EXECUTIVE SUMMARY

EVALUATIONS OF THE FOLLOWING TWO CERTIFICATE OF NEED APPLICATIONS PROPOSING TO ADD ACUTE CARE BED CAPACITY TO THE BENTON/FRANKLIN PLANNING AREA:

- **KADLEC REGIONAL MEDICAL CENTER PROPOSING TO ADD 114 ACUTE CARE BEDS TO THE EXISTING HOSPITAL IN RICHLAND**
- **KENNEWICK GENERAL HOSPTIAL PROPOSING TO ADD 25 ACUTE CARE BEDS TO THE AUBURN CAMPUS IN KENNEWICK**

BRIEF PROJECT DESCRIPTIONS

Kadlec Regional Medical Center

Kadlec Regional Medical Center (Kadlec) proposes to add 114 acute care beds to the hospital campus located at 888 Swift Boulevard in Richland, Washington. The new beds would be housed in new construction and would primarily serve the residents of Benton and Franklin counties.

The capital expenditure associated with the total expansion is $83,526,730. Of this amount, $75,120,180 is attributed to the 114 bed portion of the application. If this project is approved, Kadlec anticipates that the beds would become operational by in phases and will be completed and operational by January, 2016. Under this timeline, year 2018 would be the facility's first full calendar year of operation. [Kadlec Application, p21]

Kennewick General Hospital

Kennewick Public Hospital District dba Kennewick General Hospital (KGH) proposes to add 25 acute care beds to the district's Auburn campus located at 900 South Auburn Street in Kennewick, Washington. The new beds would be housed in existing space at the Auburn campus which will be vacated as a result of the transfer of beds to the Southridge campus that is currently planned for construction. The new capacity would primarily serve the residents of Benton and Franklin counties.

The capital expenditure associated with the total expansion is $519,215. If this project is approved, KGH anticipates that the beds would become operational in phases and will be completed by January 2014. Under this timeline, year 2014 would be the facility's first full calendar year of operation. [KGH Application, p17]

APPLICABILITY OF CERTIFICATE OF NEED LAW

Acute care bed additions are subject to Certificate of Need review as the change in bed capacity of a health care facility under the provisions of Revised Code of Washington (RCW) 70.38.105(4)(e) and Washington Administrative Code (WAC) 246-310-020(1)(c).

CONCLUSIONS

Kadlec Regional Medical Center

For the reasons stated in this evaluation, the application submitted on behalf of Kadlec Regional Medical Center supporting a 55-bed expansion of acute care beds within the Benton/Franklin planning area is consistent with applicable criteria of the Certificate of Need Program, and a Certificate of Need is approved.

Approved Capital Costs: $65,456,228

Kennewick General Hospital

For the reasons stated in this evaluation, the application submitted on behalf of Kennewick General Hospital proposing to add 25 acute care beds within the Benton/Franklin planning area is not consistent with applicable criteria of the Certificate of Need Program, and a Certificate of Need is denied.

EVALUATIONS OF THE FOLLOWING TWO CERTIFICATE OF NEED APPLICATIONS PROPOSING TO ADD ACUTE CARE BED CAPACITY TO THE BENTON/FRANKLIN PLANNING AREA:

- **KADLEC REGIONAL MEDICAL CENTER PROPOSING TO ADD 114 ACUTE CARE BEDS TO THE EXISTING HOSPITAL IN RICHLAND**
- **KENNEWICK GENERAL HOSPTIAL PROPOSING TO ADD 25 ACUTE CARE BEDS TO THE AUBURN CAMPUS IN KENNEWICK**

PROJECT DESCRIPTIONS

Kadlec Regional Medical Center

Kadlec Regional Medical Center (Kadlec) is a hospital located at 888 Swift Boulevard in Richland, Washington within Benton County. Kadlec is a provider of Medicare and Medicaid services to the residents of Richland and surrounding areas. The hospital is currently licensed for 215 beds, of which, 176 are designated acute care beds[1]. Kadlec holds a three-year accreditation from the Joint Commission on Accreditation of Healthcare Organizations. [DOH Office of Health Care Survey; CN historical files]

This application proposes to add 114 acute care beds to the existing River Pavilion and will be added to the 176 acute care beds currently licensed at the hospital, for a facility total of 290 acute care beds, and a total licensed capacity of 329. The 114 beds would be added in five phases as described below. [Kadlec Application, p21]

Phase One

Kadlec intends to complete the Pediatric and Medical units in the River Pavilion as planned and distribute 49 beds throughout the available floors within the pavilion. The resulting bed count at the end of Phase 1 will be 225 acute care beds.

Phase Two

This phase will involve expansion of the building mechanical functions and increase parking capacity. Phase two would be begin in 2011 and continue through 2013 and would not involve the addition of any approved bed capacity.

Phase Three

This phase would involve the construction of the upper floors at the River Pavilion. Construction would begin in 2012 and will continue for approximately two years. At phase completion, 46 acute care beds would be added on two floors, 26 on the 7th and 20 on the 9th floor, for a facility total of 260 licensed acute care beds.

Phase Four

This phase would involve completing the 8th floor surgical unit that is planned as part of the new construction. This would involve 26 new beds in early 2015. At completion the acute care bed total would equal 286.

[1] Of the licensed total 12 are beds classified as rehabilitation beds, 12 are ICN level II and 15 are NICU level III bassinettes

Phase Five

This phase would involve completing the 10th floor medical/surgical unit that is planned as part of the new construction. This would involve the remaining 26 new beds in early 2016. This phase will also include a reduction of 22 beds in the conversion of semi-private rooms to private rooms on the 3rd floor, for a net increase of 4 licensed acute care beds. At completion, the acute care bed total would reach the 290 tally.

The total cost of the entire project, including the additional beds, is reported to equal $83,526,730, with $75,120,180 representing the CN portion of the project. Of the total costs under review, 56% is related to construction; 15% is related to equipment;; and the balance related to applicable taxes, planning and financing costs. The totals are outlined below. [Kadlec Application, p60]

Evaluation Breakdown Of ECE	Total	% of Total
Leasehold Improvements	$ 42,234,324	56%
Fixed & Moveable Equipment	$ 10,956,324	15%
Architect / Consulting Fees	$ 3,330,327	4%
Financing Costs	$ 13,486,638	18%
Taxes & Review Fees	$ 5,112,567	7%
Total Estimated Capital Costs	**$ 75,120,180**	**100.00%**

Kennewick General Hospital

Kennewick Public Hospital District dba Kennewick General Hospital (KGH) is a hospital with its Auburn campus located at 900 South Auburn Street in Kennewick, Washington within Franklin County. KGH is a provider of Medicare and Medicaid services to the residents of Richland and surrounding areas. The hospital is currently licensed for 111 beds, of which, 101 are designated acute care beds[2], holds a three-year accreditation from the Joint Commission on Accreditation of Healthcare Organizations. [DOH Office of Health Care Survey; CN historical files]

In February 2009, the department approved an application from KGH for the establishment of a new acute care hospital within the planning area[3]. The approval involved the construction of the Southridge campus and included a transfer of 74 licensed acute care beds from the Auburn campus to the new location. The result is that the Auburn campus will be reducing its acute care bed total to 27.

This application proposes to add 25 acute care beds to the 27 beds that would remain at the Auburn campus, for a facility total of 52 acute care beds, and a total licensed capacity of 62 when the level II bassinettes are included. The 25 beds would be added in two phases as described below. [KGH Application, p9]

Phase One

KGH intends to reopen existing medical/surgical space within the Auburn campus that was closed when the beds are transferred to the new Southridge campus. This space will house the initial 13 bed addition proposed in the application. The result at the end of Phase 1, in late 2013, will be a total of 40 acute care beds.

[2] 10 of the licensed beds are ICN level II bassinettes

[3] Certificate of Need application 09-01

Phase Two

The remaining 12 beds will be made operational within the vacated space at the Auburn campus. Phase two would be complete and operational by January 2014. The total number of acute care beds would then be 52.

The total cost of the project is reported to equal $519,215. Of the total costs under review, 86% is related to equipment; 14% is allocated to Washington State sales tax and review fees. The totals are outlined below. [KGH Application, p31]

Evaluation Breakdown Of ECE	Total	% of Total
Fixed & Moveable Equipment	$ 445,550	86%
Taxes & Review Fees	$ 73,665	14%
Total Estimated Capital Costs	**$ 519,215**	**100.00%**

APPLICABILITY OF CERTIFICATE OF NEED LAW

Acute care bed additions are subject to Certificate of Need review as the change in bed capacity of a health care facility under the provisions of Revised Code of Washington (RCW) 70.38.105(4)(e) and Washington Administrative Code (WAC) 246-310-020(1)(c).

APPLICATION CHRONOLOGY

Action	Kadlec	KGH
Letter of Intent Submitted	June 9, 2009	October 15, 2009
Application Submitted	November 6, 2009	December 7, 2009
Department's pre-review Activities including screening and responses	November 7, 2009 through February 21, 2010	
Beginning of Review	February 22, 2010	
Public Hearing/End of Public Comment	April 6, 2010	
Rebuttal Comments Received	April 21, 2010	
Department's Anticipated Decision Date	June 7, 2010	
Department's Updated Decision Date	July 7, 2010	
Department's Actual Decision Date	November 3, 2010	

CONCURRENT REVIEW AND AFFECTED PERSONS

The concurrent review process promotes the expressed public policy goal of RCW 70.38 that the development or expansion of health care facilities is accomplished in a planned, orderly fashion and without unnecessary duplication. In the case of these projects submitted by Kadlec and KGH, the department will issue one single evaluation regarding whether both, any or none of the projects should be issued a Certificate of Need. No additional parties applied for or received affected party status in the review of these applications

SOURCE INFORMATION REVIEWED

- Kadlec Regional Medical Center's Certificate of Need application submitted November 6, 2009
- Kennewick General Hospital's Certificate of Need application submitted December 7, 2009
- Kadlec Regional Medical Center's supplemental information dated January 27, 2010
- Kennewick General Hospital's supplemental information dated February 12, 2010
- Department of Health's Office of Hospital and Patient Data Systems (HPDS) financial feasibility and cost containment analysis for Kadlec Regional Medical Center dated June 1, 2010
- Department of Health's Office of Hospital and Patient Data Systems (HPDS) financial feasibility and cost containment analysis for Kennewick General Hospital dated June 7, 2010
- Comprehensive Hospital Abstract Reporting System (CHARS) data obtained from the Department of Health's Office of Hospital and Patient Data Systems
- Public comment received during the course of the review
- Documents submitted during the public hearing on April 6, 2010
- Acute care bed capacity surveys submitted by Kadlec Regional Medical Center, Kennewick General Hospital, and Lourdes Medical Center
- Kadlec Regional Medical Center's rebuttal comments dated April 21, 2010
- Kennewick General Hospital's rebuttal comments dated April 21, 2010
- Population data obtained from the Office Financial Management based on year 2000 census published November 2007
- OFM Benton/Franklin County GMA Forecast Report
- Certificate of Need Historical files
- Department of Health's Investigation and Inspection's Office (IIO) files
- Acute Care Bed Methodology extracted from the 1987 State Health Plan

CRITERIA EVALUATION

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 the 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:

"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 expertise related to a proposed undertaking, with whom the department consults during the review of an application."

CONCLUSIONS

Kadlec Regional Medical Center

For the reasons stated in this evaluation, the application submitted on behalf of Kadlec Regional Medical Center supporting a 55-bed expansion of acute care beds within the Benton/Franklin planning area is consistent with applicable criteria of the Certificate of Need Program, and a Certificate of Need is approved.

Approved Capital Costs: $65,456,228

Kennewick General Hospital

For the reasons stated in this evaluation, the application submitted on behalf of Kennewick General Hospital proposing to add 25 acute care beds within the Benton/Franklin planning area is not consistent with applicable criteria of the Certificate of Need Program, and a Certificate of Need is denied.

A. Need (WAC 246-310-210)

Based on the source information reviewed, in relation to the need criteria in WAC 246-310-210, the department determines that:

- Kadlec Regional Medical Center's project has met the need criteria
- Kennewick General Hospital's project has met the need criteria

(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.

The Department uses the Hospital Bed Need Forecasting Method contained in the 1987 Washington State Health Plan to assist in its determination of need for acute care capacity. This forecasting method is designed to evaluate need for additional capacity in general, rather than identify need for a specific project. The Department prepared bed need forecasts to determine baseline need for acute care capacity. This set of projections is completed prior to determining whether the applicant should be approved to meet any projected need.

Summary of Kadlec's Numeric Methodology

As previously stated in the project description portion of this evaluation, Kadlec is currently licensed for 215 beds at the hospital. Of this bed compliment, 176 are classified as acute care beds. Kadlec proposes to add 114 acute care beds to the hospitals capacity in multiple phases. Given that this proposal involves construction, Kadlec intends to begin the construction project in January, 2012. The first 49 beds would be added in year 2010, resulting in 225 acute care beds at Kadlec. Between 2011 and 2015, Kadlec would add the remaining 65 beds as additional floors are completed, resulting in 290 acute care beds. Under this timeline, 2016 would be Kadlec's third year of operation with 302 acute care beds, or a total compliment of 329 licensed beds. [Kadlec Application, p21, CN Historical files]

Kadlec is located within the Benton/Franklin County planning area. Kadlec correctly states that the department typically uses the OFM medium series in its production for planning area need. Kadlec contends that "a review of recent population statistics in Benton and Franklin counties in comparison to OFM [Growth Management Act] forecasts clearly indicates OFM's high series has done a much better job of predicting population growth". Kadlec then concludes, "If recent population growth continues, OFM high series, not its medium series, will be a more accurate predictor of future population in Benton and Franklin counties". [Kadlec Application, pp37-38, 43]

For its numeric demonstration of need for additional beds, Kadlec produced two numeric methodologies. Each used slightly different forecast methods and data sets to establish the population forecasts. Kadlec determined that the linear regression version, which was not based on either the high or low OFM forecast, but was based upon what the applicant cites as "population actuals over the period 2002-2008"[4], was the preferred approach and was applied to produce Kadlec's need forecast. The methodology establishes the basis for the request of 114 additional acute care beds and is the supporting financial information. [Kadlec Application, p42 & Figure 6]

Separate from the population projections applied, Kadlec used the appropriate planning area and followed each step of the methodology as prescribed. Kadlec ultimately computed a surplus of planning area beds through 2009. The first indication of need for additional beds is produced in

[4] Derived from Washington State OFM Intercensal and Postcensal Estimates of County population by age and sex 1980-2008

2010 (36 beds) and increases to equal a need for 104 additional beds by the end of year 2015. A complete summary of the applicant's projections are shown in Table 1. [Kadlec Application, Exhibit 13a]

Table 1
Summary of the Kadlec Application Need Methodology for Benton/Franklin Planning Area

	2009	2010	2011	2012	2013	2014	2015
Patient Days	77,539	87,704	90,522	93,450	96,492	99,654	103,255
Planning Area Beds	349	349	349	349	349	349	349
Adjusted Gross Need	340	385	397	410	424	437	453
Adjusted Net Need	(9)	36	48	61	75	88	104

* Negative number indicates a surplus of beds. All numbers are rounded.

