by the applicant.

The department's numeric methodology calculates a need for less than one additional OR in east Clallam County. Northwest Eye Surgeons is requesting approval of two ORs at NES-Sequim. Below is the additional information considered evaluate the need for this project

Northwest Eye Surgeons

To support approval of their project, Northwest Eye Surgeons provided historical utilization of their facility. [source: March 23, 2018 screening response, p5]

	Full Year 2015	Full Year 2016	Full Year 2017	Partial Year 2018
Historical Cases	2,561	2,365	2,438	2,504

Northwest Eye Surgeons provided the following supplemental information under this sub-criterion. [source: Application, pp24-25 and March 23, 2018, screening response, pp7-8]

"However, in light of the Department of Health's Interpretive Statement issued on January 19, 2018, we believe that applying for this Certificate of Need is the only method by which NWES can continue to operate our ambulatory surgical facility and remain consistent with the CON program's guidance if we determine to transfer ownership to another party in the future. According to the Interpretive Statement, "The Legislature did not authorize the Department to exempt any ambulatory surgical facility from this obligation. Therefore, the only possible reason for the final sentence in WAC 246-310-010(5) is to clarify that the rooms in private offices used intermittently and exclusively by physicians to perform minor surgery as an incident to their clinical practice are not ambulatory surgical facilities."13 NWES' surgical practice is not incidental to its ophthalmologist's clinical practice, but rather an essential component of the services provided to our patients.

The Interpretive Statement instructs applicants that cannot show a need to utilize WAC 246-310-270(4). "This regulation provides discretion for the CN Program to approve operating rooms that would not ordinarily be approved. For example, the CN Program can issue a CN without a showing of numeric need if the applicant can show that through existing volumes the facility will have no impact on market share, the facility is necessary to provide access to specific surgical types, or the existing healthcare system supports continued operation of the facility." NWES' application can satisfy each of these criteria:

1. *No Impact on Market Share. This ASF has been in operation since 1998 and continues to provide high quality outpatient surgical services to its patients. NWES performs over 3,000 surgeries per year. NWES is the only free-standing ASF in the planning area capable of performing outpatient ophthalmic surgeries. Allowing NWES to continue operating as a CON approved facility will not detrimentally impact the other providers of outpatient surgeries in the planning area.*
2. *Facility is Necessary to Provide Access to Specific Surgical Types. As noted above, NWES is the only outpatient ASF in the planning area providing these types of surgeries. NWES has the necessary equipment to serve these patients in an outpatient setting. With the continued push by Medicare and private payors to free standing ambulatory surgery centers, NWES' facility is necessary to provide lower cost and high quality ophthalmic surgeries.*
3. *Existing Healthcare System Supports Continued Operation of the Facility. Without the continued operation of NWES, patients requiring cataracts, retina, strabismus, glaucoma, and other eye related surgeries would have no other option but to have the surgeries performed at a hospital*

or outside of the planning area. The existence of NWES as a free-standing ASF open to all surgeons is necessary to continue to provide patients access to care and choice of providers.

In addition, though the planning area shows a surplus of operating rooms, these are general purpose operating rooms and not specially equipped for ophthalmic surgeries. According to the Sequim Same Day Surgery's website, the providers listed specialize in orthopedics, gastroenterology and anesthesia/pain. Recently in August of 2017, determined that special purpose rooms dedicated for endoscopy are excluded from the numeric need methodology and therefore even though the numeric need shows a surplus, that surplus is not a basis to deny an application. We believe that this same analysis can be applied to operating rooms dedicated to outpatient ophthalmic surgeries. NWES urges the CON Program to consider the additional information provided in this application when evaluating this application, beyond the numeric methodology. Approval of NWES' application will allow continued patient access to a lower cost provider, access to a dedicated ASF with the sole focus on ophthalmic surgeries, and the availability of existing operating rooms to non-employed physicians.

NWES uses an outside patient survey company, Survey Monkey, to gather feedback on the services and the manner in which they are administered to NWES patients. Since the inception of Survey Monkey (the end of 2016), NWES has had 3,133 respondents. 635 of the total respondents have been connected to the services at NWES Sequim. For the purpose of this project, the responses included in Exhibit 9 fall within the category of "Overall Experience". 90.04% of the patients at NWES Sequim would recommend the facility to their friends and family. Using the number from 0 to 100, where 0 is the worst facility possible and 100 is the best facility possible, 94 is the average number used to rate the facility. Question 40 and 41 allows the patient to write in a response relative to the staff and their overall experience. These responses are also recorded in Exhibit 9.

NWES is mostly a B2B company and receives many of the patient's through referral. Exhibit18 is a list of the 609 providers that refer to and utilize NWES Northern Washington's ASF's located in Sequim and Mount Vernon. 74% of Mount Vernon's patients in 2017 came from outside the East Clallam planning area. NWES Sequim ophthalmic ASF, providers and staff provide an important resource for the many referring providers and ultimately their patients. In addition to referrals, a patient may also request an appointment on their own at any of NWES ASF's, they do not need to be referred. Patient satisfaction is key in order to have a positive word of mouth review and to have patients refer their family and friends. Survey Monkey is utilized to monitor how NWES is meeting their patient's satisfaction levels.

As stated in the earlier discussion, NWES Sequim has been in business since 1998 and is the only outpatient ASF that performs ophthalmic surgeries within the East Clallam planning area. Olympic Medical Center is the hospital that NWES Sequim has a transfer agreement with and is the facility where the NWES Sequim surgeon performs his high acuity cases. The time period and the working relationship between the two facilities would indicate that any impact on the market share of NWES Sequim having a CN issued would have long ago passed.

As stated, NWES Sequim is the only ASF within the planning area, and NWES Sequim surgeon is the only ophthalmologist within the planning area that does ophthalmic surgery. NWES Sequim is necessary to provide ophthalmic surgery for the patient population in order to prevent them from having to travel outside the planning area to have ophthalmic surgery. NWES Sequim patient

population's age of 65 and older is 89.65%. This means that the elderly would have to travel outside East Clallam planning area to obtain ophthalmic surgery if NWES Sequim ophthalmic ASF was no longer viable."

Public Comment
None

Rebuttal Comment
None

Department Evaluation
Northwest Eye Surgeons provided information to support that utilization at the existing facility should continue within the planning area. With CN approval, physicians not associated with Northwest Eye Surgeons could use the surgery center. However, since Northwest Eye Surgeons does not intend to increase the number of ORs (2) or the types of procedures provided at NES-Sequim, limited growth at the surgery center is expected.

Based on the source information reviewed, which includes the numeric need methodology, and Northwest Eye Surgeons' agreement to the conditions in the conclusions section of this evaluation, the department concludes that the applicant has demonstrated that there is need for the continued operation of their ASF. **This sub-criterion is met.**

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

Northwest Eye Surgeons
NES-Sequim currently operates with two ORs. This project does not intend to decrease or increase the number of ORs. [source: Application p7]

Public Comment
None

Rebuttal Comment
None

Department Evaluation
WAC 246-310-270(6) requires a minimum of two ORs in an ASF. NES-Sequim is currently operating with two ORs. This project does not propose to increase or decrease the number of ORs at the facility. **This standard 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 policy, willingness to serve Medicare patients, 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 any 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 agency's willingness to serve the elderly. With limited exceptions, Medicare is coverage for individuals age 65 and over. It is also well recognized that women live longer than men and therefore more likely to be on Medicare longer.

