



STATE OF WASHINGTON
DEPARTMENT OF HEALTH

July 17, 2015

CERTIFIED MAIL # 7014 2120 0002 7587 6163

Kathline Sullivan, Administrator
Western Washington Medical Group
3726 Broadway, #201
Everett, Washington 98201

RE: CN15-11

Dear Ms. Sullivan:

We have completed review of the Certificate of Need (CN) application submitted by Western Washington Medical Group to establish an ambulatory surgery center (ASC) in Everett, within Central Snohomish County ASC planning area. For the reasons stated in this evaluation, the application submitted by Western Washington Medical Group d/b/a Gateway ASC, LLC to establish an ambulatory surgery center in central Snohomish County is consistent with the applicable review criteria, provided Western Washington Medical Group d/b/a Gateway ASC, LLC agrees to the following in its entirety.

Project Description:

This project approves the establishment of a Certificate of Need approved two-operating room ambulatory surgery center at 3726 Broadway Avenue, #206 in Everett, within central Snohomish County. Services to be provided at the ambulatory surgery center include podiatry, orthopedic, urology, general surgery, spinal surgery, Ear, Nose and Throat, plastic surgery, OB/GYN, cardiology, ophthalmology, and pain intervention.

Conditions

1. Western Washington Medical Group d/b/a Gateway ASC, LLC agrees with the project description stated above.
2. Washington Medical Group d/b/a Gateway ASC, PLLC will provide charity care in compliance with the charity care policies reviewed and approved by the Department of Health. Western Washington Medical Group d/b/a Gateway ASC, LLC will use reasonable efforts to provide charity care in an amount comparable to or exceeding the regional average amount of charity care provided by hospitals in the Puget Sound Region. Currently, this amount is 2.88% of gross revenue and 6.42% of adjusted revenue. Western Washington Medical Group d/b/a Gateway ASC, LLC will



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maintain records documenting the amount of charity care it provides and demonstrating compliance with its charity care policies.

Approved Costs:

The approved estimated capital expenditure for this project is \$145,127 and is solely related to the Certificate of Need application fees and moveable equipment.

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

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

Your written response should be sent to the Certificate of Need Program, at one of the following addresses.

Mailing Address:

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

Physical Address:

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

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

Sincerely,



for Steven M. Saxe, FACHE
Director Office of Community Health Services

Enclosure

**EVALUATION DATED JULY 17, 2015 OF THE CERTIFICATE OF NEED APPLICATION
SUBMITTED BY WESTERN WASHINGTON MEDICAL GROUP, INC. PS D/B/A GATEWAY
ASC, LLC PROPOSING TO ESTABLISH AN AMBULATORY SURGERY CENTER IN
CENTRAL SNOHOMISH COUNTY**

APPLICANT DESCRIPTION

In 1993, four separate medical groups formed Western Washington Medical Group, Inc. PS (WWMG). Since that time, WWMG has expanded to a multispecialty group with more than 70 physicians. WWMG’s corporate office is located at 1728 West Marine View Drive in Everett, and as of the writing of this evaluation, WWMG has 10 separate clinical locations in Everett and one location in Bothell. All WWMG physicians have staff privileges at Providence Regional Medical Center in Everett, and many of the physicians have staff privileges at other hospitals in the state.¹ The 11 separate WWMG locations are shown below. [Source: WWMG website]

Address	City	Zip
12728 – 19 th Avenue SE	Everett	98208
4301 Hoyt Avenue	Everett	98203
1330 Rockefeller Avenue, #340	Everett	98201
12800 Bothell-Everett Highway, #200	Everett	98208
4225 Hoyt Avenue, #A	Everett	98203
3726 Broadway Avenue, #206	Everett	98201
3216 Norton Avenue, #202	Everett	98201
3202 Colby Avenue, #E	Everett	98201
3525 Colby Avenue, #200	Everett	98201
4310 Colby Avenue, #203	Everett	98203
1909 214 th Street SE, #211	Bothell	98021

