STATE OF WASHINGTON

DEPARTMENT OF HEALTH

Olympia, Washington 98504

October 24, 2018

CERTIFIED MAIL # 7017 3380 0000 0863 8437

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

RE: Certificate of Need Application #18-25-North King 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 Seattle, within north King 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 Seattle, within North King 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 NORTH KING 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 Seattle, within King County and identified in bold above. For reader ease, the practice site that includes the ASF will be referenced as "NES-Seattle" in this evaluation.

On September 5, 1985, the Certificate of Need (CN) Program approved Northwest Eye Surgeons to establish an exempt ASF at the Seattle practice site. The surgery center became operational at the Seattle practice site in approximately year 1986. On January 5, 2015, the Certificate of the Program confirmed that the surgery center continued to meet the exemption requirements.

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 September 5, 1985.

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 10330 Meridian Avenue North, #370 in Seattle. 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 15, 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 p28]

NES-Seattle 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 15, 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 15, 2018 April 5, 2018 April 9, 2018
Beginning of Review	April 16, 2018
End of Public Comment/No Public Hearing Conducted • Public comments accepted through end of public comment	May 21, 2018
Rebuttal Comments Received[3]	June 6, 2018
Department's Anticipated Decision Date	July 23, 2018
Department's Anticipated Decision Date with 90-day Extension	October 24, 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 no entities requested interested or affected person status for this project.

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 15, 2018
- Northwest Eye Surgeons, PC's screening responses received April 9, 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]
- 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 north King 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

[4] Formerly the Office of Investigations and Inspections.

SOURCE INFORMATION REVIEWED (continued)

- 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 Seattle, within the North King 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 Seattle, within North King 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 0.94% of gross revenue and 2.00% 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-Seattle is located in Seattle, within the north King 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 north King secondary service planning area to be 8 dedicated outpatient ORs and 58 mixed use ORs. Based on a computed use rate, Northwest Eye Surgeons calculated need for an additional 0.43 outpatient ORs in the north King planning area. [source: March 15, 2018, screening response, Supplemental Exhibit 18]

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. WAC (246-310-270) is found in exhibit 37 [attached to the application].

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. Not all facilities had responded in 2017, therefore the CON Program indicated that using the 2015 data for unresponsive facilities was appropriate. Operating rooms identified in the methodology were used only from CON approved facilities with an active license on 01/01/2018.

"Between the age of 18 and 21, most of Seattle Children's Hospital patients will begin to transition over to adult care. NWES Seattle had 2 patients under the age of 15 and 4 from the age of 15-21 in 2017. NWES surgeons are not credentialed with Seattle Children's Hospital. The market for the population of children to frequent NWES Seattle is minimal as they are well taken care of by Seattle Children's Hospital and staff. Because of this we did not use Seattle Children hospital's 20 inpatient mixed use ORs within the need methodology calculation."

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 – north King County. The planning area ZIP codes are identified in the 1980 State Health Plan. A review of the ZIP codes shows that no new ZIP codes have been created for north King County.

Table 1
North King County ZIP Codes

1980 State Health Plan		
ZIP Code	**City**	**County**
98103	Seattle	King
98105	Seattle	King
98107	Seattle	King
98115	Seattle	King
98117	Seattle	King
98125	Seattle	King
98133	Seattle or Shoreline	King
98155	Seattle or Shoreline or Lake Forest Park	King
98160	Seattle	King
98177	Seattle or Shoreline	King
98185	Seattle	King
98195	Seattle	King

According to the department's records, there are 13 planning area providers with OR capacity. Of these providers, 7 are hospitals and 6 are ambulatory surgical facilities.