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

Charity care shows a willingness of a provider to provide services to individuals who do not have private insurance, do not qualify for Medicare, do not qualify for Medicaid, or are under insured. With the passage of the Affordable Care Act in 2010, the amount of charity care decreased over time. However, with recent federal legislative changes affecting the ACA, it is uncertain whether this trend will continue. Specific to ASFs, WAC 246-310-270(7) requires that ASFs shall implement policies to provide access to individuals unable to pay consistent with charity care levels reported by the hospitals affected by the proposed project.

Northwest Eye Surgeons

Northwest Eye Surgeons provided copies of the following policies, along with the following comments.

- Patient Admission, Assessment, and Discharge Policy [source: Application Exhibit 10]
- Patient Rights and Responsibilities and Grievances [source: Application Exhibit 11]
- Non-Discrimination Policy [source: March 23, 2018, screening response, Exhibit 5]
- Charity Care Policy [source: March 23, 2018, screening response, Exhibit 6]

"The Non-Discrimination Policy is used in conjunction with the Patient Admission, Assessment, and Discharge Policy.

NWES Sequim Charity Care and Community Service Plan states that the "application for charity is available upon request at NWES ASC locations". We have included the Financial Hardship Application in Exhibit 7 that details instructions on where to mail the application and requested documents once it is complete. After the application has been processed the financial office will contact the applicant regarding the charity care determination."
[source: March 23, 2018, screening response, p16]

Medicare and Medicaid Programs

NES-Sequim is currently Medicare and Medicaid certified. Northwest Eye Surgeons provided its current and projected source of revenues by payer for the proposed ASF in Table 4. [source: Application p15]

Table 4
Historical and Projected Payer Mix

Payer Group	Historical	Projected
Medicare	70.3%	70.3%
Medicaid	1.5%	1.5%
Commercial/Health Care Contractor	11.4%	11.4%
HMO	0.0%	0.0%
Other Government/L & I	1.2%	1.2%
Self Pay	15.7%	15.7%
Total	**100.0%**	**100.0%**

Charity Care

Northwest Eye Surgeons provided the following supplemental information related to its Charity Care Policy provided in the application. [source: March 23, 2018, screening response, p16]

"NWES Sequim's Charity Care and Community Service Plan states that the "application for charity is available upon request at NWES ASC locations". We have included the Financial Hardship Application in Exhibit 7 that details instructions on where to mail the application and requested documents once it is complete. After the application has been processed the financial office will contact the applicant regarding the charity care determination."

Northwest Eye Surgeons also provided a table showing its historical amounts of charity care provided for each of the full years 2015, 2016, and 2017. The applicant's table is replicated below. [source: March 23, 2018, screening response, p17]

Applicant's Charity Care Table
NES-Sequim

	Dollar Amounts		
Years	**Gross Revenue**	**Adjusted Revenue**	**Charity Care**
2015 Full Year	$4,791,542	$2,833,055	$143,746
2016 Full Year	$4,974,340	$2,883,380	$124,358
2017 Full Year	$4,827,272	$2,891,074	$80,003

	Percentages		
Years	**Gross Revenue**	**Adjusted Revenue**	**Charity Care**
2015 Full Year	100%	59.1%	3.0%
2016 Full Year	100%	57.9%	2.5%
2017 Full Year	100%	60.0%	1.7%

Public Comment

None

Rebuttal Comment

None

Department Evaluation

Northwest Eye Surgeons provided the admission, non-discrimination, and charity care policies, stating that each are currently in use and would continue to be used at NES-Sequim. The current

Northwest Eye Surgeons policies provided in this application are used for all of its ambulatory surgical facilities.

The Admission policy that was provided includes the required information, including the criteria for admitting patients and a description of the types of patients that would be served. These policies are consistent with those approved by the department in past evaluations. The Charity Care Policy includes the process one must use to access charity care.

The financial data provided in the application shows both Medicare and Medicaid revenues consistent with Table 4 above. The department concludes that Northwest Eye Surgeons intends for this proposed surgery center to be accessible and available to Medicare and Medicaid patients based on the information provided.

WAC 246-310-270(7)

WAC 246-310-270(7) requires that ASFs shall implement policies to provide access to individuals unable to pay consistent with charity care levels reported by the hospitals affected by the proposed ASF. For charity care reporting purposes Washington State is divided into five regions: King County, Puget Sound, Southwest, Central, and Eastern. NES-Sequim is located with Clallam County within the Puget Sound Region. Currently, there are 21 hospitals operating in the region. Of those, two hospitals are located in Clallam County, and one of them is within the east Clallam planning area.[5] This hospital could be affected by approval of this project.

Northwest Eye Surgeons projected that the ASF will provide charity care at 1.66% of total revenue. For this project, the department reviewed the most recent three years of charity care data for the 21 existing hospitals currently operating within the Puget Sound Region and focused on Olympic Medical Center because it could be affected by approval of this project. The three years reviewed are 2014, 2015, and 2016.[6] Table 5 below is a comparison of the historical average charity care for the Puget Sound Region as a whole, the historical average charity care by Olympic Medical Center located within the planning area, and the projected charity care to be provided at NES-Sequim. [source: Community Health Systems Charity Care 2014-2016 and March 23, 2018, screening response, Exhibit 11]

Table 5
Charity Care – Three Year Average

	% of Total Revenue	% of Adjusted Revenue
3-year Puget Sound Region	1.16%	3.20%
3-year Olympic Medical Center	0.60%	2.34%
Projected NES-Sequim	1.66%	5.84%

As shown above, the three year regional average proposed by Northwest Eye Surgeons for NES-Sequim is higher than the regional average, and higher than the historical average for Olympic Medical Center operating in the east Clallam County planning area.

[5] Olympic Medical Center is located in Sequim.
[6] As of the writing of this evaluation, year 2017 charity care data is not yet available

Though the application shows that NES-Sequim would provide charity care above the planning area average and the regional average, the department would still attach a condition related to this sub-criterion if this project is approved. The condition would require Northwest Eye Surgeons to make reasonable efforts to provide charity care at the levels stated in the application, or the regional average – whichever is higher. This condition would also require NES-Sequim to maintain records of charity care applications received and the dollar amount of charity care discounts granted. The department would require that these records be kept on site at the ASF and available upon request.

Based on the information reviewed and with Northwest Eye Surgeons' agreement to the conditions identified above, the department concludes **this sub-criterion is met.**

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

(a) The special needs and circumstances of entities such as medical and other health professions schools, multidisciplinary clinics and specialty centers providing a substantial portion of their services or resources, or both to individuals no residing in the health service areas in which the entities are located or in adjacent health service areas.

Department Evaluation
This criterion is not applicable to this application.

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

Department Evaluation
This criterion is not applicable to this application.

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

Department Evaluation
This criterion is not applicable to this application.

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

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

Department Evaluation
This criterion is not applicable to this application.

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

Department Evaluation
This criterion is not applicable to this application.

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

Department Evaluation
This criterion is not applicable to this application.

B. Financial Feasibility (WAC 246-310-220)
Based on the source information reviewed and applicant's agreement to the conditions identified in the "Conclusion" section of this evaluation, the department concludes that Northwest Eye Surgeons has met the financial feasibility criteria in WAC 246-310-220.