On November 28, 2006, Gateway ASC, LLC was established as a Washington State Limited Liability Company located at the Broadway Avenue address listed in bold above. Gateway ASC, LLC operates with the following seven owning physicians and podiatrists. [Source: Application, pp2-3]

Harold J. McCutchan, MD	Jeffery W. Boggs, DPM
Robin L. Madsen MD	Kevin L. Morris, DPM
Thomas S. Stark, MD	Mathew Ashbach, MD
T. Spark Corwin MD	

PROJECT DESCRIPTION

This project focuses on the WWMG facility known as Gateway Surgery Center. On February 26, 2007, WWMG obtained an exemption from Certificate of Need (CN) review to establish an ambulatory surgery center (ASC) as part of their physician group practice². The ASC has remained in continuous operation

¹¹ The other hospitals include Cascade Valley Hospital in Arlington, Skagit Valley Medical Center in Mount Vernon, Valley General Hospital in Monroe, and Whidbey General Hospital in Coupeville.

² Determination of Reviewability #07-18

since its inception and is currently licensed through the Department of Health.³ [Source: Application, p2] The exempt ASC operates under the name of Gateway ASC and remains located at the Broadway Avenue address in Everett. The exempt ASC is not separately incorporated from the group practice. The ASC was managed under a management agreement for the first two years of operation as an exempt facility. Gateway ASC is currently only used by the owners or employees. This project proposes to allow other physicians the opportunity to perform surgeries and procedures at the ASC. This action requires prior Certificate of Need review and approval.

If the project is approved, the location of the ASC would remain at the existing Broadway site and the number of operating rooms would remain at two. Services currently provided at the exempt ASC are procedures related to podiatry, orthopedic, ear, nose, and throat, urology. There is minor use by gynecology, and spine. This application proposes to continue with the procedures already provided, and add general surgery, pain intervention, cardiology, oral maximal facial, gastroenterology, vascular, and ophthalmology [Source: Application, pp1, 10, & 81]

The estimated capital expenditure associated with the project is \$145,427 and is solely related to the CN application fees and movable equipment. [Source: Application p17, and April 3, 2015 Supplemental Materials, p1]

If this project is approved, Gateway ASC anticipates it would begin to offer services as a CN approved ASC immediately after approval of the C of N since there is no construction involved with the project and the ASC is already Medicare certified. Under this timeline year 2016 would be the first full year of operation and year 2018 would be the third full year of operation. [Source: Application, p7]

APPLICABILITY OF CERTIFICATE OF NEED LAW

Even though the exempt ASC is operational, this project is subject to Certificate of Need review as the establishment of a new health care facility under the provisions of Revised Code of Washington (RCW) 70.38.105(4)(a) and Washington Administrative Code (WAC) 246-310-020(1)(a).

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 on 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*
- (ii) The relationship of the proposed project to the long-range plan (if any) of the person proposing the project.”*

³ ASF.FS.60100914

In the event 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.”*

To obtain Certificate of Need approval, the applicant must demonstrate compliance with the criteria found in WAC 246-310-210 (need); 246-310-220 (financial feasibility); 246-310-230 (structure and process of care); 246-310-240 (cost containment)⁴. Additionally, WAC 246-310-270 (ambulatory surgery) contains service or facility specific criteria for ASC projects and must be used to make the required determinations.

APPLICATION CHRONOLOGY

Action	Gateway ASC
Letter of Intent Submitted	April 22, 2014
Application Submitted	October 22, 2014
Department’s Pre-Review Activities <ul style="list-style-type: none"> • Department 1st Screening Letter Sent • Gateway’s 1st Screening Responses Received • Department 2nd Screening Letter Sent • Gateway’s 2st Screening Responses Received • Supplemental Screening Letter Sent • Supplemental Screening Responses Received 	November 12, 2014 December 24, 2014 January 16, 2015 February 23, 2015 March 4, 2015 April 3, 2015
Department Begins Review of the Application <ul style="list-style-type: none"> • public comments accepted throughout review; • no public hearing requested or conducted 	April 16, 2015
End of Public Comment	May 21, 2015
Rebuttal Comments Submitted	June 8, 2015 ⁵
Department’s Anticipated Decision Date	July 23, 2015
Department’s Actual Decision Date	July 17, 2015

AFFECTED PERSONS

⁴ Each criterion contains certain sub-criteria. The following sub-criteria are not relevant to this project: WAC 246-310-210(3), (4), (5), (6); and WAC 246-310-240(2) and (3).