Summary of Kennewick's Numeric Methodology

As previously stated in the project description portion of this evaluation, KGH is currently licensed for 111 beds at the hospital. Of this bed compliment, 101 are classified as acute care beds and 74 will be transferred to Southridge upon completion of the new facility. KGH proposes to add 25 acute care beds to the vacated capacity at the Auburn campus in multiple phases. Given that this proposal does not involve construction, KGH intends to begin offering services in the initial 13 beds in November, 2012. The remaining 12 beds would be added by 2014, resulting in 52 acute care beds at KGH at completion. Under this timeline, 2017 would be KGH's third year of operation with 52 acute care beds, or a total compliment of 62 licensed beds. [KGH Application, p21]

KGH is located within the Benton/Franklin County planning area. For its numeric demonstration of need for additional beds, KGH provided a numeric methodology that relied upon two sets of population projections. To establish the use rates, KGH applied the High series OFM population projections (steps 3 & 6) and to forecast bed need for the planning area, the Medium series OFM population projections for 2009 forward (step 10). [KGH Application, p20, Exhibit 6: Appendix 3; Kadlec Application, Exhibit 15: Appendix 3]

KGH used the appropriate planning area patient days and followed each step of the methodology as prescribed. As a result, KGH computed a surplus of beds through 2012. The first indication of need for additional beds is apparent in 2013 (5 beds) and increases to equal a need for 22 additional beds by the end of year 2015. A complete summary of the applicant's projections are shown in Table 2. [KGH Application, Exhibit 6]

Table 2
Summary of the KGH Application Need Methodology for Benton/Franklin Planning Area

	2009	2010	2011	2012	2013	2014	2015
Patient Days	74,099	74,609	76,596	78,650	80,611	82,975	84,615
Planning Area Beds	349	349	349	349	349	349	349
Adjusted Gross Need	325	328	336	345	354	364	371
Adjusted Net Need	(24)	(21)	(13)	(4)	5	15	22

* Negative number indicates a surplus of beds. All numbers are rounded.

The Department's Determination of Numeric Need:

The department uses the Hospital Bed Need Forecasting Method contained in the 1987 Washington State Health Plan (SHP) to assist in its determination of need for acute care capacity. This forecasting method is designed to evaluate need for additional capacity in general, rather than identify need for a specific project. Though the SHP was "sunset" in 1989, the department has concluded that this methodology remains a reliable tool for predicting the baseline need for acute care beds.

The 1987 methodology was a revision of an earlier projection methodology prepared in 1979 and used in the development of subsequent State Health Plans. This methodology was developed as a planning tool for the State Health Coordinating Council to facilitate long-term strategic planning of health care resources. The methodology is a flexible tool, capable of delivering meaningful results for a variety of applications, dependent upon variables such as referral patterns, age-specific needs for services, and the preferences of the users of hospital services, among others.

The 1987 methodology is a twelve-step process of information gathering and mathematical computation. The first four steps develop trend information on resident utilization. The next six steps calculate baseline non-psychiatric bed need forecasts. The final two steps are intended to determine the total baseline hospital bed need forecasts, including need for short-stay psychiatric services: step 11 projects short-stay psychiatric bed need, and step 12 is the adjustment phase, in which any necessary changes are made to the calculations in the prior steps to reflect conditions which might cause the pure application of the methodology to under- or over-state the need for acute care beds.

The completed methodology is presented as a series of steps in the appendix of this evaluation. The methodology presented here incorporates all adjustments that were made following preparation of the methodology. Where necessary, both adjusted and un-adjusted computations are provided. The methodology uses population and healthcare use statistics on several levels: statewide, Health Service Area (HSA)[5], and planning area. The planning area for this evaluation is the Benton/Franklin planning area. The Benton/Franklin planning area is described in State Health Coordinating Council documents from 1987 as all of the zip codes within Benton and Franklin counties[6].

When preparing acute care bed need projections, the department relies upon population forecasts published by OFM. OFM publishes a set of forecasts known as the "medium-series" county population projections, based on the 2000 census, updated November 2007[7].

[5] The state is divided into four HSA's by geographic groupings. HSA 1 is composed of Clallam, Island, Jefferson, King, Kitsap, Pierce, San Juan, Skagit, Snohomish, and Whatcom Counties. HSA 2 is composed of Clark, Cowlitz, Grays Harbor, Klickitat, Lewis, Mason, Pacific, Skamania, Thurston, and Wahkiakum counties. HSA 3 is composed of Benton, Chelan, Douglas, Franklin, Grant, Kittitas, Okanogan, and Yakima Counties. HSA 4 is composed of Adams, Asotin, Columbia, Ferry, Garfield, Lincoln, Pend Oreille, Spokane, Stevens, Walla Walla, and Whitman counties.

[6] Described in 1981 Central Washington Health Systems Agency documents as all zip codes for Benton and Franklin counties with no additional areas.

[7] The November 2007 series was the most current data set available during the production of the state acute care methodology following the release of the 2007 CHARS data and can be found at http://www.ofm.wa.gov/pop/estimates.asp and compiled internally by DOH

Kadlec argues that past OFM projection reports have underestimated the actual population for the region. The applicant points to the population estimates originating in the older 2002 OFM medium series forecasts as an example. The applicant contends that the 2002 forecast for the Benton County 2007 population was approximately 4.8% below the population estimates published in a population forecast OFM produced in 2007. Because the 2002 medium series estimates were below the revisions, Kadlec contends that the 2007 medium series will suffer from the same forecast weaknesses, making the high series of the 2007 update the most accurate available population data to apply to the methodology. [Kadlec Application, p38, 41, Figure 5 & Exhibit 11]

In the revised 2007 forecasts, OFM included efforts to fully capture a rapid growth period beginning in 2002 for Benton and Franklin counties. In addition to the new medium series in 2007, OFM re-produced high and low population projections. The low series is intended to reflect what might happen if the area experienced an economic downturn and the high series is based on the assumption that the counties might sustain the fast grown throughout the forecast horizon.

Historical trends reviewed by OFM (1960-2000) indicate that both Benton and Franklin counties have a tendency to fluctuate dramatically, making long-term projections with either the High or the Low series less applicable. The adjustments made to the medium series projections by OFM in 2007 appear to be sufficient to approximate the likely population totals for the region. Kadlec provided a comparison of OFM projections in Figure 4 of the application which actually supports this conclusion. The data confirms that the updated OFM medium series from 2007 closely matches the older 2002 high series forecasts. There is no indication that the 2007 OFM forecasts are inaccurate or subject to the same circumstances which were adjusted in the production of the update. [Kadlec Application, p40, Figure 4; OFM 2007 County GMA Forecast Report; Exhibit A of this evaluation, Population appendix]

A seven-year horizon for forecasting acute care bed projections will be used in this evaluation which is consistent with the recommendations within the state health plan that states, "For most purposes, bed projections should not be made for more than seven years into the future." Further, a seven year forecast is consistent with most projects for hospital bed additions reviewed by the CN Program as was the target year applied by both applicants. Prior to the release of this evaluation, the department produced the 2009 hospital data used to compile the bed forecasts. As a result, the department will set the target year as 2016, which is seven years after the most recent available data (2009).

This portion of the evaluation will describe, in summary, the calculations made at each step and the assumptions and adjustments made in that process. It will also include a review of any deviations related to the assumptions or adjustments made by Kadlec or KGH in its application of the methodology. The titles for each step are excerpted from the 1987 SHP.

Step 1: Compile state historical utilization data (i.e., patient days within major service categories) for at least ten years proceeding the base year.

For this step, attached as Step 1, the department obtained planning area resident utilization data for 2000 through 2009 from the Department of Health Office of Hospital and Patient Data Systems' CHARS (Comprehensive Hospital Abstract Reporting System) database. Total resident patient days were identified for the Benton/Franklin Planning Area, HSA 3, and the State of Washington as a whole, excluding psychiatric patient days (Major Diagnostic Category, MDC-19) and neonatal

bassinette patient days (Diagnostic Related Group, MDC-15), according to the county in which care was provided.

Kadlec
Kadlec followed this step as described above by removing the MDC 19 days, though the totals only excluded the days attributed to normal newborns as DRG 795 rather than the entire MDC 15 for neonatal diagnoses.

KGH
KGH followed this step as described above by removing the MDC 19 days, though the totals only excluded the days attributed to normal newborns as DRG 795 rather than the entire MDC 15 for neonatal diagnoses.

Step 2: Subtract psychiatric patient days from each year's historical data.
While this step was partially accomplished by limiting the data obtained for Step 1, the remaining data still included non-MDC 19 patient days spent at psychiatric hospitals. Patient days at dedicated psychiatric hospitals were identified for each year and subtracted from each year's total patient days. The adjusted patient days are shown in Step 2.

Kadlec
Kadlec followed this step as described above with slight variations in the totals reported.

KGH
KGH followed this step as described above with slight variations in the totals reported.

Step 3: For each year, compute the statewide and HSA average use rates.
The average use rate (defined as the number of patient days per 1,000 population) was derived by dividing the total number of patient days in each HSA by that HSA's population and multiplied by 1,000. For the purposes of this application, the average use rate was also determined for the Benton/Franklin planning area and is attached as Step 3. Population figures for this analysis were derived from the State of Washington Office of Financial Management (OFM) "medium-series" county population forecasts.

Kadlec
Kadlec followed this step as described above with no deviations. Higher population totals in years 2006-2008 lead to higher use rates in those years. [Kadlec Application, Exhibit 13]

KGH
KGH followed this step as described above with no deviations. Higher population totals in years 2006-2008 lead to higher use rates in those years. [KGH Application, Exhibit 6]

Step 4: Using the ten-year history of use rates, compute the use rate trend line, and its slope, for each HSA and for the state as a whole.
The department has computed trend lines for the State, HSA 3, and the Benton/Franklin planning area based upon the trends in use rates from these ten years and has included them as Step 4. The resulting trend lines for the State and HSA 3 exhibit an upward slope. This conclusion is supported by increasing utilization reported by hospitals throughout the state in recent years, and is indicative of a growing population. More significant than overall population growth is the fact that the state's

population is growing older as the large number of "baby boomers" (those born from 1946 to 1964) age and begin to demand more health services. Utilization of hospital beds by patients aged 65 and older is significantly higher than bed utilization by younger patients, as demonstrated in subsequent calculations.

When reviewing the trend line that is calculated for the Benton/Franklin planning area, it also does not appear to support the use of the high series population projections for the need forecasts as discussed above. The trend lines produced for both the state and the HSA, which are applied to the methodology in later steps, exceed the planning area's 10-year trend. In fact, the 10-year historical data for the planning area shows a sustained drop in patient days after 2002. The results combine to produce a negative trend in the use rates for patient days of the planning area residents. [Evaluation, Exhibit A]

Kadlec
Kadlec followed this step as described above with no deviations. Due to differing values applied in previous steps, the resulting slopes differ, but maintain the ranking order as those produced by the department.

KGH
KGH followed this step as described above with no deviations. Due to differing values applied in previous steps, the resulting slopes differ, but maintain the ranking order as those produced by the department.

Step 5: Using the latest statewide patient origin study, allocate non-psychiatric patient days reported in hospitals back to the hospital planning areas where the patients live. (The psychiatric patient day data are used separately in the short-stay psychiatric hospital bed need forecasts.)
The previous four steps of the methodology utilizes data particular to the residents of the Benton/Franklin planning area. In order to forecast the availability of services for the residents of a given region, patient days must also be identified for the facilities available within the planning area. Step 5 identifies referral patterns in and out of the Benton/Franklin planning area and illustrates where residents of the planning area currently receive care. For this calculation, the department separated patient days by age group (0-64 and 65 and older), and subtracted patient days for residents of other states. The department also used discharge data for Washington residents that receive health care in Oregon. This data was obtained from the Oregon Department of Human Services (the department is not aware of similar data for the State of Idaho).

As has been noted earlier, the original purpose for this methodology was to create comprehensive, statewide resource need forecasts. For purposes of this evaluation, the state was broken into only two planning areas—Benton/Franklin and the state as a whole minus Benton/Franklin. Step 5 illustrates the age-specific patient days for residents of the Benton/Franklin planning area and for the rest of the state, identified here as "WA – Benton/Franklin."

Kadlec
Kadlec followed this step as described above with no deviations. Capacity figures applied include MDC 15 patient days excluded by the department.

KGH
KGH followed this step as described above with no deviations. Capacity figures applied include MDC 15 patient days excluded by the department.