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 hospitals. [source: CN historic files and ILRS]

Table 2
North King County Planning Area Hospitals

Facility	ZIP Code
Kindred Hospital-Northgate	98125
Seattle Cancer Care Alliance	98195
Seattle Children's Hospital, includes outpatient facility	98105
Swedish First Hill-Ballard Campus	98107
University of Washington Medical Center	98195
University of Washington Medical Center Roosevelt site	98105
UW Medicine/Northwest Hospital	98133

For the seven hospitals, all known OR capacity and procedures are included in the methodology calculations for the planning area, with the exception of the following two hospitals:

- Kindred Hospital – Northgate does not perform surgeries and does not have any ORs.
- Seattle Cancer Care Alliance does not perform surgeries and does not have any ORs.

Table 3 below, contains a listing of the six ASFs in the planning area. [source: Department of Health internal database-ILRS]

Table 3
North King County Planning Area ASFs

Facility	ZIP Code	CN Approved or Exempt?
Eye Associates Northwest Surgery Center	98107	Exempt
PSG-Fremont Endoscopy*	98103	Exempt
Northwest Eye Surgeons (Applicant)	98133	Exempt
Puget Sound Surgical Center-Shoreline	98155	Exempt
PSG-Seattle Endoscopy Center*	98133	Exempt
Seattle Orthopedic Center-Surgery (CN Issued)	**98103**	**Approved**

Of the six ASFs shown above, two are endoscopy facilities (designated with an asterisk).[5] The numeric methodology deliberately excludes these OR capacity and procedures from the numeric need methodology.[6] As a result, the ORs and procedures for these facilities will not be counted in the numeric need methodology.

Of the remaining four ASFs shown above, three—including the applicant facility—are located within the offices of private physicians, whether in a solo or group practice that have received an exemption (considered a Certificate of Need-exempt ASF). The use of these ASFs is restricted to physicians that are employees or members of the clinical practices that operate the facility. Therefore, these

[5] Puget Sound Gastroenterology Associates operates Fremont Endoscopy and Seattle Endoscopy Center.
[6] WAC 246-310-270(9)(iv)

facilities do 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. In summary, OR capacity will be counted for one Certificate of Need-approved ASFs and five hospitals.

The data points used in the department's numeric methodology are identified in Table 4. The methodology and supporting data used by the department is provided in Appendix A attached to this evaluation.

Table 4
Department's Methodology Assumptions and Data

Assumption	Data Used
Planning Area	North King County
Population Estimates and Forecasts	Age Group: 0 – 85%+ Claritas Population Data released year 2016 Year 2016 – 302,857 Year 2020 – 366,778
Use Rate	Divide the calculated surgical cases by 2016 population results in the service area use rate of 179.112/1,000 population
Year 2016 Total Number of Surgical Cases	43,590 – Inpatient or Mixed-Use; 10,655 – Outpatient 54,245 – Total Cases
Percent of surgery: outpatient vs. inpatient	Based on DOH survey and ILRS: 19.64% outpatient; 80.36% inpatient
Average minutes per case	Based on DOH survey and ILRS: Outpatient cases: 51.24 minutes Inpatient cases: 131.41 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 north King County Providers: 8 dedicated outpatient ORs 57 mixed use ORs
Department's Methodology Results	Shortage of 1.60 outpatient ORs

Based on the assumptions described in Table 4 above, the department's application of the numeric methodology indicates a shortage of 1.60 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). The applicant used 2016 data and projected to year 2021. The department used 2016 data and projected to year 2020. These difference approaches may be the reasons for the differences.

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 162.817/1,000 for north King County planning area. The department calculated a use rate of 179.111/1,000 residents in the planning area. While the two use rates are not significantly different, the use rate is the main driver for this methodology. The department will rely on its own use rate.

Number of Existing ORs
A comparison review of the department's and the applicant's numeric methodology shows slight differences in the number of ORs counted in the numeric methodology. Northwest Eye Surgeons counted 58 inpatient and/or mixed use ORs and 8 dedicated outpatient ORs. The department counted 57 inpatient and/or mixed use ORs and 8 dedicated outpatient ORs.