⁵ The department granted an extension for the applicant and affected persons to provide rebuttal documents.

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

“...an interested person who:

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

For this project, only one entity sought affected person status under WAC 246-310-010(2).

- Providence Regional Medical Center Everett is an acute care hospital located at 1321 Colby Avenue in Everett, within Snohomish County. The hospital provides Medicare and Medicaid services to the residents of Snohomish County and surrounding areas. Providence Regional Medical Center Everett provides inpatient and outpatient surgeries within its 17 active operating rooms.

Providence Regional Medical Center Everett did not qualify as affected person as they did not provide any written public comment.

SOURCE INFORMATION REVIEWED

- Gateway ASC, LLC Certificate of Need Application received on October 22, 2014
- Supplemental information received on December 24, 2014
- Supplemental information received on April 3, 2015
- Utilization survey responses from providers located in the planning area
- Claritas and Office of Financial Management population data for Central Snohomish planning area
- Licensing and/or survey data provided by the Department of Health's Investigations and Inspections Office
- Licensing and compliance history data provided by the Department of Health's Medical Quality Assurance Commission
- Western Washington Medical Group website at wwmedgroup.com

CONCLUSION

For the reasons stated in this evaluation, the application submitted by Western Washington Medical Group d/b/a Gateway ASC, LLC to establish an ambulatory surgery center in central Snohomish County is consistent with the applicable review criteria, provided Western Washington Medical Group d/b/a Gateway ASC, LLC agrees to the following in its entirety.

Project Description:

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Approved Costs:

The approved estimated capital expenditure for this project is \$145,127 and is solely related to the Certificate of Need application fees and moveable equipment.

A. Need (WAC 246-310-210)

Based on the source information reviewed and the applicant’s agreement to the conditions identified in the ‘Conclusion’ section of this evaluation, the department determines that the applicant has met the need criteria in WAC 246-310-210 and WAC 246-310-270.

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

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

The Department of Health’s Certificate of Need Program uses the numeric methodology outlined in WAC 246-310-270 for determining the need for additional ASCs in Washington State. The numeric methodology provides a basis of comparison of existing operating room (OR) capacity for both outpatient and inpatient OR’s in a planning area using the current utilization of existing providers. The methodology separates Washington State into 54 separate secondary health services planning areas. The proposed ASC would be located in the central Snohomish County planning area.

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

- a) whether a surplus or shortage of OR’s is predicted to exist in the target year, and
- b) if a shortage of OR’s is predicted, the shortage of dedicated outpatient and mixed-use rooms are calculated.
- c) Data used to make these projections specifically exclude endoscopy rooms and procedures.⁶

Applicant’s Methodology

The numeric portion of the methodology requires a calculation of annual capacity of existing outpatient and inpatient ORs. To demonstrate need for a new ASC in the planning area, the applicant provided the following numeric methodology its application. [Source: April 3, 2015 Supplemental material pp 2-3]

Below is an outline of the applicant’s assumptions used in Methodology #3.

Assumption	Data Used
Planning Area	Central Snohomish County
Population Estimates and Forecasts	2013 Claritas’s Population Forecast is 301,914. Project target year 2018 projected population is 320,496
Use Rate	Divide 2013 estimated current surgical cases by estimated 2013 populations results in the service area use rate of 104.76/1,000 population
Percent of surgery ambulatory vs. inpatient	60.0% ambulatory (outpatient) and 40.0% inpatient
Average minutes per case	Inpatient 116.41 minutes Outpatient 54.81 minutes
OR Annual capacity in minutes	68,850 outpatient surgery minutes; 94,250 inpatient or mixed-use surgery minutes (per methodology in rule)
Existing providers	OR Capacity: 20 mixed use, 2 out patient

⁶ WAC 246-310-270(9)(a)(iv).