Step 6: Compute each hospital planning area's use rate (excluding psychiatric services) for each of the age groups considered (at a minimum, ages 0-64 and 65+).
Step 6 illustrates the age-specific use rates for the year 2009 for the Benton/Franklin planning area and for the rest of the state.

Kadlec
Kadlec followed this step as described above with no deviations.

KGH
KGH followed this step as described above with no deviations.

Step 7A: Forecast each hospital planning area's use rates for the target year by "trend-adjusting" each age-specific use rate. The use rates are adjusted upward or downward in proportion to the slope of either the statewide ten-year use rate trend or the appropriate health planning region's ten-year use rate trend, whichever trend would result in the smaller adjustment.
As discussed in Step 4, the department used the ten-year use rate trends for 2000-2009 to reflect the use patterns of Washington residents. The 2009 use rates determined in Step 6 were multiplied by the slopes of both the Health Service Area's ten-year use rate trend line and by the slope of the statewide ten-year use rate trend line for comparison purposes. The HSA has a lower projected rate (an annual increase of -0.2331 than the State trend rate of 1.5852. As directed in Step 7A, the department applied the HSA trend to project future use rates.

The methodology is designed to project bed need in a specified "target year." It is the practice of the department to evaluate need for a given project through seven years from the last full year of available CHARS data, or 2009 for purposes of this analysis. Therefore, the target year for this analysis will be 2016.

Kadlec
Kadlec also applied the HSA use rate and followed this step as described above with no deviations.

KGH
KGH also applied the HSA use rate and followed this step as described above with no deviations.

Step 8: Forecast non-psychiatric patient days for each hospital planning area by multiplying the area's trend-adjusted use rates for the age groups by the area's forecasted population (in thousands) in each age group at the target year. Add patient days in each age group to determine total forecasted patient days.
Using the forecasted use rate for the target year 2016 and population projections, projected patient days for Benton/Franklin planning area residents are illustrated in Step 8. As noted in Step 7, above, forecasts have been prepared for a series of years and are presented in summary in Step 10 as "Total Benton/Franklin Res Days."

Kadlec
Kadlec applied this step with projections for 2010, 2015, and 2020.

KGH
KGH followed this step as described above with no deviations.

Step 9: Allocate the forecasted non-psychiatric patient days to the planning areas where services are expected to be provided in accordance with (a) the hospital market shares and (b) the percent of out-of-state use of Washington hospitals, both derived from the latest statewide patient origin study.
Using the patient origin study developed for Step 5, Step 9 illustrates how the projected patient days for the Benton/Franklin planning area and the remainder of the state were allocated from county of residence to the area where the care is projected to be delivered in the target year 2016. The results of these calculations are presented in Step 10 as "Total Days in Benton/Franklin Hospitals."

Kadlec
Kadlec followed this step as described above with no deviations.

KGH
KGH followed this step as described above with no deviations.

Step 10: Applying weighted average occupancy standards, determine each planning area's non-psychiatric bed need. Calculate the weighted average occupancy standard as described in Hospital Forecasting Standard 11.f. This should be based on the total number of beds in each hospital (Standard 11.b), including any short-stay psychiatric beds in general acute-care hospitals. Psychiatric hospitals with no other services should be excluded from the occupancy calculation.
The number of available beds in the planning area was identified in accordance with the SHP standard 12.a., which identifies:

1. beds which are currently licensed and physically could be set up without significant capital expenditure requiring new state approval;
2. beds which do not physically exist but are authorized unless for some reason it seems certain those beds will never be built;
3. beds which are currently in the license but physically could not be set up (e.g., beds which have been converted to other uses with no realistic chance they could be converted back to beds);
4. beds which will be eliminated.

SHP determines the number of available beds in each HSA, by including only those beds that meet the definition of #1 and #2 above, plus any CN approved beds. This information was gathered through a capacity survey of the state hospitals, inclusive of the Benton/Franklin County hospitals. For those hospitals that do not respond to the department's capacity survey, the information is obtained through the Department of Health's Office of Hospital and Patient Data Systems records.

For this project, there are four hospitals considered in the Benton/Franklin planning area. Below is a summary of these facilities and the Department's determination of the capacity values used in the production of the acute care bed methodology. Three of the hospitals currently operating in the Benton/Franklin planning area have completed and returned a survey for use in the establishment of the available bed capacity.

Kadlec Regional Medical Center

Kadlec is located at 888 Swift Boulevard in Richland. Kadlec is approved to be licensed for 215 beds. Of the 215 total, Kadlec reports 176 set up and available acute care beds. The remaining beds are classified separately as 12 rehabilitation beds, 12 ICN-level II and 15 NICU level III bassinettes which are not considered part of their acute care bed compliment. In total, Kadlec will be recorded to have a total capacity of 176 acute care beds. [Kadlec Utilization Survey, CN Application 09-28A]

Kennewick General Hospital

This facility is located at 900 South Auburn Street in Kennewick and is approved to be licensed for 111 beds. Of the 111 total, KGH reports all 101 set up and available acute care beds. The remaining beds are classified separately as 10 ICN-level II bassinettes which are not considered part of their acute care bed compliment. In total, KGH will be recorded to have a total capacity of 101 acute care beds.

As the forecast progresses, these beds will be split between the pending completion of a Southridge campus that was recently approved by the department. The methodology will show the reallocation of beds, though the total will remain 101 total beds in the bed supply. [KGH Utilization Survey]

Lourdes Medical Center

Lourdes is critical access hospital located at 520 North Fourth Street in Pasco and is licensed for 95 beds. As a critical access hospital, Lourdes can operate no more than 25 beds as acute care. Pasco has a licensed nursing home within its city limits. Therefore Lourdes does not qualify for the exemption under RCW 70.38.105(4)(e). Lourdes reports 25 of the beds are set up and assignable. Lourdes will be recorded to have a total capacity of 25 beds. [Lourdes Utilization Survey]

Prosser Memorial Hospital

Prosser is critical access hospital located at 723 Memorial Street in Prosser and is licensed for 62 beds. As a critical access hospital, Prosser can operate no more than 25 beds as acute care. Prosser has a licensed nursing home within its city limits. Therefore Prosser does not qualify for the exemption under RCW 70.38.105(4)(e).. Prosser will be recorded to have a total capacity of 25 beds. [DOH Licensing Records]

While the methodology states that short-stay psychiatric beds should be included in the above totals, the fact that all psychiatric patient days were excluded from the patient days analyzed elsewhere in the methodology makes their inclusion inconsistent with the patient days used to determine need. There are no psychiatric hospitals located in the Benton/Franklin planning area. In summary, among the four hospitals operating in the Benton/Franklin planning area, the Department has determined that there are 327 available licensed beds.

In contrast, Kadlec and KGH both counted a total of 349 available licensed beds in the Benton/Franklin planning area. The totals are displayed in Table 3. In each case of differing capacity figures, the applicants continued to count the hospital's rehabilitation beds. The difference leads to the department applying a smaller number of available beds in the methodology than either applicant. [Kadlec Application, p49 & Exhibit 13; KGH Application, p26 & Exhibit 6]

Table 3
Benton/Franklin Planning Area Acute Care Bed Capacity Totals

Hospital	Kadlec/KGH Totals	Department Total
Kadlec Regional Medical Center	188	176
Kennewick General Hospital	101	101
Lourdes Medical Center	35	25
Prosser Memorial Hospital	25	25
Applied Methodology Capacity	**349**	**327**

The weighted occupancy standard for a planning area is defined by the SHP as the sum, across all hospitals in the planning area, of each hospital's expected occupancy rate times that hospital's percentage of total beds in the area. In previous evaluations, the department determined that the occupancy standards reflected in the 1987 SHP are higher than can be maintained by hospitals under the current models for provision of care. As a result, the department adjusted the occupancy standards presented in the SHP downward by 5% for all but the smallest hospitals (1 through 49 beds).

As a result of this change, the Benton/Franklin planning area's weighted occupancy has been determined to be 62.71% through 2012. With the completion of the Southridge facility, the weighted occupancy standard falls to 60.34% in 2013. The weighted occupancy standard assumptions detailed above, is reflected in the line "Wtd Occ Std" in Step 10.

Step 11: To obtain a bed need forecast for all hospital services, including psychiatric, add the non-psychiatric bed need from step 10 above to the psychiatric inpatient bed need from step 11 of the short-stay psychiatric hospital bed need forecasting method.
The applicant is not proposing to add psychiatric services at the facility. In step 10, the department excluded the short stay psychiatric beds from the bed count total. For these reasons, the department concluded that psychiatric services should not be forecast while evaluating this project.

Kadlec
Kadlec also did not provide psychiatric forecasts within its methodology.

KGH
KGH also did not provide psychiatric forecasts within its methodology.

Step 12: Determine and carry out any necessary adjustments in population, use rates, market shares, out-of-area use and occupancy rates, following the guidelines in section IV of this Guide.
Within the department's application of the methodology, adjustments have been made where applicable and described above.

Kadlec
Kadlec followed this step as described above.

KGH
KGH followed this step as described above.

The results of the department's methodology are available in Exhibit A as Appendices 10A, 10B, and 10C attached to this evaluation. Step 10A calculates the Benton/Franklin planning area bed need without either of the proposed projects. [Exhibit A]

Table 4
Department Methodology
Step 10A – Without Project - Summary

	2010	2011	2012	2013	2014	2015	2016
Planning Area # of beds	327	327	327	327	327	327	327
Adjusted Gross Need	325	333	341	362	370	378	388
Need/(Surplus) – Without Project (Step 10a)	(2)	6	14	35	43	51	61

* Negative number indicates a surplus of beds. All numbers are rounded.

As shown in Table 4, 2011 produces a planning area net need of 6 beds. Step 10A indicates that without the addition of new beds to the planning area, the need would continue to grow in each subsequent year. [Exhibit A, Step 10a]

Step 10B demonstrates the impact of Kadlec adding 114 additional beds to the planning area in multiple phases. A summary of those results are shown in Table 5.

Table 5
Step 10B – With Kadlec Project – Summary

	2010	2011	2012	2013	2014	2015	2016
Planning Area # of beds	376	376	365	365	411	437	441
Adjusted Gross Need	309	317	325	343	347	352	361
Need/(Surplus) - With Project (Step 10b)	(67)	(59)	(40)	(22)	(64)	(85)	(80)

* Negative number indicates a surplus of beds. All numbers are rounded.

Step 10B illustrates the effect on the planning area if Kadlec begins to add 114 acute care beds to the planning area in year 2010. The net surplus totals 67 beds in 2010 with the inclusion of the first 49 beds, and then maintains a surplus throughout and beyond the phased implementation. [Exhibit A, Step 10b]

Kadlec's application also provided details and financing projections regarding smaller 55-bed and 75-bed scenarios if the original 114 bed request was not supported. By providing this addition information, the department is able to consider a smaller bed request that than on the face of the application. According to the forecasts established in step 10A, there is support for the 55-bed scenario provided. Step 10C demonstrates the impact of Kadlec adding 55 additional beds to the planning area in multiple phases. A summary of those results are shown in Table 6.

Table 6
Step 10C – With Kadlec 55-Bed Project – Summary

	2009	2010	2011	2012	2013	2014	2015	2016
Planning Area # of beds	327	376	376	365	365	382	382	382
Adjusted Gross Need	319	309	317	325	343	349	357	365
Need/(Surplus) - With Project (Step 10b)	(8)	(67)	(59)	(40)	(22)	(33)	(25)	(17)

* Negative number indicates a surplus of beds. All numbers are rounded.

Step 10C illustrates the effect on the planning area if Kadlec begins to add 55 acute care beds to the planning area in year 2010. The net surplus increases from 8 in 2009 to 67 beds in 2010 with the inclusion of the first 49 beds, and then the surplus diminishes in each year throughout the remaining forecast years. [Exhibit A, Step 10c]

As this option meets the need forecast produced by the department, Kadlec's application will be reviewed regarding the 55-bed expansion option rather than the original request for 114 beds.

Step 10D demonstrates the impact of KGH adding 25 additional beds to the planning area in multiple phases. A summary of those results are shown in Table 7.

Table 7
Step 10D – With KGH Project – Summary

	2009	2010	2011	2012	2013	2014	2015	2016
Planning Area # of beds	327	327	327	327	340	340	352	352
Adjusted Gross Need	319	325	333	341	365	373	383	392
Need/(Surplus) - With Project (Step 10c)	-8	-2	6	14	25	33	31	40

* Negative number indicates a surplus of beds. All numbers are rounded.

Step 10D illustrates the effect on the planning area if KGH begins to add 13 of the 25 acute care beds to the planning area beginning in year 2013. The complete addition would address a portion of the need that would exist throughout the projection period. [Exhibit A, Step 10d]

During the review of these applications, the department received numerous letters of support before and during the April 6, 2010 public hearing. The letters of support were submitted by residents of the planning area as well as elected representatives from the Washington State Senate and House of Representatives. In addition, local officials, a variety of physicians practicing within the planning area, and regional hospitals also provided comment supporting the proposed projects. A majority of the letters expressed concerns with overcrowding at both hospitals and the increased population growth within the community. [Public comment provided during the review]

Kadlec responded to the public comment by focusing on a number of issues, including that the high series population projections remain the best set of projections to apply to a bed need methodology. Further, Kadlec contends, "there also appears to be a public misperception that both Kadlec and KGH are full." Kadlec asserts that this is not accurate and that the 2008 occupancy levels indicate that Kadlec is the hospital in need of additional capacity; not KGH. To support his position, the

applicant cites an average 2008 occupancy level of 60% at their facility, increasing to 69% in 2009. By comparison, Kadlec cites the 2008 capacity figures for KGH to equal 48%. As a result, Kadlec concludes that there are no capacity issues at KGH since "KGH is nowhere close to being full". Additional comment is made to outline Kadlec's opinion regarding provider choice, cost per proposed bed, and each hospital's level of charity care. In each instance, Kadlec concludes that their application provides the better alternative. [Kadlec Rebuttal, p3]

The discussion of the high series population forecasts was addressed and resolved above and the remaining conclusions made by Kadlec show that they better addresses the other aspects outlined. Specifically, in relation to available beds, Kadlec relies upon recalculating occupancy levels based upon a 65% target occupancy rate to establish capacity levels ranging from 93-106%. Though mathematical adjustments allow for a higher reported adjusted occupancy rate, it does not actually change the number of patients receiving care within the facility. When the total bed compliment is considered in relation to actual occupancy rates, Kadlec continued to have an average of 70 beds available for the residents in 2008 and 55 beds in 2009. [Kadlec Rebuttal, p3]

Table 8
Number of Beds Excluded in Adjusted Capacity Totals

	2008	**2009**	**2010**
Actual Licensed Bed Total	176	176	176
Reported Annual Occupancy	60%	69%	72%
Avg. Available Beds @ reported Occupancy	**70**	**55**	**49**
Mathematically Adjusted Available Licensed Beds based on SHP target of 65%	*114*	*114*	*114*
Avg. Available Beds @ Adjusted Occupancy	40	40	40
# of Beds not considered in Adjusted Totals	**30**	**15**	**9**

Though the distribution of these beds vary by the units Kadlec has established within the hospital, the beds remain available for care to the residents in the region. When the two critical access hospitals are included, and Kadlec's contention that KGH is not reaching the target capacity as presented, the planning area appears to have a reasonable level of available beds in the immediate future. But, as the bed projections indicate, a need is forecasted in the planning area and an equivalent expansion should be considered.