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

Northwest Eye Surgeons
The assumptions used by Northwest Eye Surgeons to determine utilization and the projected number of procedures for its first three full years of operation are summarized below. [source: March 23, 2018, screening response, p21]

a. The utilization forecast was created using the National Health Statistics Report (NHSR) utilization rate and projected population for East Clallam planning area and NWES Sequim patient demographics in Y2017.
b. The NHSR identified the utilization rate for operation of the eye to be 237.6/10,000. Due to our senior patient population (Table 15 in the original application), we used the forecasted population, the rate that corresponds to the specific age group along with NWES Sequim Y2017 patient data broken down into the percentage of age to provide a more accurate number for this project. This rates per age group is represented in Table 17 of the original application. This is from the 2006 NHSR report that was revised in 2009, page 18, Table 7. (Exhibit 31 in the original application).
c. A simple calculation was used with the above information to determine the projected eye surgeries for the East Clallam planning area. The calculation is below:
- *Assume the projected 45 – 64-year-old population for year X is 20,000.*
- *To preserve generality, let the surgical case frequency amongst the specified population be Y.*
- *Let our projected population be Z.*
- *Then, we would calculate the associated projected number of surgeries (PS) on 45 to 64-year-olds in year X as follows:*

*PS(X) = (Z / 10,000) * Y*
*PS(X) = (20,000 / 10,000) * 220.8*
*PS(X) = (2) * 220.8*
PS(X) = 441.6

d. The above calculation was carried out for all combinations of age group and year.
e. Utilization forecasts for operations of the eye is located in Exhibit 23 of the original application.

Based on the assumptions described above, Northwest Eye Surgeons calculated the following two projections for years 2018 through 2021. Table 6 shows the total projected number of eye cases for the east Clallam planning area. Table 7 shows the projected number of cases for NES-Sequim.

Table 6
East Clallam Planning Area

	2018	**2019**	**2020**	**2021**
Total Eye Cases	3,221	3,289	3,360	3,434

Table 7
NES-Sequim

	2018	**2019**	**2020**	**2021**
Total Eye Cases	2,504	2,572	2,541	2,712

Northwest Eye Surgeons provided the following information related to market share and historical utilization of NES-Sequim. [source: Application, pp25-26]

"In 2017, NWES Sequim patient origin was 84% within the East Clallam planning area. The remaining patients came from outside of the planning area.

As evidence in Table15, NWES Sequim patient age over the age of 65 is 89.65%. As described in our method of projecting the utilization for ophthalmic surgery, we used the rate associated with the age to provide a more accurate number in the projection of utilization. Because the majority of our patients are seniors, our Medicare numbers are higher than the national median benchmark of 24%."

The assumptions Northwest Eye Surgeons used to project revenue, expenses, and net income for the proposed surgery center for projection years 2018-2021 are summarized below. [source: Application, pp29-30]

<u>*Revenues*</u>

- *2017 gross and net revenue are the actual revenues observed by Northwest Eye Surgeons prior to any adjusting journal entries ordered by their accounting firm.*
- *Revenues exclude the professional component, i.e., revenues from physician professional services.*
- *Revenues manifesting from the professional component of the case are awarded to the provider and clinic where the surgery was originally ordered. All mentions of revenue are specifically referencing the facility component.*

- *The 2017 gross revenues by payer illustrate which payer class would have been considered primary on the claim. The 2017 actual was found by pulling all claims for a sample period and recording the primary payer percentages.*
- *Projected payer mix is assumed to remain constant through the projection.*
- *Inflation of gross revenue was set to a constant 2.7% year over year. From 2015 to 2017, NWES has experienced about 2.7% annual increase in gross revenue. NWES believes this is a decent indicator of future growth.*

Deductions from Revenue

- *The allowable percentages by payer were found by surveying a sample of claims for each payer from NWES Sequim ASC reimbursement data.*
- *Bad debt was assumed constant at 1.12% of gross revenue.*
- *Charity care is assumed constant at 1.66%.*

Cost of Revenue[7]

- *Cost of revenue was observed at a rate of 28.3% of net revenue in 2017. Going forward this figure is assumed to remain constant.*

Variable Operating Expenses

- *2017 FTE figures are representative of the NWES current ASC-specific employee census (by job category).*
- *Anticipated increases to staff are illustrated through the addition of a per diem nurse as case volume increases.*
- *Wage and salary figures for each class of FTE are representative of 2017 averages pulled from the payroll roster. It is assumed that an FTE works 2,080 hours per year.*
- *Actual 2017 benefits, taxes, etc. were calculated as 24% of total wages and salaries. This figure is representative of NWES 2017 actuals.*
- *All other "variable" operating expenses are assumed to continue at the actual rate relative to net revenue observed in 2017.*

Fixed Operating Expenses

- *All fixed operating expenses are based on 2017 actuals. Each subsequent year is expected to experience inflation at a constant 3%.*
- *It is worth noting that depreciation expense is not treated any differently than the other fixed operating expenses. There will be no significant capital expenditures associated with certificate of need approval. Hence, a constant 3% inflation rate is appropriate.*
- *All indirect (billing office, call center, compliance, etc.) people costs are outlined in the "Allocations LESS bad debt" section of the pro forma. These line items include all expenses associated with the specified cost center, not just people costs. Once again, they are expected to grow at a constant rate of 3% year over year.*

[7] The "Cost of Revenue" line item includes expenses related to medications, medical supplies, implants, and instruments. It also includes financing costs when a patient finances a surgery through a third-party financing vendor. Northwest Eye Surgeons is charged a financing fee by the vendor.

As previously stated in the evaluation, the payer mix percentages are not expected to change. The percentages are shown below.

Payer Group	Projected
Medicare	70.3%
Medicaid	1.5%
Commercial/Health Care Contractor	11.4%
HMO	0.0%
Other Government/L & I	1.2%
Self Pay	15.7%
Total	**100.0%**

Based on the assumptions above, Northwest Eye Surgeons provided its projected revenue, expenses, and net income for NES-Sequim. The projections are summarized below. [source: March 23, 2018, screening response, p22 and Exhibit 13 and April 19, 2018 screening response, p1]

Table 8
Projected Revenue and Expenses for Calendar Years 2018 through 2021

	CY2018 (partial year)	CY2019 (year one)	CY2020 (year two)	CY2021 (year three)
Net Revenue	$2,969,133	$3,049,300	$3,131,631	$3,216,185
Total Expenses	$2,367,025	$2,434,513	$2,503,942	$2,575,369
Net Profit/(Loss)	**$602,108**	**$614,787**	**$627,689**	**$640,816**

The "Net Revenue" line item is gross patient revenue, minus any deductions from revenue for contractual allowances, bad debt, and charity care. The "Total Expenses" line item includes operating expenses, including salaries and wages, benefits, insurance, rentals and leases, and depreciation.

Public Comment
None

Rebuttal Comment
None

Department Evaluation
To evaluate this sub-criterion, the department first reviewed the assumptions used by Northwest Eye Surgeons to determine the projected number of procedures and occupancy of the ASF. Northwest Eye Surgeons used a combination of existing volumes and published utilization statistics. The NCHS report used by Northwest Eye Surgeons to assume surgical use in the planning area is the most recently available utilization survey for outpatient surgery trends in the United States. After reviewing Northwest Eye Surgeons' utilization assumptions, the department concludes they are reasonable.

Northwest Eye Surgeons based its revenue and expense assumptions for the ASF on the assumptions listed above. As this is an existing facility, and NES-Sequim has documented experience in operating the ASF since late year 1998, these assumptions are reasonable.