In summary, the results of the two methodologies are not significantly different. Northwest Eye Surgeons calculated a need for 0.43 outpatient ORs; the department calculated a need for 1.60 outpatient ORs. The department considers its numeric methodology accurate and will rely on the results for this

The department's numeric methodology calculates a need for at least one additional OR in north King County. Northwest Eye Surgeons is requesting approval of two ORs at NES-Seattle. 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 15, 2018 screening response, p22 and April 9, 2018, screening response, p1]

	Full Year 2015	Full Year 2016	Full Year 2017	Partial Year 2018
Historical Cases	3,303	3,102	3,009	3,090

Northwest Eye Surgeons provided the following supplemental information under this sub-criterion. [source: Application, pp25-26; March 15, 2018, screening response, pp7-8]

"As outlined in the above "Overview of the Project Rationale", it is evidenced that the use of ASFs for surgeries that can be performed safely in an outpatient setting are becoming the location of choice. National trends show a safe, cost savings approach with physicians preferring to operate in an ASF. Additionally, ophthalmology makes up 28% of all procedures done in an ASF.

In an article printed in the American Academy of Ophthalmology, the reasons why there is a rising cataract surgery rate were identified. "Cataract surgery is the most frequently performed surgical procedure in many developed countries, providing significant, long-term, and cost-effective improvements in the quality of life for patients of all ages. Advances in cataract surgery techniques and technologies over the last decades have led to improved patient safety and better surgical outcomes, resulting in significant changes in the frequency with which cataract surgery is performed."

Second eye surgery is now performed earlier and more frequent then it was before simply because "people don't know what they want until you show it to them" (Steve Jobs). The patient's expectations have been met and they want both eyes functioning correctly. In regard to supply and demand, George Gilder, author of Wealth and Poverty stated, "The key is not an increase in the same supply, but rather an increase in a new, inventive supply that exceeds people's expectations and takes them to new heights in their lives". The author of the article, Jay C. Erie, M.D. believes that this statement describes the evolution of ophthalmology and the specialty surgical procedures to include cataract surgery. With improved technologies, the ophthalmic surgery has become very safe and effective, which is providing better outcomes and ultimately improving patient lives. This in itself is increasing patient demand. The article also points out that at the time of publication, the World Health Organization has set a minimum number of cataract surgeries per year to eliminate cataract blindness. This number is 3,000 per million people. In developed countries, the cataract surgeries performed range from 7,000 – 11,000 per million people.

Additionally, increased ophthalmic surgery rates can be explained by the aging population, ability for the procedures to be safely performed in an outpatient (ASF) facility, and adopting widening thresholds for the indication of the ophthalmic surgery.

Reasons why ophthalmic surgery at NWES Seattle has increased over the years can be attributed to the quality surgeons and staff within the NWES organization. In 2017, five NWES surgeons were listed as a "Castle Connolly Top Doctors." Nine NWES physicians were recognized as 2017 Top Doctors in the August issue of Seattle Met Magazine. As evidenced by the percentage of patient origin is 74% outside of the planning area, it would suggest that patients are driving to be seen by the NWES surgeons.

NWES is mostly a B2B company and receives many of the patient's through referral. Exhibit 19 is a list of the 832 providers that refer to and utilize NWES Seattle Ophthalmic surgery services. The type of provider ranges from MD's, OD's, ARNP's and PAC's. 64% of NWES Seattle patients in 2017 came from outside the North King planning area. NWES Seattle 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.

Dr. Audrey Talley- Rostov, a physician partner with NWES, practices from the NWES Seattle location. She has a specialized niche within the practices of ophthalmic surgery which includes corneal surgery. She was one of the first Crystalens surgeons and is currently an investigator with clinical trials for collagen crosslinking for keratoconus and does clinical research on femtosecond laser keratoplasty in New Delhi, India. Because of her experience and credentials, she is a top physician within Washington for referrals for corneal surgery.