KGH responded to the public comment by restating agreement with the community that it believes additional beds are needed and that the award of the beds should be fairly awarded to the applicants. KGH accepts the department's use of the medium series population projections and contends that the hospital's patient day history is indicative of an overall increase in the hospital's market share. KGH states, "As described in our application, our assumption that KGH's patient days will continue to grow at 4.3% annually on average is the exact same assumption used for our two prior applications". Further, KGH contends, "The assumption is in fact conservative, as 4.3% is only half of the 8.5% average historical growth KGH experienced during [the 1997-2006] timeframe". [KGH Rebuttal, p3]

The comment continues by detailing responses to what it has determined to be Kadlec's primary issues that call for the denial of KGH's application for additional beds. KGH states that Kadlec attempts to portray plans for the approved Southridge campus as an uncertainty. KGH insists,

despite an administrative review sought by Kadlec regarding the Southridge project, the District "will continue to move forward with its new state of the art health care facility in Southridge for the benefit of the Benton/Franklin community". [KGH Rebuttal, p9]

As demonstrated by the department's methodology, summarized above in Table 4, the Benton/Franklin planning area currently does show a need for additional acute care bed capacity in the forecast years. Either the addition of 55 beds to the Kadlec facility or 25 new beds the Auburn campus of KGH would address the potential need for beds though 2016.

Based on the above information and standards, the department's conclusion regarding this sub-criterion follows.

Kadlec
The department concludes that the 55-bed expansion presented in the application is supported by the Department's bed need methodology. This sub-criterion is met.

Kennewick
The department concludes that the proposed 25-bed expansion provided in the application is supported by the Department's bed need methodology. This sub-criterion is met.

(2) All residents of the service area, including low-income persons, racial and ethnic minorities, women, handicapped persons, and other underserved groups and the elderly are likely to have adequate access to the proposed health service or services.

Kadlec
Kadlec is currently a provider of health care services to residents of Washington State, including low-income, racial and ethnic minorities, handicapped and other underserved groups. As an acute care hospital, Kadlec also currently participates in the Medicare and Medicaid programs. To determine whether all residents of the service area would continue to have access to an applicant's proposed services, the department requires applicants to provide a copy of its current or proposed admission policy. 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.

To demonstrate compliance with this sub-criterion, Kadlec provided a copy of its current Admission Policy that would continue to be used at the hospital. The policy outlines the process/criteria that Kadlec will use to admit patients for treatment or care at the hospital. The applicant states that any patient requiring care will be accepted for treatment at Kadlec without regard to "race, religion, sex or age". [Kadlec Application, Exhibit 15]

To determine whether low-income residents would have access to the proposed services, the department uses the facility's Medicaid eligibility or contracting with Medicaid as the measure to make that determination. To determine whether the elderly would have access or continue to have access to the proposed services, the department uses Medicare certification as the measure to make that determination.

Kadlec currently provides services to Medicare and Medicaid eligible patients. Documents provided in the application demonstrate that Kadlec intends to maintain this status. For this

project, a review of the policies and data provided for Kadlec identifies the facility's financial pro forma includes both Medicare and Medicaid revenues [Kadlec Application, p30, Exhibit 18]

A facility's charity care policy should confirm that all residents of the service area including low-income, racial and ethnic minorities, handicapped and other underserved groups have, or would have, access to healthcare services of the applicant. The policy should also include the process one must use to access charity care at the facility.

Kadlec demonstrated its intent to continue to provide charity care to residents by submitting its current charity care policy that outlines the process a patient would use to access this service. Further, Kadlec included a 'charity care' line item as a deduction from revenue within the pro forma financial documents for Kadlec. [Application, Exhibit 14, Exhibit 18]

For charity care reporting purposes, the Department of Health's Hospital and Patient Data Systems program (HPDS), divides Washington State into five regions: King County, Puget Sound (less King County), Southwest, Central, and Eastern. Kadlec is located in Benton/Franklin and is one of 21 hospitals located within the Central Washington Region. According to 2005-2007 charity care data obtained from HPDS, Kadlec has historically provided more than the average charity care provided in the region. Kadlec's most recent three years (2006-2008) percentages of charity care for gross and adjusted revenues are detailed in Table 9. [HPDS 2006-2008 charity care summaries]

Table 9
Kadlec Charity Care Comparison

	3-Year Average for Central WA Region	3-Year Average for Kadlec
% of Gross Revenue	1.86 %	2.94 %
% of Adjusted Revenue	4.29 %	6.43 %

Historical reports indicate that Kadlec has previously provided charity care above the regional average of 1.86% of gross revenue and 4.29% of adjusted revenue. A review of the applicant's pro forma shows they are predicted to continue this trend.

The department concludes that all residents, including low income, racial and ethnic minorities, handicapped, and other under-served groups would have access to the services provided by the hospital. This sub-criterion is met.

Kennewick
KGH is currently a provider of health care services to residents of Washington State, including low-income, racial and ethnic minorities, handicapped and other underserved groups. As an acute care hospital, KGH also currently participates in the Medicare and Medicaid programs. To determine whether all residents of the service area would continue to have access to an applicant's proposed services, the department requires applicants to provide a copy of its current or proposed admission policy. 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.

To demonstrate compliance with this sub-criterion, KGH provided a copy of its current Admission Policy that would continue to be used at the hospital. The policy outlines the process/criteria that

KGH will use to admit patients for treatment or care at the hospital. The applicant states that any patient requiring care will be accepted for treatment at KGH without regard to "race, ethnicity, national origin, citizenship, age, sex, pre-existing condition, physical or mental status, insurance status, economic status or the ability to pay for medical services". [KGH Application, Exhibit 5]

To determine whether low-income residents would have access to the proposed services, the department uses the facility's Medicaid eligibility or contracting with Medicaid as the measure to make that determination. To determine whether the elderly would have access or continue to have access to the proposed services, the department uses Medicare certification as the measure to make that determination.

KGH currently provides services to Medicare and Medicaid eligible patients. Documents provided in the application demonstrate that KGH intends to maintain this status. For this project, a review of the policies and data provided for KGH identifies the facility's financial pro forma includes both Medicare and Medicaid revenues [KGH Application, p12; February 12, 2010 KGH Supplemental Information, Attachment 3]

A facility's charity care policy should confirm that all residents of the service area including low-income, racial and ethnic minorities, handicapped and other underserved groups have, or would have, access to healthcare services of the applicant. The policy should also include the process one must use to access charity care at the facility.

KGH demonstrated its intent to continue to provide charity care to residents by submitting its current charity care policy that outlines the process a patient would use to access this service. Further, KGH included a 'charity care' line item as a deduction from revenue within the pro forma financial documents for KGH. [KGH Application, Exhibit 5; February 12, 2010 KGH Supplemental Information, Attachment 3]

For charity care reporting purposes, the Department of Health's Hospital and Patient Data Systems program (HPDS), divides Washington State into five regions: King County, Puget Sound (less King County), Southwest, Central, and Eastern. KGH is located in Benton/Franklin and is one of 21 hospitals located within the Central Washington Region. According to 2005-2007 charity care data obtained from HPDS, KGH has historically provided less than the average charity care provided in the region. KGH' most recent three years (2006-2008) percentages of charity care for gross and adjusted revenues are detailed in Table 10. [HPDS 2006-2008 charity care summaries]

Table 10
KGH Charity Care Comparison

	3-Year Average for Central WA Region	3-Year Average for KGH
% of Gross Revenue	1.86 %	1.77 %
% of Adjusted Revenue	4.29 %	3.99 %

Historical reports indicate that KGH has previously provided charity care below the regional average of 1.86% of gross revenue and 4.29% of adjusted revenue. A review of the applicant's pro forma shows they are predicted to improve upon this trend and begin to exceed the regional average. Though KGH does propose to exceed the regional average, a charity care condition for the hospital is necessary to approve the project.

KGH will provide charity care in compliance with the charity care policies provided in this Certificate of Need application, or any subsequent polices reviewed and approved by the Department of Health. KGH will use reasonable efforts to provide charity care in an amount comparable to or exceeding the average amount of charity care provided by hospitals in the Central Washington Region. Currently, this amount is 4.45% of adjusted revenue. KGH will maintain records documenting the amount of charity care it provides and demonstrating its compliance with its charity care policies.

With the applicant's agreement to this condition, the department concludes that all residents, including low income, racial and ethnic minorities, handicapped, and other under-served groups would have access to the services provided by the hospital. This sub-criterion is met.

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

Based on the source information reviewed, in relation to the need criteria in WAC 246-310-220, the department determines that:

- Kadlec Regional Medical Center's project has met the Financial Feasibility criteria
- Kennewick General Hospital's project has not met the Financial Feasibility criteria

(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.

To assist the department in its evaluation of this sub-criterion, the office of Hospital and Patient Data Systems (HPDS) provides a summary of the short and long-term financial feasibility of the projects, which includes a financial ratio analysis. The analysis assesses the financial position of an applicant, both historically and prospectively. The financial ratios typically analyzed are **1)** long-term debt to equity ratio; **2)** current assets to current liabilities ratio; **3)** assets financed by liabilities ratio; **4)** total operating expense to total operating revenue ratio; and **5)** debt service coverage ratio. If a project's ratios are within the expected value range, the project can be expected to be financially feasible. Additionally, HPDS reviews a project's three-year projected statement of operations.

Kadlec

The reported capital expenditure for the 55-bed expansion is projected to be $65,456,228. HPDS provides a summary of the balance sheets from the application in Table 11.

Table 11
Kadlec Medical Center Historical Balance Sheets
Kadlec Fiscal Year End 2009 in 000's

Assets		Liabilities	
Current	46,249,806	Current	26,872,602
Board Designated	10,576,406	Long Term Debt	87,904,858
Property/Plant/Equip	138,507,517	Other	10,552
Other	56,365,628	Equity	136,921,897
Total	251,699,357	Total	251,699,357

Above figures from CN application

Kadlec Fiscal Year End 2017 in 000's

Assets		Liabilities	
Current	63,501,254	Current	34,778,107
Board Designated	16,236,223	Long Term Debt	118,093,919
Property/Plant/Equip	165,801,507	Other	6,747,712
Other	265,037,977	Equity	350,957,243
Total	510,576,961	Total	510,576,981

Above figures from CN application

Kadlec will use parts of a Bond Issue, Commercial Loans and reserves (Board Designated) for the project and has the reserves available now. Kadlec will use a very small percent of the assets of the hospital for the reserve financing. The results are summarized in Table 12. [HPDS Analysis, p2]

Table 12
Kadlec 55-Bed Project Financing

	Dollars	% of Total
Bond Issue	$ 54,749,634	84%
Commercial Loans	$ 7,000,000	11%
Capital Allowance	$ 3,706,594	6%
Total Capital Expenditure	**$ 65,456,228**	**100%**

As mentioned above, HPDS also compared the financial health of the Kadlec for December 31, 2009 to the statewide year 2008 financial ratio guidelines for hospital operations. HPDS compared the financial ratios for current year 2009 and 2015 through 2017—or three years after project completion. Table 13 summarizes the comparison provided by HPDS. [HPDS analysis, p3]

The A means it is better if the number is above the State number and B means it is better if the number is below the state number. Bold numbers indicate a score that is outside the preferred ratio.

Table 13
Kadlec Hospital's Current and Projected Financial Ratios

Ratio Category	Trend	State08	Kadlec09	2015 CONy1	2016 CONy2	2017 CONy3
Long Term Debt to Equity	B	0.527	**0.642**	0.457	0.392	0.336
Current Assets/Current Liabilities	A	1.946	**1.721**	**1.785**	**1.791**	**1.826**
Assets Funded by Liabilities	B	0.432	**0.456**	0.361	0.330	0.299
Operating Expense/Operating Rev.	B	0.949	0.934	0.912	0.900	0.890
Debt Service Coverage	A	4.717	7.883	**4.378**	4.735	5.186

Definitions	
Long Term Debt to Equity	Long Term Debt/Equity
Current Assets/Current Liabilities	Current Assets/Current Liabilities
Assets Funded by Liabilities	Current Liabilities + Long term Debt/Assets
Operating Expense/Operating Revenue	Operating Expense/Operating Revenue
Debt Service Coverage	Net Profit + Depr and Int. Exp/Current Mat. LTD and Int. Exp

* Bold indicates a score outside of the preferred ratio

The 2017 fiscal year end ratios for Kadlec Regional Medical Center are above or within reasonable range of the state average. While the average is from 2008, the state numbers are fairly stable since they are ratios are not time or inflation sensitive. The hospital is breaking even in CON year 1 (2015) and the ratios are improving each year. In the ratio of assets to liabilities, the planned construction causes an unfavorable ratio in each of the years reviewed but is trending back to the average in each forecast year. [HPDS analysis, p3]

Based on the information above, the department concludes that the 55-bed project will not negatively affect these ratios and the immediate and long-range operating costs of the project can be met. This sub-criterion is met.