Northwest Eye Surgeons provided the original and current lease agreements for the site. The original agreement was between Star Five Real Estate, LLC (landlord) and TLC Northwest Eye, Inc. (Northwest Eye Surgeons former name) (tenant) and was executed in July 1998. The current lease agreement is between Star Five Real Estate, LLC (landlord) and Northwest Eye Surgeons. Star Five Real Estate, LLC is an active Washington State limited liability corporation.[8] The sole governing person is Werner Cadera, a partner physicians associated with Northwest Eye Surgeons. The lease identifies the roles and responsibilities for each, and is effective until July 31, 2023. All costs associated with the lease are substantiated in the revenue and expense statement. [source: application Exhibit 16 and March 23, 2018, screening response, Exhibit 10]

Northwest Eye Surgeons identified the medical director, Matthew Niemeyer, MD, who is a Northwest Eye Surgeons partner. The role of medical director is uncompensated, and there is no associated contract. Northwest Eye Surgeons provided a job description for the medical director, which includes roles and responsibilities for both Northwest Eye Surgeons and the medical director.

The pro forma financial statements show revenues exceeding expenses within the first full year of operation and to continue doing so.

Simultaneous with the review of this project in east Clallam County, Northwest Eye Surgeons also submitted two other ASF applications. One for north King County and one for East Skagit County. Further, as stated in the Applicant Description section of this evalution, Northwest Eye Surgeons operates six practice sites in Washington State and five of them have an associated surgery center.

To ensure the financial viability of Northwest Eye Surgeons as a whole, the department requested pro forma financial statements for Northwest Eye Surgeons using the assumption that all three Certificate of Need applications are approved. Northwest Eye Surgeons provided the following documents for Northwest Eye Surgeons as a whole:

- A breakdown of cases by payer showing years 23018 through 2021;
- Pro forma Balance Sheets showing years 2018 through 2021; and
- Pro forma Revenue and Expense Statements showing years 2018 through 2021.

Tables 9 through 11 summarize the projected cases and statements provided by Northwest Eye Surgeons.

Table 9
Northwest Eye Surgeons – Projected Cases by Payer

Payer	2018	2019	2020	2021	Total
Medicare	6,153	6,320	6,491	6,665	**25,629**
Medicaid	381	391	403	413	**1,558**
Commercial/Health Care Contractor	3,014	2,095	3,180	3,266	**12,555**
Self Pay	356	365	376	386	**1,483**
HMO	698	716	736	755	**2,905**
Other Government /L&I	117	120	124	127	**488**
Total	**10,719**	**11,007**	**11,310**	**11,612**	**44,648**

[8] Secretary of State UBI #601 878 529.

Table 10
Northwest Eye Surgeons – Projected Revenue and Expense Statement

	CY2018 (partial year)	CY2019 (year one)	CY2020 (year two)	CY2021 (year three)
Net Revenue	$28,398,325	$29,832,310	$31,338,415	$32,920,261
Total Expenses	$27,616,883	$28,999,876	$30,452,083	$31,976,967
Net Profit/(Loss)	**$566,560**	**$611,106**	**$658,364**	**$708,488**

Table 11
Northwest Eye Surgeons Projected Balance Sheet Year One (2019)

Assets		**Liabilities**	
Current Assets	$5,537,031	Current Liabilities	$4,132,386
Board Designated Assets	$ 0	Other Liabilities	$0
Property/Plant/Equipment	$2,741,367	Long Term Debt	$1,180,835
Other Assets	$18,954	**Equity**	$2,984,131
Total Assets	**$8,297,352**	**Total Liabilities and Equity**	**$8,297,352**

Northwest Eye Surgeons Projected Balance Sheet Year Three (2021)

Assets		**Liabilities**	
Current Assets	$6,834,532	Current Liabilities	$4,316,399
Board Designated Assets	$ 0	Other Liabilities	$0
Property/Plant/Equipment	$2,746,853	Long Term Debt	$932,956
Other Assets	$18,954	**Equity**	$4,350,984
Total Assets	**$9,600,339**	**Total Liabilities and Equity**	**$9,600,339**

Based on the information above, the department concludes that the immediate and long-range operating costs of the project can be met. Based on the pro forma financial data provided for Northwest Eye Surgeons as a whole, the department concludes that approval of this project would not have a negative financial impact on Northwest Eye Surgeons as a whole. **This sub-criterion is met.**

(2) *The costs of the project, including any construction costs, will probably not result in an unreasonable impact on the costs and charges for health services.*

WAC 246-310 does not contain specific WAC 246-310-220(2) financial feasibility criteria as identified in WAC 246-310-200(2)(a)(i). There are also no known recognized standards as identified in WAC 246-310-200(2)(a)(ii) and (b) that directs what an unreasonable impact on costs and charges would be for a project of this type and size. Therefore, using its experience and expertise the department compared the proposed project's costs with those previously considered by the department.

Department Evaluation

There are no costs associated with this project. This sub-criterion is not applicable to this project.

(3) The project can be appropriately financed.

WAC 246-310 does not contain specific source of financing criteria as identified in WAC 246-310-200(2)(a)(i). There are also no known recognized standards as identified in WAC 246-310-200(2)(a)(ii) and (b) that directs how a project of this type and size should be financed. Therefore, using its experience and expertise the department compared the proposed project's source of financing to those previously considered by the department.

Department Evaluation

There are no costs associated with this project. This sub-criterion is not applicable to this project.

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

Based on the source information reviewed and the applicant's agreement to the conditions identified in the "Conclusion" section of this evaluation, the department concludes that Northwest Eye Surgeons has met the structure and process (quality) of care criteria in WAC 246-310-230.

(1) *A sufficient supply of qualified staff for the project, including both health personnel and management personnel, are available or can be recruited.*

WAC 246-310 does not contain specific WAC 246-310-230(1) criteria as identified in WAC 246-310-200(2)(a)(i). There are also no known recognized standards as identified in WAC 246-310-200(2)(a)(ii) and (b) that directs what specific staffing patterns or numbers of FTEs that should be employed for projects of this type or size. Therefore, using its experience and expertise the department concludes that the planning would allow for the required coverage.

Northwest Eye Surgeons

In response to this sub-criterion, Northwest Eye Surgeons provided the following statements. [source: Application, p33 and March 23, 2018, screening response, p9]

"As outlined in NWES Sequim staffing plan, the facility will hire a flex pull/per diem nurse as the volume in OR minutes increase. NWES Sequim offers a facility and work environment that is attractive to work for, along with competitive hours and pay. NWES Sequim has not had a problem recruiting, hiring and retaining qualified medical professionals.

NWES has a Human Resources department consisting of three individuals that works with the Director of Nursing and ASC Managers to ensure that the ASCs are adequately staffed. Wages are reviewed annually to ensure they are competitive with local markets. NWES has an overall goal to keep staff turnover <25%. Staff are cross trained to ensure that they are able to work in multiple areas, e.g., Medical Assistants perform preoperative calls and are able to clean instruments. Staff are recruited locally first and then expanded to national efforts depending on need and position search time. NWES also works to maintain parallel processes at all sites allowing staff to fill in as needed at another location."