As stated in the earlier discussion, NWES Seattle has been in business since 1989 and is one of two outpatient ASF that performs ophthalmic surgeries within the North King planning area that is not hospital based. Northwest Hospital & Medical Center is the hospital that NWES Seattle has a transfer agreement in place. NWES Seattle surgeons have privileges at UW Medicine/Northwest Hospital and University of Washington Medical Center. The time period and the working relationship between the three facilities would indicate that any impact on the market share of NWES Seattle having a CN issued would have long ago passed.

NWES Seattle is one of two ASF which are not hospital based within the planning area that perform ophthalmic surgery. Out of the two ASF's, NWES Seattle did 62.11% of the outpatient ophthalmic surgeries. NWES Seattle patient population's age of 65 and older is 70.06%. NWES Seattle provides an integral service for the elderly and improves their quality of life by performing high quality medical eye surgery, not only within the planning area, but outside the area through referrals from providers and previous patients."

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-Seattle, 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-Seattle 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-Seattle 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 15, 2018, screening response, Exhibit 5]
- Charity Care Policy [source: March 15, 2018, screening response, Exhibit 6]

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

NWES Seattle'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."
[source: March 15, 2018, screening response, p18]

Medicare and Medicaid Programs

NES-Seattle 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 5. [source: Application p15]

Table 5
Historical and Projected Payer Mix

Payer Group	Historical	Projected
Medicare	42.5%	42.5%
Medicaid	4.2%	4.2%
Commercial/Health Care Contractor	32.8%	32.8%
HMO	3.0%	3.0%
Other Government/L & I	0.4%	0.4%
Self Pay	17.1%	17.1%
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 15, 2018, screening response, p18]
"NWES Seattle'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 15, 2018, screening response, p19]

Applicant's Charity Care Table
NES-Seattle

	Dollar Amounts		
Years	**Gross Revenue**	**Adjusted Revenue**	**Charity Care**
2015 Full Year	$7,474,162	$4,713,378	$224,224
2016 Full Year	$7,431,093	$4,435,346	$185,777
2017 Full Year	$7,186,053	$4,114,383	$98,204

	Percentages		
Years	**Gross Revenue**	**Adjusted Revenue**	**Charity Care**
2015 Full Year	100%	63%	3.0%
2016 Full Year	100%	60%	2.5%
2017 Full Year	100%	57%	1.4%

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-Seattle. 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 5 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-Seattle is located with King County within the King County Region. Currently, there are 23 hospitals operating in the region. Of those, five are located within the north King County planning area.[7] Of these five, four hospitals could be affected by approval of this project.[8][9]

Northwest Eye Surgeons projected that the ASF will provide charity care at 1.37% of total revenue. For this project, the department reviewed the most recent three years of charity care data for the 22

[7] Kindred Hospital-Seattle, Seattle Cancer Care Alliance, Seattle Children's Hospital, University of Washington Medical Center, UW/Medicine Northwest Hospital.
[8] Harborview Medical Center is located in the King County Region. Harborview Medical Center is subsidized by the state legislature to provide charity care services. Charity care percentages for Harborview make up almost 50% of the total percentages provided in the King County Region. Therefore, for comparison purposes, the department excludes Harborview Medical Center's percentages from the regional average.
[9] Kindred Hospital in Seattle did not report any charity care for years 2014 – 2016.

hospitals operating within the King County Region and focused on the four potentially affected acute care hospitals located in north King County. The three years reviewed are 2014, 2015, and 2016.[10] Table 6 below is a comparison of the historical average charity care for the King County Region as a whole, the historical average charity care within the planning area, and the projected charity care to be provided at NES-Seattle. [source: Community Health Systems Charity Care 2014-2016 and March 15, 2018, screening response, Exhibit 11]

Table 6
Charity Care – Three Year Average

	% of Total Revenue	% of Adjusted Revenue
3-year King County Region	0.94%	2.00%
3-year North King County Hospitals	1.22%	2.41%
Projected NES-Seattle	1.37%	2.56%

As shown above, the three year regional average proposed by Northwest Eye Surgeons for NES-Seattle is higher than the regional average, and higher than the combined average of the four hospitals operating in the north King County planning area.