Kennewick

The reported capital expenditure for the 25 bed expansion at KGH is projected to be $519,215. HPDS provides a summary of the balance sheets from the application in Table 14.

Table 14
KGH Historical Balance Sheets
KGH Fiscal Year End 2009 in 000's

Assets		Liabilities	
Current	22,185,553	Current	12,585,240
Board Designated	5,814,994	Long Term Debt	16,776,322
Property/Plant/Equip	41,016,491	Other	-
Other	9,416,922	Equity	49,072,398
Total	78,433,960	Total	78,433,960

Above figures from CN application

KGH Fiscal Year End 2016 in 000's

Assets		Liabilities	
Current	28,330,678	Current	17,246,464
Board Designated	42,855,823	Long Term Debt	104,622,639
Property/Plant/Equip	108,970,727	Other	-
Other	23,538,486	Equity	81,826,611
Total	203,695,714	Total	203,695,714

Above figures from CN application

The KGH capital expenditure is projected to be $519,215. KGH will use Board Designated reserves for the project that are available now. KGH will use a small percent of the assets of the hospital for the reserve financing.

As HPDS outlines, "The hospital also expects to expend up to $6 million of reserves during the same time frame of this project for capital expenditures. This project is included in the $6 million. The pro-forma data supports funds being available for the entire capital expenditures". HPDS concludes, "However, given that Kennewick's fiscal year end 2009 shows only $5.8 million, future depreciation and profits will be needed to cover the capital expenditures". [KGH February 12, 2010 Supplemental Information, p26; HPDS analysis, p2]

As mentioned above, HPDS also compared the financial health of KGH for December 31, 2009 to the statewide year 2008 financial ratio guidelines for hospital operations HPDS compared the financial ratios for current year 2009 and 2014 through 2016—or three years after project completion. Table 15 summarizes the comparison provided by HPDS. [HPDS analysis, p3]

The A means it is better if the number is above the State number and B means it is better if the number is below the state number. Bold numbers indicate a score that is outside the preferred ratio range.

Table 15
Kennewick Hospital's Current and Projected Financial Ratios

Ratio Category	Trend	State08	KGH09	2014 CONy1	2015 CONy2	2016 CONy3
Long Term Debt to Equity	B	0.527	0.342	**1.537**	**1.422**	**1.279**
Current Assets/Current Liabilities	A	1.946	**1.763**	**1.631**	**1.633**	**1.643**
Assets Funded by Liabilities	B	0.432	0.374	**0.638**	**0.622**	**0.598**
Operating Expense/Operating Rev.	B	0.949	**0.971**	**1.007**	**0.992**	**0.977**
Debt Service Coverage	A	4.717	5.201	**2.426**	**2.215**	**2.417**

Definitions	
Long Term Debt to Equity	Long Term Debt/Equity
Current Assets/Current Liabilities	Current Assets/Current Liabilities
Assets Funded by Liabilities	Current Liabilities + Long term Debt/Assets
Operating Expense/Operating Revenue	Operating Expense/Operating Revenue
Debt Service Coverage	Net Profit + Depr and Int. Exp/Current Mat. LTD and Int. Exp

All of the fiscal year end ratios for KGH's project projection years are outside of the state averages with significant drops in debt service coverage. KGH has an approved CN project to build a new hospital at another physical site. That project is the major reason the fiscal year end ratios 2014-2016 for KGH are outside a reasonable range of the 2008 state average. HPDS concludes, "The hospital projects positive financial growth each year and while, the ratios are improving each year the hospital does not have a strong enough base to insure that the long-range capital and operating costs of the project can be met." [HPDS analysis, p3]

The department concludes that KGH would not be able to meet its short and long term costs of the upgrades necessary at the Auburn campus and additional 25 bed project with the projected debt ratios presented. This sub-criterion is not 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.

Kadlec

Kadlec proposes to add the 55 acute care beds in multiple phases, beginning in year 2010. The total cost of the project, including the 55 additional beds, is reported to equal $73,862,778. Of the $65,456,228 under review, 65% is related to construction; 5% is related to equipment; 19% is allocated to financing costs; and the balance related to applicable taxes and planning. The totals are outlined below. [Kadlec Application, p61]

Table 16
Estimated Capital Costs of Kadlec Project

Evaluation Breakdown Of ECE	Total	% of Total
Leasehold Improvements	$ 42,234,324	65%
Fixed & Moveable Equipment	$ 3,211,123	5%
Architect / Consulting Fees	$ 3,330,327	5%
Financing Costs	$ 12,210,738	19%
Taxes & Review Fees	$ 4,469,716	7%
Total Estimated Capital Costs	**$ 65,456,228**	**100.00%**

To assist the department in its evaluation of this sub-criterion, HPDS provides a summary of the reasonableness of Kadlec's building construction costs in relation to the potential impact on revenue and charges the patients and community will actually see come out of their pocketbook. Table 17 contains a summary of the HPDS review. [HPDS analysis, p3]

Table 17
HPDS Analysis of Forecasted Rates at Kadlec Hospital

Kadlac 55 Beds			
Rate per Various Items	**2015**	**2016**	**2017**
Admissions	15,790	16,417	17,122
Adjusted Admissions	28,438	29,407	30,476
Patient Days	66,502	69,024	71,825
Adjusted Patient Days	119,772	123,641	127,843
Gross Revenue	692,171,799	716,315,213	742,236,381
Deductions From Revenue	378,894,843	392,110,948	406,300,195
Net Patient Billing	313,276,956	324,204,265	335,936,186
Other Operating Revenue	3,293,617	3,362,470	3,442,943
Net Operating Revenue	316,570,573	327,566,735	339,379,129
Operating Expense	288,854,735	294,911,527	302,049,105
Operating Profit	27,715,838	32,655,208	37,330,024
Other Revenue	3,332,704	3,332,704	3,332,703
Net Profit	31,048,542	35,987,912	40,662,727
Operating Revenue per Admission	$ 19,840	$ 19,748	$ 19,620
Operating Expense per Admission	$ 18,294	$ 17,964	$ 17,641
Net Profit per Admission	$ 1,966	$ 2,192	$ 2,375
Operating Revenue per Patient Day	$ 4,711	$ 4,697	$ 4,677
Operating Expense per Patient Day	$ 4,344	$ 4,273	$ 4,205
Net Profit per Patient Day	$ 467	$ 521	$ 566
Operating Revenue per Adj Admissions	$ 11,016	$ 11,025	$ 11,023
Operating Expense per Adj Admissions	$ 10,157	$ 10,028	$ 9,911
Net Profit per Adj Admissions	$ 1,092	$ 1,224	$ 1,334
Operating Revenue per Adj Pat Days	$ 2,616	$ 2,622	$ 2,628
Operating Expense per Adj Pat Days	$ 2,412	$ 2,385	$ 2,363
Net Profit per Adj Pat Days	$ 259	$ 291	$ 318

As shown, the net profit by adjusted patient day ranges could range from a low of $259 to a high of $318. The increases in profit realized is a result of expenses per adjusted patient day dropping while revenues show a modest increase with the additional capacity. Based on the information above, the department concludes that the costs of the 55-bed project will probably not result in an unreasonable impact on the costs and charges for health services. This sub-criterion is met.

Kennewick

KGH proposes to add 25 acute care beds to the 27 beds that would remain at the Auburn campus, after the construction of the Southridge facility, for a facility total of 52 acute care beds. The 25 beds would be added in two phases and the costs are outlined below. [KGH Application, p9]

Table 18
Estimated Capital Costs of KGH Project

Evaluation Breakdown Of ECE	Total	% of Total
Fixed & Moveable Equipment	$ 445,550	86%
Taxes & Review Fees	$ 73,665	14%
Total Estimated Capital Costs	**$ 519,215**	**100.00%**

To assist the department in its evaluation of this sub-criterion, HPDS provides a summary of the reasonableness of building construction costs in relation to the potential impact on revenue and charges. The following table contains a summary of the HPDS review. [HPDS analysis, p4]

Table 19
HPDS Analysis of Forecasted Rates at KGH Hospital

Kennewick 25 Beds			
Rate per Various Items	**2014**	**2015**	**2016**
Patient Days	26,882	28,038	29,243
Adjusted Patient Days	57,667	59,779	61,970
Gross Revenue	288,343,000	298,897,000	309,852,000
Deductions From Revenue	162,904,000	168,834,000	174,989,000
Net Patient Billing	125,439,000	130,063,000	134,863,000
Other Operating Revenue	2,841,000	2,799,000	2,873,000
Net Operating Revenue	129,504,000	134,123,000	139,034,000
Operating Expense	130,461,000	133,072,000	135,770,000
Operating Profit	(957,000)	1,051,000	3,264,000
Other Revenue	6,305,000	2,392,000	2,392,000
Net Profit	5,348,000	3,443,000	5,656,000
Operating Revenue per Patient Day	$ 4,666	$ 4,639	$ 4,612
Operating Expense per Patient Day	$ 4,853	$ 4,746	$ 4,643
Net Profit per Patient Day	$ 199	$ 123	$ 193
Operating Revenue per Adj Pat Days	$ 2,175	$ 2,176	$ 2,176
Operating Expense per Adj Pat Days	$ 2,262	$ 2,226	$ 2,191
Net Profit per Adj Pat Days	$ 93	$ 58	$ 91

As shown, the net profit by adjusted patient day is relatively low and would range from $58 to $93. The Department concludes that costs of the project to add 25 acute care beds alone are unlikely to have an unreasonable impact upon the costs and charges for health services. This sub-criterion is met.

(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.

Kadlec

As part of the review of the financing HPDS considered the Bond Issue, Commercial Loans and available reserves and concludes that, whether considering a capital expenditure projected to be $65,456,228 or a total project cost of $73,862,778, the financing method used is an appropriate business practice. [HPDS analysis, p4]

Based on the source information reviewed for the bed addition project at Kadlec and the review performed by HPDS above, the department concludes that the proposed financing is the a prudent approach, and would not negatively affect Kadlec's total assets, total liability, or general financial health. This sub-criterion is met.

Kennewick

As part of the review of the financing of this project, HPDS confirms that with a capital expenditure projected to be $519,215 and that KGH intends to use reserves available now for the project. Overall, this 25 bed project would use a small percent of the assets of the hospital. HPDS concludes that the financing method used is an appropriate business practice. [HPDS analysis, p4]

Based on the source information reviewed for the bed addition project at KGH and the review performed by HPDS above, the department concludes that, by itself, the proposed financing for a 25 bed expansion is the a prudent approach, and would not negatively affect KGH's total assets, total liability, or general financial health. This sub-criterion is met.

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

Based on the source information reviewed, in relation to the need criteria in WAC 246-310-230, the department determines that:

- Kadlec Regional Medical Center's project has met the Structure and Process of Care criteria
- Kennewick General Hospital's project has not met the Structure and Process of Care criteria

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

Kadlec

If the 55-bed project is approved, Kadlec anticipates adding FTEs (full time equivalents) to the hospital in specific staffing areas of management, nursing, technicians, and other related support positions beginning in 2010 to prepare for the phased increases. Table 20 shows the breakdown of Kadlec's projected FTE needs for a 55-bed acute care bed expansion. [Kadlec Application, Exhibit 20]

Table 20
Kadlec Hospital Projected Incremental FTE Totals – 55-Bed

Classification	2010	2011	2012	2013	2014	2015	2016	2017	2018
Management FTE	0.00	0.00	0.00	0.00	1.00	1.00	1.00	1.00	1.00
Nursing FTE	10.50	21.74	33.90	41.83	50.40	61.20	74.98	90.28	101.42
Technologist FTE	4.21	8.72	13.60	16.78	20.22	24.56	30.08	36.23	40.70
Other FTE	11.04	22.86	35.64	43.98	52.99	64.34	78.83	94.93	106.64
Totals	25.75	53.32	83.14	102.59	124.61	151.10	184.89	222.44	249.76

As shown above, the staff increases continue steadily throughout the projection years. By the end of year 2018, Kadlec expects to have approximately 250 additional employees.

Kadlec states it expects no difficulty in recruiting staff for the additional beds for a variety of reasons, including: [Kadlec Application, p72]

- Three full-time staff recruiters to identify additional hires within and outside of the state;
- Training programs established in specialty units which allow for reimbursement of tuition or training costs;
- Kadlec's continued financial support for the nursing program at Columbia Basin College; and
- Continued clinical internships for nursing and other health professions.

In addition, the applicant reports that a relationship with the Washington State Nurses Association has allowed for the creation of a number of programs that relate to nursing salaries and incentive plans linked to quality outcomes. [Kadlec Application, p73]

Based on the information provided in the application, the department concludes that Kadlec provided a comprehensive approach to recruit and retain staff necessary for the additional acute care beds. As a result, the department concludes that qualified staff could be recruited and retained. This sub-criterion is met.

Kennewick

If this project is approved, KGH anticipates adding FTEs (full time equivalents) to the hospital in specific staffing areas of nursing, ancillary care, and other related support positions beginning in 2013 to prepare for the phased increases. Table 21 shows the breakdown of KGH's projected FTE needs for the proposed acute care bed expansion. [February 20, 2010 KGH Supplemental Information, p8]

Table 21
KGH Projected Annual FTE Totals

Classification	2013	2014	2015	2016
Nursing FTE	8	11	12	12
Ancillary FTE	6	7	11	8
Support FTE	4	5	9	5
Totals	**18**	**23**	**32**	**25**

As shown above, the staff increases continue steadily throughout the projection years. KGH expects to expand pertinent staff at the hospital with up to 32 new FTEs in 2015. A slight reduction

in non-nursing staff related to this proposal is projected in 2016, but steady growth in pro forma staffing costs indicate the hospital may retain these FTEs, though in some other capacity.