Using the assumptions outlined above, Gateway ASC calculates a need for 14.04 additional dedicated outpatient ORs by the end of target year 2018 in the planning area.

Department’s Methodology

The numeric portion of the methodology requires a calculation of the annual capacity of the existing providers inpatient and outpatient OR’s in a planning area. Gateway ASC is located in central Snohomish County so the department applied the methodology to determine need in the planning area. According to the department’s historical records, there are seven providers including the applicant with OR capacity located in the planning area. The seven providers are listed below.⁷ [Source: CN Historic Files]

Central Snohomish County Planning Area Providers

Hospital	ASC
Providence Regional Medical Center-Everett	Everett Clinic (Kemp and Trask sites)
	Proliance ASC (Everett Bone & Joint ASF)
	Western Washington Medical Group (applicant)
	Northwest ASC (Foot and Ankle)
	Physician Eye Surgery Center
	Northwest Weight Loss Surgery, PLLC

As shown above the seven facilities include Providence Regional Medical Center-Everett (Providence Everett), an acute care hospital with two campuses in the planning area. As defined in WAC 246-310-010, Providence Everett is included in the capacity calculations of available ORs for the planning area.

Of the six ASCs shown above, five—including the applicant—are located within a solo or group practice (considered an exempt ASC) and therefore, the use of these ASCs is restricted to physicians that are employees or members of the clinical practices that operate the facilities. Therefore, these five facilities do not meet the ASC definition found in WAC 246-310-010. For exempt ASCs, the utilization, but not ORs, is included in the methodology for the planning area.

Since Northwest Weight Loss Surgery is a CN approved ASC, the utilization and ORs are included in methodology for the planning area.⁸

To apply the numeric methodology, the department relied on its own survey results and data obtained from the Department of Health internal database. The assumptions used by the department to apply the methodology are shown on the following page.

⁷ One additional ASC is located in the planning area; however, it is an endoscopy facility. Under WAC 246-310-270(9)(a)(iv), ORs and utilization at endoscopy ASCs are not counted in the numeric methodology.

⁸ Northwest Weight Loss was issued CN #1435 on December 17, 2010.

Department's Methodology

Assumption	Data Used
Planning Area	Central Snohomish
Population Estimates and Forecasts	Claritas population data for Central Snohomish County 303,850. Project target year is 2017 and the projected population is 324,212
Use Rate	Divide 2013 surgical cases by 2013 populations results in the service area use rate of 98.00/1,000 population
Percent of surgery ambulatory vs. inpatient	Based on DOH survey results, 57.2% ambulatory (outpatient) and 42.8% inpatient
Average minutes per case	Based on DOH survey results, Outpatient cases = 55.40 minutes; inpatient cases 116.41 minutes
OR Annual capacity in minutes	68,850 outpatient surgery minutes; 94,850 inpatient or mixed-use surgery minutes
Existing providers	Based on 2013 listing of Central Snohomish County providers. 2 dedicated outpatient ORs and 17 mixed use ORs.

The department's application of the numeric methodology based on the assumptions described above indicates a surplus of 2.7 inpatient mixed-use ORs in year 2018; and a need for 14 dedicated outpatient ORs in year 2018. The department's methodology is Appendix A attached to this evaluation.

In summary, based solely on the numeric methodology contained in WAC 246-310-270, numeric need for outpatient OR capacity in the Central Snohomish County is demonstrated. [Source: department's methodology and utilization surveys]

Within its application, Gateway ASC also provided the following rationale for submitting this application. [Source: Application, pp8-12]

- Gateway ASC plans to expand current surgical services to include orthopedic, urology, spine, and interventional pain services.
- Approval of this project would allow physicians not associated with Western Washington Medical Group or Gateway ASC access to the facility.