Though the application shows that NES-Seattle 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-Seattle 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.

[10] As of the writing of this evaluation, year 2017 charity care data is not yet available. While currently operating, MultiCare Covington Hospital began operations in late year 2017 and is not included in the 2014 – 2016 charity care data.

(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 15, 2018, screening response, p22]

a. *The utilization forecast was created using the National Health Statistics Report (NHSR) utilization rate and projected population for north King planning area and NWES Seattle 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 Seattle 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 North King 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 7 shows the total projected number of eye cases for the north King planning area. Table 8 shows the projected number of cases for NES-Seattle.

Table 7
North King Planning Area

	2018	2019	2020	2021
Total Eye Cases	**8,391**	**8,549**	**8,711**	**8,863**

Table 8
NES-Seattle

	2018	2019	2020	2021
Total Eye Cases	**3,090**	**3,173**	**3,259**	**3,347**

Recognizing that the projections show NES-Seattle would perform less than 50% of the eye surgeries projected in the planning area, Northwest Eye Surgeons provided the following information related to market share and historical utilization of NES-Seattle. [source: Application, pp24-25]

"Referencing Table 16, in 2017, 64% of NWES Seattle patients originated outside of the North King planning area with only 35.55% of their patients within the planning area.

In regard to market share within the North King planning area, there are only two ASFs that perform ophthalmic surgery, NWES Seattle and Eye Associates Northwest Surgery Center. Using the 2016 data collected in the 2017 survey, the two ASFs performed 6,601 eye surgeries. Out of the total, NWES Seattle did 62.11% and Eye Associates Northwest Surgery Center did 37.89%.

As evidence in Table15, NWES Seattle patient age over the age of 65 is 70.06%. 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."

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, pp28-30]

<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.*

<u>*Deductions from Revenue*</u>

- *The allowable percentages by payer were found by surveying a sample of claims for each payer from NWES Seattle ASC reimbursement data.*
- *Bad debt was assumed constant at 1.54% of gross revenue.*
- *Charity care is assumed constant at 1.37%.*

Cost of Revenue[11]

- *Cost of revenue was observed at a rate of 38.5% 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 Seattle 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.*
- *NWES Seattle ASC typically relies on some temp agency labor and overtime expense to staff the facility. 2017 actuals were observed at a rate of 12% of total salaries and wages. This rate is assumed appropriate for all periods in the projection.*
- *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.*

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

Payer Group	Projected
Medicare	42.5%
Medicaid	4.2%
Commercial/Health Care Contractor	32.8%
HMO	3.0%
Other Government/L & I	0.4%
Self Pay	17.1%
Total	**100.0%**

[11] 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.

Based on the assumptions above, Northwest Eye Surgeons provided its projected revenue, expenses, and net income for NES-Seattle. The projections are summarized below. [source: March 15, 2018, screening response, Exhibit 11]

Table 9
Projected Revenue and Expenses for Calendar Years 2018 through 2021

	CY2018 (partial year)	CY2019 (year one)	CY2020 (year two)	CY2021 (year three)
Net Revenue	$4,225,939	$4,340,039	$4,457,220	$4,577,565
Total Expenses	$4,117,381	$4,292,829	$4,416,161	$4,543,044
Net Profit/(Loss)	**$108,558**	**$47,210**	**$41,059**	**$34,521**

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.