KGH states it expects no difficulty in recruiting staff for the additional beds for a variety of reasons, including: [KGH Application, p38]

- The addition of the Southridge campus will assist in the organization's recruitment and retention of qualified staff;
- Tuition reimbursements and scholarships for qualified employees and volunteers;
- A nurse resident/refresher program provided to facilitate transition of new employees into an acute care setting;
- KGH's continued involvement as a training site for several programs with Columbia Basin College; and,
- Continued community partnerships with local training groups and with the American Heart Association.

Based on the information provided in the application, the department concludes that KGH provided a comprehensive approach to recruit and retain staff necessary for the additional 25 acute care beds at KGH. As a result, the department concludes that qualified staff can be recruited and retained. 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.

Kadlec

Kadlec currently provides health care services to the residents of Benton County and the surrounding areas. The applicant states that "Kadlec is an existing acute care medical center providing high quality patient services and the appropriate ancillary and support services internally and in the Benton Franklin planning area". Kadlec also confirms that "support services will be developed in proportion to the number of acute care licensed beds that are added to ensure both cost-effective implementation and the provision of high quality, safe patient care". There is no indication that current relationships would not be able to expand related services to accommodate the proposed expansion. [Kadlec Application, p74]

Therefore, the department concludes that there is reasonable assurance that Kadlec will continue its relationships with ancillary and support services within and associated with the hospital and this project would not negatively affect those relationships. This sub-criterion is met.

Kennewick

KGH currently provides health care services to the residents of Franklin County and the surrounding areas. The applicant states that it expects to operate the two hospital campuses as they currently operate multiple facilities as one integrated system. KGH adds "Our clinical/patient care ancillary and support services are designed to support the totality of the District". There is no indication that current support relationships would not be able to expand related services to accommodate the proposed expansion. [Kennewick Application, p39]

Therefore, the department concludes that there is reasonable assurance that KGH will continue its relationships with ancillary and support services within and associated with the hospital and this project would not negatively affect those 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.

Kadlec

Kadlec will continue to provide Medicare and Medicaid services to the residents of Benton County and surrounding communities. The hospital contracts with the Joint Commission to survey and accredit the quality of service provided. The Joint Commission lists Kadlec in full compliance with all applicable standards following the most recent on-site survey in August 2008.[8]

Complementing reviews performed by the Joint Commission are the surveys conducted by the department's Investigation and Inspection's Office (IIO). For the most recent three years, IIO completed one licensing survey at the hospital.[9] There were no adverse licensing actions as a result of the survey. [Facility survey data provided by DOH Investigations and Inspections Office]

Based on Kadlec compliance history, the department concludes that there is reasonable assurance that the hospital would continue to operate in conformance with state and federal regulations with the additional acute care beds. This sub-criterion is met.

Kennewick

KGH will continue to provide Medicare and Medicaid services to the residents of Franklin County and surrounding communities. The hospital contracts with the Joint Commission to survey and accredit the quality of service provided. The Joint Commission lists KGH in full compliance with all applicable standards following the most recent on-site survey in August 2008.[10]

Complementing reviews performed by the Joint Commission are the surveys conducted by the department's Investigation and Inspection's Office (IIO). For the most recent three years, IIO completed one licensing survey at the hospital.[11] There were no adverse licensing actions as a result of the survey. [Facility survey data provided by DOH Investigations and Inspections Office]

Based on KGH compliance history, the department concludes that there is reasonable assurance that the hospital would continue to operate in conformance with state and federal regulations with the additional acute care beds. 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-

[8] http://www.qualitycheck.org
[9] Survey completed February 2007.
[10] http://www.qualitycheck.org
[11] Survey completed February 2007.

200(2)(a)(ii) and (b) that directs 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.

Kadlec

Kadlec states that the additional beds would greatly assist in promoting continuity of care at hospital. Kadlec has been providing health care to the residents of Benton/Franklin County and surrounding communities for many years and participates in relationships with community facilities to provide a variety of post acute care services. Approval of this project will not change the relationships in place with the existing health care providers in the service area. [Kadlec Application, p75]

In the need section of this evaluation, the department concluded that the existing providers may need additional capacity beyond that currently available and accessible to residents of the planning area. The promotion of continuity of care and unwarranted fragmentation of services does not require nor is it intended to have a single facility provide each and every service a patient might require. If that was the intent, there would be no concern about unnecessary duplication of services. The application guidelines provide guidance regarding the intent of this criterion. These guidelines ask for identification of existing and proposed formal working relationships with hospitals, nursing homes, and other health services and resources serving the applicant's primary service area. This description should include recent, current, and pending cooperative planning activities, shared services agreement, and transfer agreements. Expansion of a hospital in the Benton/Franklin planning area, supported by the projected need, minimizes the potential to increase the cost of care for all providers.

Therefore, the department concludes that approval of 55 additional beds meets the need within the planning area and is not likely to lead to a fragmentation of care within the service area, and this sub-criterion is met.

Kennewick

KGH states that the additional beds would greatly assist in maintaining the district's mission to meet the health care needs of the residents of the planning area. Statements by KGH focus upon the planned Southridge campus to meet the requirements of this section. The applicant does purport that the potential upgrades to the Auburn campus, that are associated with this proposed expansion, would allow for upgrades to an inadequate physical plant. [KGH Application, p40]

KGH has been providing health care to the residents of Benton/Franklin County and surrounding communities for many years and participates in relationships with community facilities to provide a variety of post acute care services. Approval of this project will not change the relationships in place with the existing health care providers in the service area. [KGH Application, p40]

In the need section of this evaluation, the department concluded that the existing providers may need additional capacity beyond that currently available and accessible to residents of the planning area. The promotion of continuity of care and unwarranted fragmentation of services does not require nor is it intended to have a single facility provide each and every service a patient might require. If that was the intent, there would be no concern about unnecessary duplication of services. The application guidelines provide guidance regarding the intent of this criterion. These

guidelines ask for identification of existing and proposed formal working relationships with hospitals, nursing homes, and other health services and resources serving the applicant's primary service area. This description should include recent, current, and pending cooperative planning activities, shared services agreement, and transfer agreements. Expansion of a hospital in the Benton/Franklin planning area, sufficient to meet projected need, minimizes the potential to increase the cost of care for all providers.

The department concludes that there is reasonable assurance that addition of the 25 beds requested in this project would assist in KGH's ability to continue to promote continuity of care and KGH's relationships within existing health care system would continue. Though, with the potential for this project to over-extend the financial standing of the organization, the project could lead to a reduction or a discontinuation of some current services if the future revenues are not sufficient to cover expenses. This may result in an unwarranted fragmentation of services. This sub-criterion is not met.

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

This sub-criterion is addressed in sub-section (3) above for both Kadlec and KGH, and is determined to be met.

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

Based on the source information reviewed, in relation to the need criteria in WAC 246-310-240, the department determines that:

- Kadlec Regional Medical Center's project has met the Cost Containment criteria
- Kennewick General Hospital's project has not met the Cost Containment criteria

(1) Superior alternatives, in terms of cost, efficiency, or effectiveness, are not available or practicable.

To determine if a proposed project is the best alternative, the department takes a multi-step approach. Step one determines if the application has met the other criteria of WAC 246-310-210 thru 230. If it has failed to meet one or more of these criteria then the project is determined not to be the best alternative, and would fail this sub-criterion.

If a project met WAC 246-310-210 through 230 criteria, the department would move to step two in the process and assess the other options the applicant or applicants considered prior to submitting the application under review. If the department determines the proposed project is better or equal to other options the applicant considered before submitting their application, the determination is either made that this criterion is met (regular or expedited reviews), or in the case of projects under concurrent review, move on to step three.

Step three of this assessment is to apply any service or facility specific criteria (tie-breaker) contained in WAC 246-310. The tiebreaker 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 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

For this project, Kadlec is the only applicant which has met the review criteria under WAC 246-310-210, 220, and 230. Therefore, the department moves to step two below.

Step Two

Kadlec

Before submitting this application to add 114 beds to the hospital, Kadlec considered four total alternatives. The alternatives and Kadlec's rationale for their decisions are summarized below. [Kadlec Application, pp77-87]

Alternative #1 – Do nothing

This alternative was ruled out due to forecasted need for the planning area, though it is acknowledged that this alternative would keep capital expenditures at a minimum. This alternative is not viewed as sufficient to meet any potential need for the planning area and does nothing to alleviate the congestion for some services currently observed at the hospital. [Kadlec Application, p78 & 83]

Alternative #2 – Add 114 new acute care beds through a 4-floor expansion of the River Pavilion

This alternative was evaluated in relation to the need projected in the applicant's methodology and in conjunction with two build-out options. Kadlec considered whether to create additional space with a new building on the current campus or, as proposed, expand the 6-story River Pavilion to accommodate the additional capacity. By choosing the tower expansion, Kadlec reasons, "there was no location that would operate as efficiently as the River Pavilion, given all existing services are centrally located inside the hospital".

The applicant acknowledges that this option has the highest capital costs of the options considered, but believes the project provides the most "operational flexibility". Kadlec expects that the proposed expansion will allow them to realign departments to optimize patient care and staffing efficiencies. [Kadlec Application, p78 & 83]

Alternative #3 – Add 75 new acute care beds through a 4-floor expansion of the River Pavilion

This alternative considered this scaled down version of the 114-bed alternative. The River Pavilion would continue to construct four additional floors and infrastructure improvements, but two of the new floors would not be equipped. This option would allow for additional capacity and staffing efficiencies, but the capital costs would not change dramatically. Because the construction costs remain the same, the cost reduction would equate to the cost lower cost to equip two fewer floors. [Kadlec Application, p78 & 83]

Alternative #4 – Add 55 new acute care beds through a 4-floor expansion of the River Pavilion

This alternative considered a further scaled down version of the 114-bed and 75-bed alternatives. The River Pavilion would continue to construct four additional floors and infrastructure improvements, but three of the new floors would not be equipped. This option would allow for

additional capacity and staffing efficiencies, but the capital costs would not change dramatically. Because the construction costs remain the same, the cost reduction would equate to the cost lower cost to equip three fewer floors. [Kadlec Application, p78 & 83]

When the Applicant determined that these alternatives should be reviewed according to what will maximize quality patient care and access, maximize cost effectiveness, and meet any legal restriction, the applicant chose the 114 bed option. As a result, Kadlec has developed and submitted the phased expansion as proposed in this application. Though, Kadlec did provide the additional information to completely evaluate the 75-bed and 55-bed options if the review did not support the 114-bed request.

As addressed in the need section above, the planning area is projected to experience a need for additional bed capacity and the decision to include a more modest 55-bed expansion is appropriate. Considering all the hospitals, and their respective occupancy and capacity, the current capacity and availability of each of the hospitals in the planning area may be sufficient in the short-term, the additional of an additional 55 beds to the planning areas is supported and is a superior alternative to the others presented above. This sub-criterion is met.

Kennewick

Before submitting this application to add 25 beds to the hospital, KGH considered four options other than the proposed project. The options included: [KGH Application, p43]

1. Continue with current capacity and apply for a bed expansion in 2011.
2. Continue with current capacity and apply for a bed expansion in 2011 using the OFM High Series population projections.
3. Apply to amend the "intent to issue CN" approving the Southridge Campus to include 25 additional beds.
4. Apply for a bed expansion using the OFM High Series population projections to add 75-100 beds that would be split between the Auburn and Southridge campuses.

Options 1, 2, and 4 were rejected for two primary reasons. Though the hospital experienced a drop in patient day totals in 2008, KGH states that current patient day volumes are up "dramatically" when compared to 2004. KGH expects that they may need additional capacity by 2012 to ensure community access to hospital services. Second, with the recent application from Kadlec for a large bed expansion, KGH determined "that it is in the best interests of District residents and others to that choose KGH to put forth this CN proposal now that will allow [KGH] to add a small number of beds at Auburn".

In consideration of option 3, KGH consulted doctors and residents in the area surrounding the Auburn campus. The discussions and feedback received convinced KGH that the community would be prefer to continue to have access to general medical/surgical services at the Auburn campus. Given the ease, timeliness and cost of adding 25 beds to the Auburn campus, option 3 was rejected. [KGH Application, p44]

When these alternatives are considered with the additional community sentiment regarding access to care at the Auburn location, an option not included in the KGH application becomes apparent.

Plans are to retain the Women's and Children's program at the Auburn campus. Table 22 outlines the 2009 capacity of the Women's and Children's in relation to the other units that KGH reports for the total bed compliment. [February 12, 2010 KGH Supplemental Information, p4]

Table 22
KGH 2009 Unit ADC vs. Capacity Comparison

KGH Defined Units	Current Bed Allotment	ADC	Beds to meet KGH 60% target	Beds in excess of KGH target
Medical/Surgical	43	28.7	49	(5)
Intensive Care	6	4.4	8	(2)
Progressive Care	11	5.9	10	1
Women's/Children's	41	12.1	21	20

As this information demonstrates, the Women's and Children's program is using a small portion of its capacity. Applying KGH's self-imposed capacity goal of 60% [KGH Application, p21], the program still has a number of beds that could be re-allocated to Medical/Surgical care with beds that are expected to remain at the Auburn campus after construction of the Southridge facility. Upon review, they appear to accommodate much of the need projected with the applicant's bed need methodology and surpass the beds identified in Phase 1 of the proposed project. Specifically, the unused capacity of the Women's and Children's program could be used to address the 15 bed need calculated by KGH though 2014. [Evaluation, Table 2]

Since KGH dismissed the other options under consideration, and the proposed expansion failed the financial feasibility review of the projects long-range capital and operating costs, this proposal does not appear to be the best available option and this sub-criterion is not met.