Northwest Eye Surgeons provided a listing of all existing staff as well as their projected staffing. Table 12 summarizes the information. [source: Application, p32]

Table 12
Years 2018 through 2021
NES-Sequim Current and Projected Staffing

FTE by Type	2018 Current Year	2019 Increase	2020 Increase	2021 Increase	Total Staff
Office/Clerical Employees	1.00	0.00	0.00	0.00	1.00
RNs	4.00	0.00	0.00	0.00	4.00
Flex Pull/Per Diem[9]	10.40	0.00	0.00	0.00	10.40
Operating Room Techs	4.70	0.00	0.00	0.00	4.70
Manager	1.00	0.00	0.00	0.00	1.00
Total FTEs	**21.10**	**0.50**	**0.00**	**0.00**	**21.10**

Northwest Eye Surgeons identified the following key staff for NES-Sequim. [source: Application, p33]

Staff	License #	Position
Matthew Niemeyer	MD00048337	Medical Director
Lance Baldwin	RN60605449	Director of Nursing
Rebecca Caro	RN00097916	ASF Supervisor

Public Comment
None

Rebuttal Comment
None

Department Evaluation
As shown above, the ASF staff are already in place, and Northwest Eye Surgeons does not anticipate any increases in staff during the projection years. The applicant uses a flex pool for staff when necessary and clarified that flex pool staff is not used for physician.

Information provided in the application demonstrates that NES-Sequim is a well-established provider of healthcare services in east Clallam County. NES-Sequim has been operational with 2 ORs as a CN-exempt facility since late year 1998.

Given that NES-Sequim already offers eye related surgical services as a CN-exempt ASF, the department concludes that Northwest Eye Surgeons has the ability to staff the proposed ASF.

[9] A flex pool is a flexible workforce that consists of a group of flexible, deployable internal and or external employees who are able to work in different departments based on skills, availability and locations. The primary function of a flex pool within a business is to ensure consistent service delivery to clients by eliminating disruptions in staffing cause predominantly by planned or sudden absences from work. On an operational level, another function of a flex pool is to stem costs associated with hiring permanent staff. The flex pool is usually coordinated by a centralized planning function within an organization. [source: https://ortec.com/en-us/topics/flex-pool/]

Based on the above information, the department concludes that a sufficient supply of qualified staff is available for this project. **This sub-criterion is met.**

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

WAC 246-310 does not contain specific WAC 246-310-230(2) as identified in WAC 246-310-200(2)(a)(i). There are also no known recognized standards as identified in WAC 246-310-200(2)(a)(ii) and (b) that directs what relationships, ancillary and support services should be for a project of this type and size. Therefore, using its experience and expertise the department assessed the materials contained in the application.

Northwest Eye Surgeons

Northwest Eye Surgeons provided the following statements relating to ancillary and support services required for the proposed project. [source: Application p34]

"NWES Sequim currently provides ophthalmic surgery in the East Clallam planning area. Our existing support capacity and third-party contracts sufficiently support the services offered at NWES Sequim and meet all the demands of patient care within the facility and planning area."

Public Comment
None

Rebuttal Comment
None

Department Evaluation

Northwest Eye Surgeons has been providing healthcare services at NES-Sequim in east Clallam County since late year 1998. The ancillary and support required for the operation of the ASF are already in place and available.

Based on the information reviewed in the application, the department concludes that there is reasonable assurance that Northwest Eye Surgeons will maintain the necessary relationships with ancillary and support services to provide outpatient surgical services at NES-Sequim. The department concludes that there is no indication that the operation of this existing CN-exempt ASF as a CN-approved ASF would adversely affect the existing relationships. **This sub-criterion is met.**

(3) There is reasonable assurance that the project will be in conformance with applicable state licensing requirements and, if the applicant is or plans to be certified under the Medicaid or Medicare program, with the applicable conditions of participation related to those programs.

WAC 246-310 does not contain specific WAC 246-310-230(3) criteria as identified in WAC 246-310-200(2)(a)(i). There are known recognized standards as identified in WAC 246-310-200(2)(a)(ii) and (b) that a facility must meet when it is to be Medicare and Medicaid certified. Therefore, using its experience and expertise the department assessed the applicant's history in meeting these standards at other facilities owned or operated by the applicant.

Northwest Eye Surgeons

Northwest Eye Surgeons provided the following statements related to this sub-criterion. [source: Application p34]

"NWES has no history of convictions or sanctions as described in WAC 246-310-230(5)(a) NWES Surgeons, Corporate Officers and Billing Personnel are not on the OIG exclusion list.

NWES Sequim is a currently licensed ASF with the State of Washington and as such must meet certain regulations set by the State of Washington to remain so. NWES Sequim is subject to inspections from investigators at the state level and has a duty to comply with any recommendations that are set forth.

NWES Sequim is also licensed and subject to investigations with Medicare and Medicaid. All visits by any investigator has left NWES Sequim in a position to continue to provide quality safe care."

Public Comment
None

Rebuttal Comment
None

Department 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.[10] To accomplish this task, the department reviewed the quality of care and compliance history for the healthcare facilities owned, operated, or managed by Northwest Eye Surgeons, PC.

Washington State Survey Data

As stated in the "Applicant Description" section of this evaluation, Northwest Eye Surgeons currently owns and operates six practices in Washington State, and of those, five sites have an associated ambulatory surgical facility. Of the five, four are accredited by the American Association for Accreditation of Ambulatory Surgery Facilities[11].

[10] WAC 246-310-230(5)

[11] *"AAAASF accreditation programs help facilities demonstrate a strong commitment to patient safety, standardize quality, maintain fiscal responsibility, promote services to patients and collaborate with other health care leaders. AAAASF provides official recognition to facilities that have met 100% of its high standards. Accreditation assures the public that patient safety is top priority in a facility. An accredited facility must comply with the most stringent set of applicable standards available in the nation and meet our strict requirements for facility directors, medical specialist certification and staff credentials. It also must pass a thorough survey by qualified AAAASF surveyors. An accredited facility is re-evaluated through a self-survey every year, and an onsite survey every three years. Facilities must continuously comply with all AAAASF accreditation standards between surveys. Upon approval, an accredited facility must prominently display its accreditation certificate in public view. An accredited facility must be fully equipped to perform procedures in the medical specialties listed on its accreditation application."* [source AAAASF website]

Using its own internal database, the department reviewed historical survey data for healthcare facilities associated with Northwest Eye Surgeons. The survey data is summarized by facility in the table below. [source: Application p9 and DOH Office of Health System Oversight]

Table 13
Northwest Eye Surgeon, PC Facilities

Practice Site Address/County	License #	Year of State Survey	AAAASF Exam
16404 Smokey Point Blvd, #111 Arlington, Snohomish County	ASF.FS.60101736	2011 & 2013	2013
1306 Roosevelt Avenue Mount Vernon, Skagit County	ASF.FS.60264053	2011 & 2013	2013
1412 Southwest 43rd Street# 310 Renton, King County	ASF.FS.60101742	2013	2012 & 2015
10330 Meridian Avenue, #370 Seattle, King County	ASF.FS.60101724	2013	2015
795 North 5th Avenue Sequim, Clallam County	ASF.FS. 60101741	2010 & 2014	2018

As shown above, all five Northwest Eye Surgeon facilities have had recent surveys. Information provided by the Department of Health internal database shows that all five are substantially compliant.