Northwest Eye Surgeons provided the following information related to the decrease in net profit for year 2019 when compared to previous year 2018. [source: March 15, 2018, screening response, p24 and Exhibit 11]

"2017 allocations were backed out and corrected. FTE figures used throughout 2017 were incorrect. See Exhibits 16 and 17 concerning methodologies surrounding the corrected allocations entries. During the review process for NWES' 2017 financials, it was noticed that allocations had been booked incorrectly throughout the year. These figures have since been corrected (see Exhibit 11 which is amended Exhibit 24). All of the allocations that are driven by FTE % were being calculated based on incorrect figures. The main issue was that "surgical coordinators" were not having their FTE figure broken out correctly between their corresponding clinic and ASC.

Depending on the site, the "surgical coordinators" were either being 100% allocated to the ASC or 100% allocated to the clinic. Also, it was noticed that the Marketing department's expenses were being allocated 100% to the clinics, the ASC's are now being given a fair share of those expenses. Please see Exhibit 16 for an illustration of exactly how allocations were originally represented, and how they are now represented."

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-Seattle has documented experience in operating the ASF since year 1986, these assumptions are reasonable.

Northwest Eye Surgeons provided a lease agreement for the site, between Health Resources Northwest (landlord) and Northwest Eye Surgeons. Health Resources Northwest was an active Washington State limited liability corporation until July 31, 2012, when it was administratively dissolved.[12] The lease commenced on March 1, 2010 and is effective for 10 years from the date of signing. The lease expires on March 1, 2020. The lease identifies the roles and responsibilities for each and all costs associated with the lease are substantiated in the revenue and expense statement. Effective July 1, 2012, the lease was transferred from Health Resources Northwest to Northwest Hospital and Medical Center. All other factors is the lease remain effective. Northwest Eye Surgeons provided a signed agreement between Northwest Hospital and Medical Center and Northwest Eye Surgeons extending the lease for 5 years, thorough March 1, 2025.

Northwest Eye Surgeons identified the medical director, Bruce Cameron, 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 for NES-Seattle show revenues exceeding expenses within the first full year of operation and to continue doing so.

Simultaneous with the review of this project in north King County, Northwest Eye Surgeons also submitted two other ASF applications. One for East Clallam 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 10 through 12 summarize the projected cases and statements provided by Northwest Eye Surgeons.

[12] Secretary of State UBI #601 072 323.

Table10
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**

Table11
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 12
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, p32 and March 15, 2018, screening response, p10]

"As outlined in NWES Seattle staffing plan, the facility will hire a flex pull/per diem nurse as the volume in OR minutes increase. NWES Seattle offers a facility and work environment that is attractive to work for, along with competitive hours and pay. NWES Seattle 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 13 below summarizes the information. [source: Application, p32]

Table 13
Years 2018 through 2021
NES-Seattle Current and Projected Staffing

FTE by Type	2018 Current Year	2019 Increase	2020 Increase	2021 Increase	Total Staff
Office/Clerical Employees	3.10	0.00	0.00	0.00	3.10
RNs	6.10	0.00	0.00	0.00	6.10
Flex Pull/Per Diem[13]	0.00	0.50	0.00	0.00	0.50
Operating Room Techs	4.00	0.00	0.00	0.00	4.00
Manager	1.00	0.00	0.00	0.00	1.00
Total FTEs	**15.20**	**0.50**	**0.00**	**0.00**	**15.70**

Northwest Eye Surgeons provided the following description of the staff identified in the table as 'Flex Pull/Per Diem.' [source: March 15, 2018, screening response, p10]

"The increase in FTE's is represented in the flex pull/per diem pool. The flex pull/per diem pool are used on an as needed basis because surgery volume varies from day to day."

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

Staff	License #	Position
Bruce Cameron	MD00040090	Medical Director
Lance Baldwin	RN60605449	Director of Nursing
Debra Boswell	ST00003174	ASF Supervisor

Public Comment
None

Rebuttal Comment
None

[13] 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/]

Department Evaluation
As shown above, the ASF staff are already in place, and minimal amount of additional staff could be available from a flex pool of staff. This process to temporarily increase staff at NES-Seattle has been successfully used by Northwest Surgeons in the past. 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-Seattle is a well-established provider of healthcare services in north King County. NES-Seattle has been operational with 2 ORs as a CN-exempt facility since approximately 1986.