Step Three
This step is used to determine between two or more approvable projects which is the best alternative. Since only one applicant met the previous review criteria this step is not applicable to this project.

(2) In the case of a project involving construction:
(a) The costs, scope, and methods of construction and energy conservation are reasonable;

Kadlec
Staff from HPDS examined the construction costs of this project and provided the following analysis.

Table 23
Kadlec Medical Center Total Project Construction Projections

Acute Care Bed Expansion	**Totals**
Total Construction	$ 64,456,228
Beds	55
Total Capital per Bed	$ 1,190,113

As HPDS states, "The costs shown are within past construction costs reviewed by this office. Also construction cost can vary quite a bit due to type of construction, quality of material, custom

vs. standard design, building site and other factors. Kadlec Regional Medical Center is building in a facility it currently occupies for healthcare services and will construct the new area to the latest energy and hospital standards". [HPDS Analysis, p5]

The Department is satisfied the applicant's plans, if approved, are appropriate. This sub-criterion is met.

(b) *The project will not have an unreasonable impact on the costs and charges to the public of providing health services by other persons.*
This sub-criterion is also evaluated within the financial feasibility criterion under WAC 246-310-220(2) and has been met.

Kennewick
There is no construction related to the project proposed in this application.

(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.

Kadlec
As HPDS observes, "Kadlec Regional Medical Center notes that this project will improve system efficiency for the hospital and patients as the new beds will give more flexibility and makes it easier to place patients in the most appropriate clinical level. The hospital also notes several other system improvements that they will be able to do because of building new". [HPDS Analysis, p6]

The Department acknowledges that newly constructed facilities may make moves toward current care standards (i.e.: single patient rooms, cohesive program efficiencies). The standards have the potential to increase the quality of care while reducing overall costs to the hospital. This sub-criterion is met.

Kennewick
As HPDS observes, "Since this analysis concludes that the Kennewick General Hospital application cannot meet that the immediate and long-range capital and operating costs of the project, the project cannot involve appropriate improvements or innovations in the financing of health services". [HPDS Analysis, p6]

The Department not satisfied the project is appropriate and needed. This criterion is not satisfied.

Exhibit A
Acute Bed Need Methodology

Benton/Franklin Acute Care Bed Need
Step 1

2000-2009 HSA TOTAL NUMBER OF RESIDENT PATIENT DAYS											
	2000	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**10-YEAR TOTAL**
HSA #3	225,626	226,259	226,581	224,903	224,472	236,427	237,942	242,831	252,570	252,469	**2,350,080**
Benton Franklin	62,388	61,120	64,602	63,526	60,344	64,540	66,100	66,467	71,200	75,714	**656,001**
STATEWIDE TOTAL	**1,797,558**	**1,875,612**	**1,878,385**	**1,891,439**	**1,906,739**	**1,969,331**	**2,007,868**	**2,068,766**	**2,135,745**	**2,130,225**	**19,661,668**
2000-2009 CHARS wo all MDC19 and MDC15.xlsx											

2000-2009 HSA TOTAL NUMBER OF RESIDENT PATIENT DAYS											
	2000	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**10-YEAR TOTAL**
HSA #3	225,626	226,259	226,581	224,903	224,472	236,427	237,942	242,831	252,570	252,469	**2,350,080**
Benton Franklin	62,388	61,120	64,602	63,526	60,344	64,540	66,100	66,467	71,200	75,714	**656,001**
STATEWIDE TOTAL	1,797,558	1,875,612	1,878,385	1,891,439	1,906,739	1,969,331	2,007,868	2,068,766	2,135,745	2,130,225	**19,661,668**

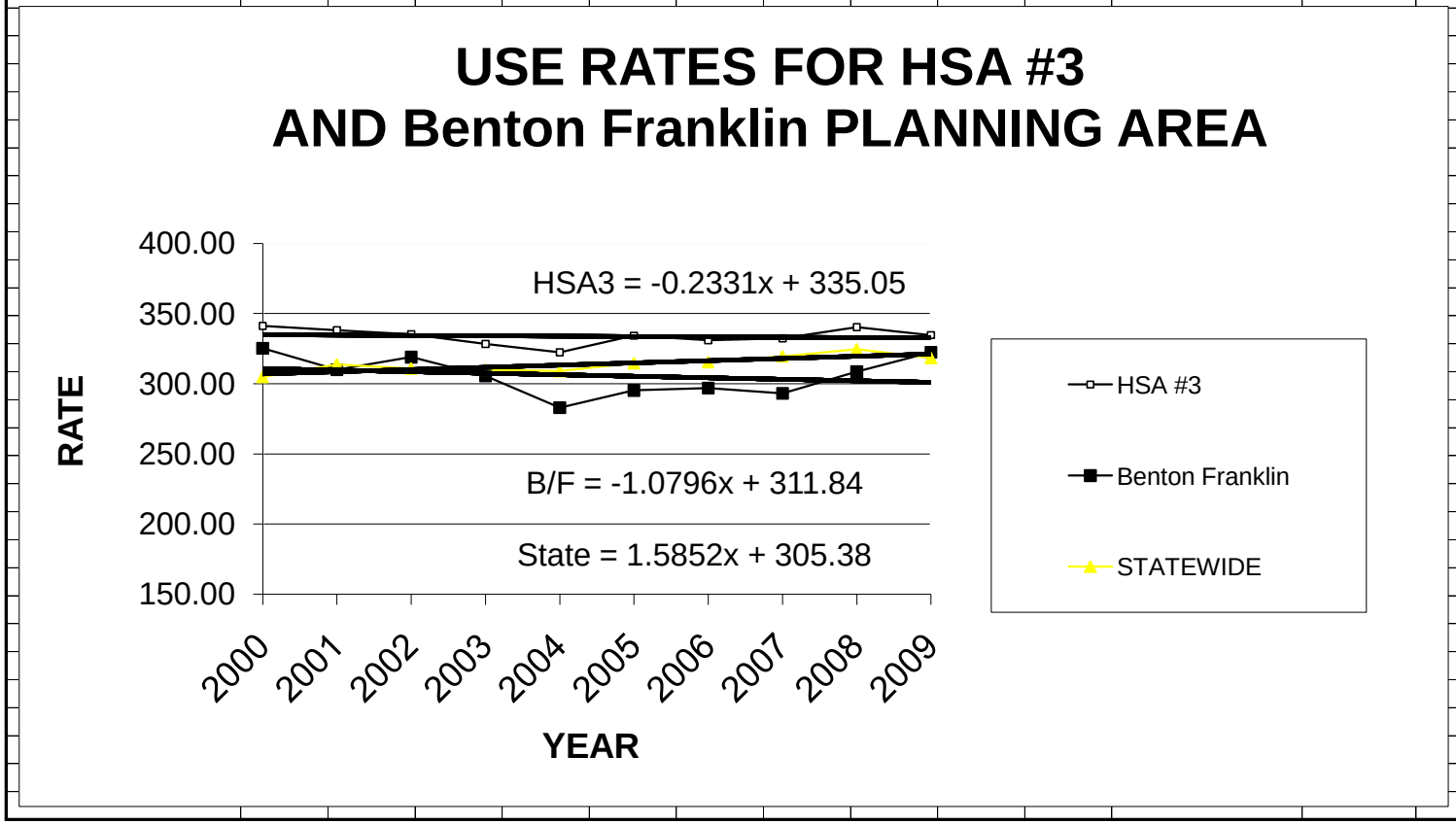
1999-2008 HSA TOTAL NUMBER OF PSYCHIATRIC PATIENT DAYS											
	2000	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**10-YEAR TOTAL**
HSA #3	44	21	27	156	88	73	79	102	28	180	**798**
Benton Franklin	0	0	0	0	0	0	0	0	0	0	**0**
STATEWIDE TOTAL	**451**	**608**	**530**	**970**	**898**	**799**	**716**	**954**	**1,152**	**2,006**	**9,084**

1999-2008 HSA TOTAL NUMBER OF PATIENT DAYS MINUS PSYCH DAYS											
	2000	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**10-YEAR TOTAL**
HSA #3	225,582	226,238	226,554	224,747	224,384	236,354	237,863	242,729	252,542	252,289	**2,349,282**
Benton Franklin	62,388	61,120	64,602	63,526	60,344	64,540	66,100	66,467	71,200	75,714	**656,001**
STATEWIDE TOTAL	**1,797,107**	**1,875,004**	**1,877,855**	**1,890,469**	**1,905,841**	**1,968,532**	**2,007,152**	**2,067,812**	**2,134,593**	**2,128,219**	**19,652,584**

Benton/Franklin Acute Care Bed Need
Step 3

2000-2009 HSA TOTAL NUMBER OF RESIDENT PATIENT DAYS MINUS PSYCH DAYS												
	2000	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**10-YEAR TOTAL**	
HSA #3	225,582	226,238	226,554	224,747	224,384	236,354	237,863	242,729	252,542	252,289	**2,349,282**	
Benton Franklin	62,388	61,120	64,602	63,526	60,344	64,540	66,100	66,467	71,200	75,714	**656,001**	
STATEWIDE TOTAL	**1,797,107**	**1,875,004**	**1,877,855**	**1,890,469**	**1,905,841**	**1,968,532**	**2,007,152**	**2,067,812**	**2,134,593**	**2,128,219**	**19,652,584**	
TOTAL POPULATIONS												
	2000	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**10-YEAR TOTAL**	
HSA #3	661,246	669,200	675,600	684,600	695,900	707,100	718,790	730,480	742,169	753,859	**7,038,944**	
Benton Franklin	191,822	197,178	202,533	207,889	213,244	218,600	222,655	226,711	230,766	234,822	**2,146,220**	
STATEWIDE TOTAL	**5,894,143**	**5,974,910**	**6,041,710**	**6,098,300**	**6,167,800**	**6,256,400**	**6,363,584**	**6,470,767**	**6,577,951**	**6,685,134**	**62,530,699**	
USE RATE PER 1,000												
	2000	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**10-YEAR TOTAL**	
HSA #3	341.15	338.07	335.34	328.29	322.44	334.26	330.92	332.29	340.28	334.66	**3,338**	
Benton Franklin	325.24	309.97	318.97	305.58	282.98	295.24	296.87	293.18	308.54	322.43	**3,059**	
STATEWIDE	**304.90**	**313.81**	**310.82**	**310.00**	**309.00**	**314.64**	**315.41**	**319.56**	**324.51**	**318.35**	**3,141**	

RESIDENT USE RATE PER 1,000													
	2000	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**10-YEAR TOTAL**		**Trendline**
HSA #3	341.15	338.07	335.34	328.29	322.44	334.26	330.92	332.29	340.28	334.66	**3,337.69**		**-0.2331**
Benton Franklin	325.24	309.97	318.97	305.58	282.98	295.24	296.87	293.18	308.54	322.43	**3,059.00**		-1.0796
STATEWIDE	**304.90**	**313.81**	**310.82**	**310.00**	**309.00**	**314.64**	**315.41**	**319.56**	**324.51**	**318.35**	**3,141.00**		1.5852



STEP #5											
2009 DATA											
	# of Pat days	Less OOS	TOTAL LESS OOS								
Benton-Franklin				%							
0-64	42,030	3,454	**38,576**	8.22%							
65+	30,847	2,616	**28,231**	8.48%							
TOTAL	**72,877**	**6,070**	**66,807**								
WA - Benton-Franklin											
0-64	1,251,024	58,165	**1,192,859**	4.65%							
65+	906,603	36,044	**870,559**	3.98%							
TOTAL	**2,157,627**	**94,209**	**2,063,418**								
	TO Benton-Franklin	**TO WA**			**TOTAL # OF DAYS FOR**	**ADD DAYS**	**TOTAL # OF DAYS FOR**				
					RESIDENTS BY HSA	**PROVIDED IN**	**RESIDENTS BY HSA**				
FROM Benton-Franklin					**(LESS PATS FROM OOS)**	**OREGON ****					
0-64	34,465	11,611			46,076	525	46,601				
65+	25,871	3,767			29,638	187	29,825				
TOTAL	**60,336**	**15,378**			**75,714**	**712**	**76,426**				
FROM WA											
0-64	4,111	1,181,248			1,185,359	39,547	1,224,906				
65+	2,360	866,792			869,152	19,760	888,912				
TOTAL	**6,471**	**2,048,040**			**2,054,511**	**59,307**	**2,113,818**				
	66,807	**2,063,418**				** Patient Days as reported by 2008 HCUP data for Oregon CHARS					
MARKET SHARE											
PERCENTAGE OF PATIENT DAYS											
	TO Benton-Franklin	**TO WA**		**TO OREGON**							
% OF Benton-Franklin RESIDENTS											
0-64	73.96%	24.92%		1.13%							
65+	86.74%	12.63%		0.63%							
TOTAL											
% OF WA - Benton-Franklin RESIDENTS											
0-64	0.34%	96.44%		3.23%							
65+	0.27%	97.51%		2.22%							
TOTAL											
2009 POPULATIONS BY PLANNING AREA											
	Benton-Franklin	**TO WA**									
0-64	211,637	5,726,613									
65+	23,185	723,700									
TOTAL	**234,822**	**6,450,313**									
STEP #6											
USE RATE BY PLANNING AREA											
	Benton-Franklin	**TO WA**									
USE RATES											
0-64	220.19	213.90									
65+	1,286.39	1,228.29									

USE RATE BY PLANNING AREA FROM STEP 6							
	Benton Franklin						
YEAR 2009 USE RATES							
0-64	220.19						
65+	1,286.39						
PROJECTED POPULATION	YEAR 2016						
	Benton Franklin						
0-64	231,079						
65+	29,754						
TOTALS	**260,833**						
PROJECTED 2016 USE RATE							
	Benton Franklin						
USE RATES*							
0-64 using HSA Trend	**218.56**						
0-64 using Statewide Trend	231.29						
65+ using HSA Trend	**1,284.76**						
65+ using Statewide Trend	1,297.49						
* Projected by applying either HSA trend or Statewide trend, whichever trend would result in the smaller adjustment							
Bold Print indicates use rate closest to current value							