In addition to the facilities identified above, the department also reviewed the compliance history of the physicians and other staff associated with NES-Sequim. The table on the following page shows physicians and other credentialed staff associated with Northwest Eye Surgeons. [source: March 23, 2018, screening response, p2 and Medical Quality Assurance Commission]

Table 14
Northwest Eye Surgeons Physicians and Other ASF Staff

L Name	F Name	Credential Number	License Status	Notes
Niemeyer	Matthew	MD00048337	Active	Medical Director
Bailey	Kristi	MD00046660	Active	Partner
Cadera	Werner	MD00029760	Active	Partner
Cameron	Bruce	MD00040090	Active	Partner
Carlson	Ingrid	MD60494692	Active	Employed
Chin	Victor	MD60305713	Active	Employed
Griggs	Paul	MD00027226	Active	Employed
Hoki	Susan	MD60035998	Active	Employed
Kuzin	Aaron	MD60074931	Active	Partner
Osgood	Thomas	MD00034902	Active	Employed
Talley-Rostov	Audrey	MD00030598	Active	Partner
Baldwin	Lance	RN60605449	Active	Director of Nursing
Caro	Rebecca	RN00097916	Active	ASF Supervisor
Bence	Brett	OD00001584	Active	Partner
Clermont	Joshua	OD60671648	Active	Employed
Curatola	Alana	OD60578568	Active	Employed
Hanson	Britta	OD60302705	Active	Employed
Jones	Landon	OD 00003888	Active	Employed
Kuhnline	Davina	OD 60291218	Active	Employed
Lee	Richard	OD 00003675	Active	Employed
Stamoolis	Stephanie	OD 60231987	Active	Employed
Wright	Justin	OD00004139	Active	Employed
Fedan	Ashley	AP 60172251 RN00148035	Active Active	Employed
Kaushik	Nitya	AP 60438103 RN60073799	Active Active	Employed
Klimczyk	Patrick	AP 30007604 RN00168904	Active Active	Employed
McCann	David	AP 60534430 RN60547913	Active Active	Employed
Nickleson	James	AP 60288624 RN00122408	Active Active	Employed
Pham	Thanh	AP 60573930 RN60075455	Active Active	Employed
Richey	Liana	AP 60507004 RN60496743	Active Active	Employed
Velazquez	Robert	AP 60466104 RN00131992	Active Active	Employed
Wesner	Heather	AP 60130867 RN00146052	Active Active	Employed

As shown above, all physicians and other credentialed professionals associated with Northwest Eye Surgeons have active credentials in good standing. Based on the information above, the department concludes that Northwest Eye Surgeons demonstrated reasonable assurance that the facility would

continue to operate in compliance with state and federal requirements if this project is approved. **This sub-criterion is met.**

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

WAC 246-310 does not contain specific WAC 246-310-230(4) criteria as identified in WAC 246-310-200(2)(a)(i). There are also no known recognized standards as identified in WAC 246-310-200(2)(a)(ii) and (b) that direct how to measure unwarranted fragmentation of services or what types of relationships with a services area's existing health care system should be for a project of this type and size. Therefore, using its experience and expertise the department assessed the materials in the application.

Northwest Eye Surgeons

Northwest Eye Surgeons provided the following statements related to this sub-criterion. [source: Application, p34]

"NWES Sequim has adopted a co-management philosophy with the medical professionals they associate with. Valuing a commitment to collaborative care, NWES advocates cooperative co-management of postsurgical patients. NWES believes that once patients are stable following surgery, their care can be managed safely and successfully by their optometric physician. This program is outlined in detail and is available for any interested qualified medical profession to access and review on NWES website. The program has a manual, webinar for educational purposes, and an agreement that defines the fee association. Any interested medical professional will also spend time in a discussion with a NWES surgeon for further clarification. NWES Sequim strives to facilitate the communication with their patients and their patients primary care provider so that the best quality can be performed to promote safe and effective care that will leave patients feeling satisfied and happy."

The signed transfer agreement between Northwest Eye Surgeons and Olympic Medical Center was provided in Exhibit 30 of the application.

Public Comment
None

Rebuttal Comment
None

Department Evaluation

With the increased access CN approval brings, the department concludes that the establishment of this free-standing ASF does not represent unwarranted fragmentation of services. Furthermore, the applicant provided statements identifying how the ASF operates, and would continue to operate, in relation to the existing facilities and services in the planning area. Based on this information, the department concludes that the ASF would have an appropriate relationship to the service area's existing health care system. **This sub-criterion is met.**

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

Department Evaluation
This sub-criterion is evaluated in sub-section (3) above, **is** met

D. Cost Containment (WAC 246-310-240)
Based on the source information reviewed and the applicant's agreement to the conditions identified in the "Conclusion" section of this evaluation, the department concludes that Northwest Eye Surgeons has met the cost containment criteria in WAC 246-310-240.

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

If the project has met the applicable criteria in WAC 246-310-210 through 230 criteria, the department then assesses the other options considered by the applicant. If the department determines the proposed project is better or equal to other options considered by the applicant and the department has not identified any other better options this criterion is determined to be met unless there are multiple applications.

If there are multiple applications, the department's assessment is to apply any service or facility superiority criteria contained throughout WAC 246-310 related to the specific project type. The adopted superiority criteria are objective measures used to compare competing projects and make the determination between two or more approvable projects which is the best alternative. If WAC 246-310 does not contain any service or facility type superiority criteria as directed by WAC 246-310-200(2) (a)(i), then the department would look to WAC 246-310-240(2)(a)(ii) and (b) for criteria to make the assessment of the competing proposals. If there are no known recognized standards as identified in WAC 246-310-200(2)(a)(ii) and (b), then using its experience and expertise, the department would assess the competing projects and determine which project should be approved.

Step One:
The department concluded that Northwest Eye Surgeons met the applicable review criteria under WAC 246-310-210, 220, and 230. Therefore, the department moves to step two.

Step Two:

Northwest Eye Surgeons

Northwest Eye Surgeons provided the following statements related to their consideration of alternatives prior to submitting this project. [source: Application, pp35-37 and March 23, 2018, screening response, pp10-14]

"NWES Sequim is requesting certificate of need approval of its existing two-operating room ASF to convert to a CON-approved ASF. Our project will help address net need for outpatient operating rooms in East Clallam planning area by providing non-NWES surgeons and their patients' access to our ASF. This will increase the number of case as well as expand the availability of lower cost outpatient operating rooms for physicians and patients."

Options considered by Northwest Eye Surgeons include:

- Do nothing or status quo;
- Partner with another provider (hospital or physicians to create a new surgery center in the planning area;
- Other options considered: including downsize the existing NES-Sequim to less than two operating rooms, or open a CN approved ASF at another site within the planning area, or extend the hours of operation at the existing NES- Sequim, or expand the types of procedures beyond ophthalmology at NES- Sequim.

Northwest Eye Surgeons identified the advantages and disadvantages of these three options compared with submission of this application, in table form, which is reproduced below.