Given that NES-Seattle 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.

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 p33]

"NWES Seattle currently provides ophthalmic surgery in the North King planning area. Our existing support capacity and third-party contracts sufficiently support the services offered at NWES Seattle 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-Seattle in north King County since approximately year 1986. 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-Seattle. 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 Seattle 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 Seattle is subject to inspections from investigators at the state level and has a duty to comply with any recommendations that are set forth.

NWES Seattle is also licensed and subject to investigations with Medicare and Medicaid. All visits by any investigator has left NWES Seattle 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.[14] 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

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

associated ambulatory surgical facility. Of the five, four are accredited by the American Association for Accreditation of Ambulatory Surgery Facilities[15].

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 14
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-Seattle. The table below shows physicians and other credentialed staff associated with Northwest Eye Surgeons. [source: March 15, 2018, screening response, p2 and Medical Quality Assurance Commission]

[15] *"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]

Table 15
Northwest Eye Surgeons Physicians and Other ASF Staff

L Name	F Name	Credential Number	License Status	Notes
Niemeyer	Matthew	MD00048337	Active	Partner
Bailey	Kristi	MD00046660	Active	Partner
Cadera	Werner	MD00029760	Active	Partner
Cameron	Bruce	MD00040090	Active	Medical Director
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, p33]

"NWES Seattle 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 Seattle 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 UW Medicine/Northwest dba Northwest Hospital and Medical Center was provided in Exhibit 29 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, pp34-36 and March 15, 2018, screening response, pp12-16]

"NWES Seattle 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 North King 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-Seattle 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- Seattle, or expand the types of procedures beyond ophthalmology at NES- Seattle.

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	*There is no advantage or disadvantage to Continuing as is in terms of improving access. The current NWES Seattle surgical center has been in place for many years without access issues. (Neutral)* *The principal disadvantage is this option does nothing to address the ambulatory surgery OR shortages forecast in 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 North King 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)* *The principal disadvantage with maintaining the current situation is driven by projected shortages of outpatient ambulatory surgery suites. Over time, as access in constrained, there will be adverse impacts on quality of care if Planning Area physicians and their patients either have to wait for surgical capacity or travel to other locations outside the Planning Area, assuming this is an option. (Disadvantage)*
Requested Project	*The requested project best meets and promotes quality and continuity of care issues in the Planning Area. (Advantage)* *From a quality of care perspective, there are only advantages. (Advantage)*
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 Seattle. 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 Seattle. (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	*There are no legal restrictions to continuing operations as presently.(Advantage)*
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-Seattle 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 north King 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 Seattle AS*F." [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 north King County. **This sub-criterion is met.**

APPENDIX A

Washington State Department of Health

APPENDIX A
ASC Need Methodology
North King County

Service Area Population: 2020			366,778	Claritas	Age 0 - 85+								
Surgeries @179.111/1,000:			65,694										
a.i.	94,250	minutes/year/mixed-use OR											
a.ii.	68,850	minutes/year/dedicated outpatient OR											
a.iii.	8	dedicated outpatient OR's x 68,850 minutes =				550,800	minutes dedicated OR capacity			10,750	Outpatient surgeries		
a.iv.	57	mixed-use OR's x 94,250 minutes =				5,372,250	minutes mixed-use OR capacity			40,882	Mixed-use surgeries		
b.i.	projected inpatient surgeries =			52,790	=	6,937,079	minutes inpatient surgeries						
	projected outpatient surgeries =			12,904	=	661,146	minutes outpatient surgeries						
b.ii.	Forecast # of outpatient surgeries - capacity of dedicated outpatient OR's												
		12,904	-	10,750	=	2,154	outpatient surgeries						
b.iii.	average time of inpatient surgeries				=	131.41	minutes						
	average time of outpatient surgeries				=	51.24	minutes						
b.iv.	inpatient surgeries*average time				=	6,937,079	minutes						
	remaining outpatient surgeries(b.ii.)*ave time				=	110,346	minutes						
						7,047,425	minutes						
c.i.	if b.iv. < a.iv. , divide (a.iv.-b.iv.) by 94,250 to determine surplus of mixed-use OR's												
	Not Applicable - Go to c.11. and ignore any value here.												
		5,372,250											
	-	7,047,425											
		-1,675,175	/	94,250	=	**-17.77**							
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												
	USE THESE VALUES												
		6,937,079											
	-	5,372,250											
		1,564,829	/	94,250	=	**16.60**							
	divide outpatient part of b.iv. By 68,850 to determine shortage of dedicated outpatient OR's												
		110,346	/	**68,850**	=	**1.60**							