USE RATE BY HSA FROM STEP 7A		
PROJECTED USE RATE - 2016	**Benton Franklin**	
USE RATES		
0-64	218.56	
65+	1,284.76	
PROJECTED POPULATION - 2016		
	Benton Franklin	
0-64	231,079	
65+	29,754	
TOTALS	**260,833**	
PROJECTED # OF PATIENT DAYS	YEAR 2016	
	Benton Franklin	
0-64	50,505	
65+	38,227	
TOTALS	**88,732**	

PROJECTED # OF PATIENT DAYS					
YEAR 2016	**Benton Franklin**	**WA - Benton Fra**		**TOTAL**	
0-64	50,505	1,364,108		1,414,613	
65+	38,227	1,180,964		1,219,191	
TOTALS	**88,732**	**2,545,072**		**2,633,804**	
MARKET SHARE % OF PATIENT DAYS FROM STEP 5					
% OF BF RESIDENTS	**BF**	**WA - BF**		**TO OREGON**	
0-64	73.96%	24.92%		1.13%	
65+	86.74%	12.63%		0.63%	
% OF WA - BF RESIDENTS	**BF**	**WA - BF**		**TO OREGON**	
0-64	0.34%	96.44%		3.23%	
65+	0.27%	97.51%		2.22%	
# OF BF RESIDENTS	**BF**	**WA - BF**		**TO OREGON**	**Total**
0-64	37,352	12,584		569	50,505
65+	33,159	4,828		240	38,227
					88,732
# OF WA - BF RESIDENTS	**BF**	**WA - BF**		**TO OREGON**	**Total**
0-64	4,578	1,315,489		44,041	1,364,108
65+	3,135	1,151,576		26,252	1,180,964
					2,545,072
# OF RESIDENT PAT DAYS PROJECTED IN Benton Franklin					
0-64	41,930				
65+	36,295				
# OF RESIDENT PAT DAYS PROJECTED IN WA - BF					
0-64	1,328,072				
65+	1,156,404				
# OF WA RESIDENT PAT DAYS PROJECTED IN OREGON					
0-64	44,610				
65+	26,492				
OUT OF STATE % OF PATIENT DAYS FROM STEP 5					
Benton Franklin	%				
0-64	8.95%				
65+	9.27%				
WA - BF					
0-64	4.88%				
65+	4.14%				
PROJECTED # OF PATIENT DAYS 2016					
PLUS OUT OF STATE RESIDENTS					
Benton Franklin					
0-64	45,685	0.90456086			
65+	39,658	1.037425587			
TOTAL	**85,343**				

Benton/Franklin Acute Care Bed Need
Step 10a

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Benton Franklin Planning Area											
Population 0-64(1)	211,637	215,122	217,824	220,527	223,229	225,932	228,634	231,079	233,524	235,968	238,413
0-64 Use Rate	220.19	219.96	219.73	219.49	219.26	219.03	218.79	218.56	218.33	218.10	217.86
Population 65+(1)	23,185	23,755	24,718	25,680	26,643	27,605	28,568	29,754	30,941	32,127	33,314
65+ Use Rate	1,286.39	1,286.16	1,285.93	1,285.69	1,285.46	1,285.23	1,284.99	1,284.76	1,284.53	1,284.29	1,284.06
Total Population	234,822	238,877	242,542	246,207	249,872	253,537	257,202	260,833	264,464	268,096	271,727
Total Benton Franklin Res Days	76,426	77,871	79,647	81,421	83,194	84,965	86,734	88,732	90,729	92,724	94,718
Total Days in Benton Franklin Hospitals (2)	73,095	74,498	76,269	78,037	79,804	81,570	83,333	85,343	87,351	89,357	91,362
Available Beds(3)											
Kadlec	176	176	176	176	176	176	176	176	176	176	176
Kennewick - Auburn	101	101	101	101	27	27	27	27	27	27	27
Kennewick - Southridge	0	0	0	0	74	74	74	74	74	74	74
Lourdes	25	25	25	25	25	25	25	25	25	25	25
Prosser	25	25	25	25	25	25	25	25	25	25	25
Total	**327**	**327**	**327**	**327**	**327**	**327**	**327**	**327**	**327**	**327**	**327**
Wtd Occ Std(4)	62.71%	62.71%	62.71%	62.71%	60.34%	60.34%	60.34%	60.34%	60.34%	60.34%	60.34%
Gross Bed Need	**319**	**325**	**333**	**341**	**362**	**370**	**378**	**388**	**397**	**406**	**415**
Net Bed Need/Surplus	(8)	(2)	**6**	**14**	**35**	**43**	**51**	**61**	**70**	**79**	**88**
(1) Source: OFM Nov 2007											
(2) Adjusted to reflect referral patterns into and out of Benton Franklin Planning Area to other planning areas and Oregon											
(3) Source: Fall 2008 Hospital Survey returns & DoH Licensing files											
(4) Calculated per 1987 Washington State Health Plan as the sum , across all hospitals in the planning area,											

Benton/Franklin Acute Care Bed Need
Step 10b (Kadlec)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Benton Franklin Planning Area											
Population 0-64(1)	211,637	215,122	217,824	220,527	223,229	225,932	228,634	231,079	233,524	235,968	238,413
0-64 Use Rate	220.19	219.96	219.73	219.49	219.26	219.03	218.79	218.56	218.33	218.10	217.86
Population 65+(1)	23,185	23,755	24,718	25,680	26,643	27,605	28,568	29,754	30,941	32,127	33,314
65+ Use Rate	1,286.39	1,286.16	1,285.93	1,285.69	1,285.46	1,285.23	1,284.99	1,284.76	1,284.53	1,284.29	1,284.06
Total Population	234,822	238,877	242,542	246,207	249,872	253,537	257,202	260,833	264,464	268,096	271,727
Total Benton Franklin Res Days	76,426	77,871	79,647	81,421	83,194	84,965	86,734	88,732	90,729	92,724	94,718
Total Days in Benton Franklin Hospitals (2)	73,095	74,498	76,269	78,037	79,804	81,570	83,333	85,343	87,351	89,357	91,362
Available Beds(3)											
Kadlec	176	**225**	225	**214**	**214**	**260**	**286**	**290**	290	290	290
Kennewick - Auburn	101	101	101	101	27	27	27	27	27	27	27
Kennewick - Southridge	0	0	0	0	74	74	74	74	74	74	74
Lourdes	25	25	25	25	25	25	25	25	25	25	25
Prosser	25	25	25	25	25	25	25	25	25	25	25
Total	**327**	**376**	**376**	**365**	**365**	**411**	**437**	**441**	**441**	**441**	**441**
Wtd Occ Std(4)	62.71%	66.00%	66.00%	65.88%	63.75%	64.45%	64.78%	64.83%	64.83%	64.83%	64.83%
Gross Bed Need	**319**	**309**	**317**	**325**	**343**	**347**	**352**	**361**	**369.15**	**377.62**	**386.10**
Net Bed Need/Surplus	(8)	(67)	(59)	(40)	(22)	(64)	(85)	(80)	(71.85)	(63.38)	(54.90)
(1) Source: OFM Nov 2007											
(2) Adjusted to reflect referral patterns into and out of Benton Franklin Planning Area to other planning areas and Oregon											
(3) Source: Fall 2008 Hospital Survey returns											
(4) Calculated per 1987 Washington State Health Plan as the sum , across all hospitals in the planning area,											

Benton/Franklin Acute Care Bed Need
Step 10c (Kadlec-55)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Benton Franklin Planning Area											
Population 0-64(1)	211,637	215,122	217,824	220,527	223,229	225,932	228,634	231,079	233,524	235,968	238,413
0-64 Use Rate	220.19	219.96	219.73	219.49	219.26	219.03	218.79	218.56	218.33	218.10	217.86
Population 65+(1)	23,185	23,755	24,718	25,680	26,643	27,605	28,568	29,754	30,941	32,127	33,314
65+ Use Rate	1,286.39	1,286.16	1,285.93	1,285.69	1,285.46	1,285.23	1,284.99	1,284.76	1,284.53	1,284.29	1,284.06
Total Population	234,822	238,877	242,542	246,207	249,872	253,537	257,202	260,833	264,464	268,096	271,727
Total Benton Franklin Res Days	76,426	77,871	79,647	81,421	83,194	84,965	86,734	88,732	90,729	92,724	94,718
Total Days in Benton Franklin Hospitals (2)	73,095	74,498	76,269	78,037	79,804	81,570	83,333	85,343	87,351	89,357	91,362
Available Beds(3)											
Kadlec	176	**225**	225	**214**	**214**	**231**	231	231	231	231	231
Kennewick - Auburn	101	101	101	101	27	27	27	27	27	27	27
Kennewick - Southridge	0	0	0	0	74	74	74	74	74	74	74
Lourdes	25	25	25	25	25	25	25	25	25	25	25
Prosser	25	25	25	25	25	25	25	25	25	25	25
Total	**327**	**376**	**376**	**365**	**365**	**382**	**382**	**382**	**382**	**382**	**382**
Wtd Occ Std(4)	62.71%	66.00%	66.00%	65.88%	63.75%	64.03%	64.03%	64.03%	64.03%	64.03%	64.03%
Gross Bed Need	**319**	**309**	**317**	**325**	**343**	**349**	**357**	**365**	**373.75**	**382.33**	**390.91**
Net Bed Need/Surplus	(8)	(67)	(59)	(40)	(22)	(33)	(25)	(17)	(8.25)	**0.33**	**8.91**
(1) Source: OFM Nov 2007											
(2) Adjusted to reflect referral patterns into and out of Benton Franklin Planning Area to other planning areas and Oregon											
(3) Source: Fall 2008 Hospital Survey returns											
(4) Calculated per 1987 Washington State Health Plan as the sum , across all hospitals in the planning area,											

Benton/Franklin Acute Care Bed Need
Step 10d (KGH)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Benton Franklin Planning Area											
Population 0-64(1)	211,637	215,122	217,824	220,527	223,229	225,932	228,634	231,079	233,524	235,968	238,413
0-64 Use Rate	220.19	219.96	219.73	219.49	219.26	219.03	218.79	218.56	218.33	218.10	217.86
Population 65+(1)	23,185	23,755	24,718	25,680	26,643	27,605	28,568	29,754	30,941	32,127	33,314
65+ Use Rate	1,286.39	1,286.16	1,285.93	1,285.69	1,285.46	1,285.23	1,284.99	1,284.76	1,284.53	1,284.29	1,284.06
Total Population	234,822	238,877	242,542	246,207	249,872	253,537	257,202	260,833	264,464	268,096	271,727
Total Benton Franklin Res Days	76,426	77,871	79,647	81,421	83,194	84,965	86,734	88,732	90,729	92,724	94,718
Total Days in Benton Franklin Hospitals (2)	73,095	74,498	76,269	78,037	79,804	81,570	83,333	85,343	87,351	89,357	91,362
Available Beds(3)											
Kadlec	176	176	176	176	176	176	176	176	176	176	176
Kennewick - Auburn	101	101	101	101	**40**	40	**52**	52	52	52	52
Kennewick - Southridge	0	0	0	0	74	74	74	74	74	74	74
Lourdes	25	25	25	25	25	25	25	25	25	25	25
Prosser	25	25	25	25	25	25	25	25	25	25	25
Total	**327**	**327**	**327**	**327**	**340**	**340**	**352**	**352**	**352**	**352**	**352**
Wtd Occ Std(4)	62.71%	62.71%	62.71%	62.71%	59.94%	59.94%	59.60%	59.60%	59.60%	59.60%	59.60%
Gross Bed Need	**319**	**325**	**333**	**341**	**365**	**373**	**383**	**392**	**401.52**	**410.75**	**419.96**
Net Bed Need/Surplus	-8	-2	**6**	**14**	**25**	**33**	**31**	**40**	**49.52**	**58.75**	**67.96**
(1) Source: OFM Nov 2007											
(2) Adjusted to reflect referral patterns into and out of Benton Franklin Planning Area to other planning areas and Oregon											
(3) Source: Fall 2008 Hospital Survey returns											
(4) Calculated per 1987 Washington State Health Plan as the sum , across all hospitals in the planning area,											

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Population OFM/Nov 2007 Benton Franklin County -MEDIUM SERIES

	OFM							OFM							OFM							OFM							OFM						
	1998	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
	181,111	186,466	**191,822**	197,178	202,533	207,889	213,244	**218,600**	222,655	226,711	230,766	234,822	**238,877**	242,542	246,207	249,872	253,537	**257,202**	260,833	264,464	268,096	271,727	**275,358**
0-64								**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
								197,695	201,180	204,666	208,151	211,637	**215,122**	217,824	220,527	223,229	225,932	**228,634**	231,079	233,524	235,968	238,413	**240,858**
								90%	90%	90%	90%	90%	90%	90%	90%	89%	89%	89%	89%	88%	88%	88%	87%
65+								**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
								20,905	21,475	22,045	22,615	23,185	**23,755**	24,718	25,680	26,643	27,605	**28,568**	29,754	30,941	32,127	33,314	**34,500**
								10%	10%	10%	10%	10%	10%	10%	10%	11%	11%	11%	11%	12%	12%	12%	13%

Applicant vs. OFMPop growth model

Kadlec

	1999	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**
	188,721	191,822	195,200	198,900	205,200	212,100	218,600	224,800	230,300	235,700
KGH	188721	191822	195200	198900	205200	212100	218600	224,800	230,300	235,700

Applicant Forcast Comparison

2009	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
247,673	268,774	274,188	279,741	285,438	291,282	297,683
237,289	238,877	242,542	246305	249,872	254,135	257,202