Promoting Access

Option	***Advantages/Disadvantages***
No Project –Remain CN Exempt	*The disadvantage of not proceeding with this project is that maintaining the status quo does not improve access for patients or availability of ophthalmological operating rooms to non-employed physicians within the planning area. (Disadvantage)*
Requested Project	*The requested project best meets current and future access issues identified in the Planning Area and provides a low cost alternative to all area ophthalmologists. (Advantage)* *From an improved access perspective, there are no disadvantages. (Advantage)*
Partnering with another provider (hospital or physicians) to create a new surgery center in the planning area	*Advantage – If partnering with another provider and/or hospital to develop a new ASF, the ASF would be advantageous if it did more than ophthalmology. An ASF fee schedule is substantially lower than a hospital setting making it more affordable compared to a hospital. In addition, an ASF runs more efficiently then a hospital in-regards to OR time. More operating minutes would be available with another surgery center for a variety of procedures. Referencing the above statement, NWES does not intend to do any other type of procedure other than ophthalmology with this project.* *Disadvantage – Creating a new center would be subject to CN approval and would have to show a need, in which it may or may not be able to. If it does not show a need, the new center would not have a history to show the need that was identified in the CN department interpretive statement issued on*

	January 19, 2018. Partnering, building, licensing and credentialing a new surgery center would take several years before patients can realize an increase in access. *In-regards to ophthalmology, NWES already has a fully functional ASF that is equipped for ophthalmic surgery. Opening up another center with just ophthalmic services without increasing the minutes available at NWES would not improve access to ophthalmology services in the immediate future.*
Other Options	*Discussion – Access to ophthalmology services would not improve if NWES downsized and closed their ASF. If NWES opened up another ASF within the planning area, they would have to go through the CN process. By making the current ASF more efficient by extending hours and allowing non-NWES surgeons to operate would make the increase to access immediate. Opening up the ASF to other procedures besides ophthalmology requires more time, money and credentialing then NWES would like to pursue at this time.* *Utilizing the fully operational ASF at NWES by allowing non-NWES to operate would be the most cost-effective approach for NWES to increase access to ophthalmology in the East Clallam planning area.*

Promoting Quality of Care

Option	***Advantages/Disadvantages***
No Project –Remain CN Exempt	*There are no advantages from a quality of care perspective. However, there are no current quality of care issues. (Neutral)* *Over time, as access in constrained, there will be adverse impacts on quality of care if planning area patients either have to wait for surgical capacity or travel to other locations outside the Planning Area, assuming this is an option. (Disadvantage)*
Requested Project	*The requested project best meets and promotes quality and continuity of care issues in the Planning Area. (Advantage)*
Partnering with another provider (hospital or physicians) to create a new surgery center in the planning area	*Advantages – Partnering with others to create a new surgery center would bring all the advantages of having a surgery center as compared to a hospital. There is a higher infection rate in a hospital setting; CDC showed that in 2010, 8.95/1000 developed a surgical site infection within the hospital setting, whereas in an ASF, 4.84/1000 developed a surgical site infection. Within the ASF setting there are generally higher satisfaction rates, patients and families feel it is a more personable setting, and there is better pricing within an ASF that allows for more affordable care.* *Disadvantage – At times, larger institutions (more levels of management and/or partners) can allow small key components that make up quality to fall through the cracks. This can be the cause of poor communication or the inability to fix problems in a fast-efficient manner.* *The ASF setting is the concept that NWES believes in and uses to provide excellent quality care for ophthalmology. NWES does not need to partner with an entity to continue to provide and promote quality of care.*
Other Options	*Discussion – Downsizing NWES organization would not affect the quality of care that is provided at NWES Sequim. The ASF quality of care would continue even if another NWES ASF was built within the planning area.* *Adding additional non-ophthalmic procedures may decrease the quality of care until the level of proficiency is reached through education and repetition.* *By extending the minutes and allowing non-NWES surgeons to operate, the quality of care would not be diminished for ophthalmic surgeries. The same*

	quality care, policies and procedures that are currently given and followed would continue. As the art of eye care develops with new procedures and care plans, NWES is able to monitor and adapt because it is their specialty and their focus.

Promoting Cost and Operating Efficiency

Option	***Advantages/Disadvantages***
No Project –Remain CN Exempt	*Under this option, there would be no impacts on cost or efficiency – the surgery center would continue as presently. (Neutral)* *However, NWES has already incurred all capital costs for two operating suites. It is much more efficient (lower cost) to better utilize fixed plant and equipment with greater volumes/throughput – average operating costs fall. This option constrains others' use of the ASC, and as a result, constrains case volumes at the ASC. As a direct result, the No Project option will reduce efficiency and cost-effectiveness. This is the principal disadvantage from an efficiency perspective. (Disadvantage)*
Requested Project	*NWES has already incurred all capital costs for its two operating suites. It is much more efficient to better utilize fixed plant and equipment with greater volumes/throughput. This option allows NWES to best utilize its ASF resources, hence improves efficiency and increases cost-effectiveness. (Advantage)* *There are no disadvantages. (Neutral)*
Partnering with another provider (hospital or physicians) to create a new surgery center in the planning area	*Advantages – by partnering with a larger system to open up a new center the resources for training, job description specialization, streamlining processes, purchasing and negotiating power increases.* *Disadvantage – If NWES partnered with a hospital, the fee scheduled would be based on HOPD rates, increasing the cost of ophthalmic services to their patients. Partnering with another entity, which increases the size of the organization, usually diminishes response time with regards to change which can lead to inefficiency and higher overhead costs.* *In-regards to ophthalmology, NWES already has a fully functional ASF that is equipped for ophthalmic surgery. Opening up another center with just ophthalmic services without increasing the minutes available at NWES would result in an unnecessary cost.*
Other Options	*Discussion – NWES downsizing may or may not promote cost or operating efficiency. As the organization grows in a sustainable manner, it relies on all locations for leveraging costs and efficiency.* *It is not cost efficient to open up another NWES facility within the planning area when there is already a fully operational NWES ASF that has the ability to add more physicians and operating minutes.* *Although NWES does not intend to add other services besides ophthalmology, adding additional services would promote a cost savings for the planning area by offering outpatient services outside a hospital setting. NWES does not want to spend the time, cash and resources to open up to other specialties at this time.* *As an ASF, NWES promotes a cost savings approach for their ophthalmic patients. With the number of facilities NWES has, it allows for their processes to be ran in an efficient manner.*

Staff Impacts

Option	***Advantages/Disadvantages***
No Project –Remain CN Exempt	*There are no disadvantages from a staffing point-of-view. (Neutral)*
Requested Project	*Allows NWES the opportunity to hire a modest number of additional staff, which will likely create economies of scale for NWES across its staff as volumes increase and staff are utilized more productively. Greater volumes will also increase the attractiveness of NWES to employment candidates – this can act to improve staff quality. (Advantage)* *The principal disadvantage would be the necessity for NWES to hire, employ, and train additional ASC staff. This disadvantage is temporary because NWES has administrative, technical, human resource support to accommodate surgical centers in the northwest with as many or more FTEs that will be required in Sequim. (Disadvantage)*
Partnering with another provider (hospital or physicians) to create a new surgery center in the planning area	*Advantages – Partnering with someone to open a new center would increase the number of healthcare positions available in the planning area, improving the economy within the area.* *Additionally, with a new surgery center that does multiple procedures, it would allow a "working" interview for NWES to hire and pick from the personnel pool within the facility.* *Disadvantages – Working for a large organization can be a deterrent for some people because they feel that their voice doesn't matter, or they don't feel as valued for their work efforts. It is also discouraging when change is needed but it takes a while for it to happen.*
Other Options	*Discussion – Downsizing NWES would mean that personnel would have to be let go. The positive side of the downsize/restructure would be that the best employees could be retained. NWES opening up another ASF within the planning area would also increase the number of personnel, having a positive impact on the economy. Opening up to additional procedures would have a positive impact on the staffing because of the increase in the personnel pool and the ability to specialize in their field of expertise.* *NWES continues to look for those employees who stand out in their field.* *The overall impact of downsizing, adding an additional facility or expanding the services would not have a large impact on the staffing practices of NWES because the process of finding, hiring and retaining a competent staff is already in place.*