Washington State Department of Health

APPENDIX A
ASC Need Methodology
North King 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
Kindred Hospital-Northgate	0	0	0	0	0.0	0	0	0.0	0	0	No operating rooms; does not provide surgical services
Seattle Cancer Care Alliance	0	0	0	0	0.0	0	0	0.0	0	0	No operating rooms; does not provide surgical services
Seattle Children's Hospital, includes outpatient facility	1	0	0	**15**	134.4	11,447	1,538,311	0.0	0	0	Year 2016 data unavailble; year 2017 data used.
Swedish First Hill-Ballard Campus	2	0	0	**4**	35.3	9,487	335,361	0.0	0	0	Year 2016 data unavailble; year 2017 data used.
University of Washington Medical Center	7	0	0	**26**	199	14,834	2,951,444	0.0	0	0	Year 2016 data unavailble; year 2017 data used.
University of Washington Medical Center Roosevelt	0	0	**2**	0	0.0	0	0	96.8	1,527	147,778	Year 2016 data unavailble; year 2017 data used.
UW Medicine Northwest Hospital	4	0	**4**	**12**	115.4	7,822	902,992	86.3	1,643	141,756	Year 2016 data from 2017 survey.
Eye Associates Northwest Surgery Center	0	0	2	0	0.0	0	0	50.0	1,127	56,355	Year 2016 data from 2017 survey. # of cases calculated.
Fremont Endoscopy		ENDOSCOPY ORS, CASES, & MINUTES NOT COUNTED									ENDOSCOPY ORS, CASES, & MINUTES NOT COUNTED
Northwest Eye Surgeons (Applicant)	0	0	2	0	0.0	0	0	13.0	4,100	53,300	Year 2016 data from 2017 survey.
Puget Sound Surgical Center	0	0	1	0	0.0	0	0	118.9	140	16,641	Year 2016 data from 2017 survey. Facility now known as EVIVA.
Seattle Endoscopy Center		ENDOSCOPY ORS, CASES, & MINUTES NOT COUNTED									ENDOSCOPY ORS, CASES, & MINUTES NOT COUNTED
Seattle Orthopedic Center-Surgery (CN Issued)	1	0	**2**	0	0.0	0	0	61.4	2,118	130,094	Year 2016 data from 2017 survey.
Totals	14	**0**	**6**	**57**	**484.1**	**43,590**	**5,728,108**	**426.3**	**10,655**	**545,924**	
					Avg min/case inpatient		**131.41**	Avg min/case outpatient		**51.24**	
ORs counted in numeric methodology			**8**	**57**							
ILRS: Integrated Licensing & Regulatory System											
Population data source: Claritas 2016 data											
Total Surgeries	54,245										
Area population 2016 [0 - 85+]	302,857		**using 2016 population b/c using 2016 survey data**								
Use Rate	179.111										
Planning Area projected population Year: 2020	366,778										
% Outpatient of total surgeries	19.64%										
% Inpatient of total surgeries	80.36%										