Legal Restrictions

Option	***Advantages/Disadvantages***
No Project –Remain CN Exempt	*The Interpretive Statement from the CN Program indicates that without CN approval, NWES would not be eligible to add operating rooms, specialties, or transfer ownership. (Disadvantage).*
Requested Project	*The principal advantage would be allowing NWES the ability to "open" its ASC to non-NWES physicians. This will improve access, quality and continuity of care and promote highest, efficient use of NWES assets as compared to the No Project option. (Advantage)* *Requires certificate of need approval. This requires time and expense. (Disadvantage)*

Partnering with another provider (hospital or physicians) to create a new surgery center in the planning area	*Advantages – Partnering with someone to build out a new surgery center would spread out the risk of the venture.* *Disadvantages – Time, expense and partners are a disadvantage. There may not be an alignment in goals or outcomes. The larger the organization becomes, the more legal and government involvement. At times, this involvement may outweigh the desire to follow an idea and can stifle growth.*
Other Options	*Discussion – Out of the three examples given, downsizing would probably result in the least amount of time spent and expense.* *Opening up another ASF in the planning area and adding additional services will all require a significant amount of legal time and governmental regulations that need to be met before actually opening up for patient access.* *Using the operational ASF facility, expanding the minutes and allowing non-NWES physicians to practice enables NWES to meet the needs of the public with the least amount of legal and government restrictions.*

Public Comment
None

Rebuttal Comment
None

Department Evaluation
Information provided within the application demonstrates that it is unlikely Northwest Eye Surgeons had a better alternative than submission of this application. Specifically, since its main purpose of converting the exempt NES-Sequim to a CN approved ASF is to allow other physicians, not part of the Northwest Eye Surgeons practice, access to the ASF. This action alone requires prior CN review and approval. Based on this alone, Northwest Eye Surgeons appropriately rejected the "do nothing" option.

The other alternatives to the requested project explored by Northwest Eye Surgeons would require either a partner or a Certificate of Need application with a capital expenditure. These alternatives were appropriately rejected.

The statements provided in relation to this sub-criterion can be substantiated, and the department did not identify any other alternatives that would be superior in terms of cost, efficiency, or effectiveness. The department concurs that the requested project is reasonable and is the best option of those considered by Northwest Eye Surgeons for the planning area and surrounding communities. **This sub-criterion is met.**

Department Evaluation
Step Three:
This step is applicable only when there are two or more approvable projects. Northwest Eye Surgeons is the only project submitted to add outpatient surgical capacity in east Clallam County. Therefore, this step does not apply.

Based on the information stated above, **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;

As stated in the project description portion of this evaluation, this project does not involve construction. **This sub-criterion is not applicable to this project**.

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

As stated in the project description portion of this evaluation, this project does not involve construction. **This sub-criterion is not applicable to this project**.

(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.

Northwest Eye Surgeons

"*This question is not applicable as there is no associated construction, renovation, or expansion for the requested CON approval of the existing NWES Sequim ASF*." [source: Application p37]

Public Comment

None

Rebuttal Comment

None

Department Evaluation

Based on information provided within the application, and evaluated under WAC 246-310-210 and 230, the department is satisfied that his project is appropriate and needed. This project has the potential to improve the delivery of health services. The department concludes the addition of a CN-approved ASF will appropriately improve the delivery of health services in east Clallam County. **This sub-criterion is met.**

APPENDIX A

Washington State Department of Health

APPENDIX A
ASC Need Methodology
East Clallam County

Service Area Population: 2020			68,927	Claritas	Age 0 - 85+								
Surgeries @ 111.255/1,000:			7,668										
a.i.	94,250	minutes/year/mixed-use OR											
a.ii.	68,850	minutes/year/dedicated outpatient OR											
a.iii.	1	dedicated outpatient OR's x 68,850 minutes =				68,850	minutes dedicated OR capacity			3,223	Outpatient surgeries		
a.iv.	6	mixed-use OR's x 94,250 minutes =				565,500	minutes mixed-use OR capacity			6,586	Mixed-use surgeries		
b.i.	projected inpatient surgeries =			3,460	=	297,119	minutes inpatient surgeries						
	projected outpatient surgeries =			4,208	=	89,910	minutes outpatient surgeries						
b.ii.	Forecast # of outpatient surgeries - capacity of dedicated outpatient OR's												
		4,208	-	3,223	=	986	outpatient surgeries						
b.iii.	average time of inpatient surgeries				=	85.87	minutes						
	average time of outpatient surgeries				=	21.37	minutes						
b.iv.	inpatient surgeries*average time				=	297,119	minutes						
	remaining outpatient surgeries(b.ii.)*ave time				=	21,060	minutes						
						318,179	minutes						
c.i.	if b.iv. < a.iv. , divide (a.iv.-b.iv.) by 94,250 to determine surplus of mixed-use OR's												
	USE THIS VALUE												
		565,500											
	-	318,179											
		247,321	/	94,250	=	**2.62**							
c.ii.	if b.iv. > a.iv., divide (inpatient part of b.iv - a.iv.) by 94,250 to determine shortage of inpatient OR's												
	Not Applicable - Ignore the following values and use results of c.i.												
		297,119											
	-	565,500											
		(268,381)	/	94,250	=	**-2.85**							
	divide outpatient part of b.iv. By 68,850 to determine shortage of dedicated outpatient OR's												
		21,060	/	**68,850**	=	**0.31**							

Washington State Department of Health

APPENDIX A
ASC Need Methodology
East Clallam County

Facility	Special Procedure Rooms	Dedicated Inpatient ORs	Dedicated Outpatient ORs	Mixed Use ORs	Mixed Use min/case	Inpatient Cases in Mixed Use ORs	Inpatient Mins. In Mixed Use ORs	Outpatient Min/Case	Outpatient Cases	Outpatient Mins.	Data Source
Clallam County PHD #2 Olympic Medical Center	2	0	0	**6**	85.9	3,335	286,370	0.0	0	0	2017 survey not submitted by hospital. Used 2016 survey collecting 2015 data.
Sequim Same Day Surgery (CN Issued)	2	0	1	0	0.0	0	0	50.0	917	45,850	2017 survey not submitted by hospital. Used 2016 survey collecting 2015 data. ASF is currently licensed under Olympic Medical Center Hospital license .
Northwest Eye Surgeons (Applicant)	0	0	2	0	0.0	0	0	13.0	3,139	40,807	Year 2016 data from 2017 survey.
Totals	4	**0**	**1**	**6**	**85.9**	**3,335**	**286,370**	**63.0**	**4,056**	**86,657**	
					Avg min/case inpatient		**85.87**	Avg min/case outpatient		**21.37**	
ORs counted in numeric methodology			**1**	**6**							
ILRS: Integrated Licensing & Regulatory System											
Population data source: Claritas 2016 data											
Total Surgeries	7,391										
Area population 2016 [0 - 85+]	66,433		**using 2016 population b/c using 2016 survey data**								
Use Rate/1,000	111.255										
Planning Area projected population Year: 2020	68,927										
% Outpatient of total surgeries	54.88%										
% Inpatient of total surgeries	45.12%										