To determine the correct 2013 population for central Snohomish County, the department reviewed Claritas population data. According to Claritas data, year 2013 central Snohomish County population is 303,860 and year 2017 is projected to be 324,212. The department's population projection of 324,212 is used in the methodology attached to this evaluation.

WAC 246-310-270(6)

WAC 246-310-270(6) requires a minimum of two ORs in an ASC. The exempt ASC currently operates with two ORs and does not propose to increase the number of ORs. [Source: December 24, 2014 Supplemental Materials, p2] This standard is met.

Based on the source information reviewed the department concludes that **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.

Gateway, ASC is currently a provider of ambulatory surgical services to residents of Washington State, including low-income, racial and ethnic minorities, handicapped and other underserved groups. The department record shows that Gateway, ASC is currently licensed as an Ambulatory Surgical Facility (ASF).

To determine whether all residents of the service area would 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, Gateway, ASC provided a copy of its Admission Criteria. The policy provided the ASC's pre-operative guidelines and demonstrated that all patients requiring surgical care that is appropriate to the ASC setting will have access to services regardless of race, income, ethnicity and sex or handicap status. [Source: Application, p174]

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. Gateway, ASC currently provides services to Medicaid eligible patients at the existing facility. The applicant intends to continue to provide services to Medicaid patients. A review of the anticipated revenue sources indicates that the facility expects to continue to receive Medicaid reimbursements. [Source: Application, pp13 & 18]

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. Gateway, ASC currently provides services to Medicare patients at the existing ASC and intends to continue doing so. A review of the facility-anticipated revenue sources indicates that it expects to continue to receive Medicare reimbursements. [Source: Application, pp 13 &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.

Gateway, ASC demonstrated its intent to provide charity care to patients receiving treatment at the facility by submitting its draft charity care policy that outlines the process one would use to access this service. Within the application, Gateway, ASC also included its expected 'charity care' levels. [Source: Application, p14, 174 &175]

WAC 246-310-270(7) requires that ASCs shall implement policies to provide access to individuals unable to pay consistent with charity care levels reported by the hospitals affected by the proposed ASC. For charity care reporting purposes, the Department of Health's Hospital and Patient Data Systems (HPDS), divides Washington State into five regions: King County, Puget Sound, Southwest, Central, and Eastern. Gateway, ASC is located in Snohomish County within the Puget Sound Region. For charity care reporting purposes, the affected hospital is Providence Regional Medical Center

Everett. For this project, the department reviewed charity care data for the 18 existing hospitals currently operating within the Puget Sound region and Providence Everett.

For the Puget Sound Region, the three year average 2011 - 2013 charity care average is 2.88% for gross revenue and 6.42% for adjusted revenue. Providence Everett's charity care percentages are slightly higher than the regional average with 4.42% of total revenue and 10.08% of adjusted revenues. [Source: HPDS 2011-2013 charity care summaries] The department's review of the applicant's pro forma income and expense statement shows charity care at approximately 2.50% of total revenue.

Table 1 below is Gateway ASC's projected charity care percentages compared with the averages of the Puget Sound Region and Providence Everett.

Table 1
Charity Care Percentage Comparisons

	% of Total Revenue	% of Adjusted Revenue
Gateway ASC (Applicant)	2.50%	
Puget Sound Region	2.88%	6.41%
Providence-Everett	4.42%	10.06%

Department's Evaluation

An exempt ASC does not undergo any review of its charity care policies, procedures, or percentages. In fact, an exempt ASC is not required to provide charity care at its ASC; however, documentation provided in the application demonstrates that Gateway ASC currently provides charity care. The department's review of the applicant's projected charity care percentages shows that its charity care percentages are slightly below the regional averages and significantly below the averages provided by Providence Everett. To ensure that appropriate charity care percentages would be provided by Gateway ASC, if this project is approved, the department would attach a condition related charity care. The condition requires Gateway ASC to provide charity care at certain percentages. The condition is stated below.

Washington Medical Group d/b/a Gateway ASC, PLLC will provide charity care in compliance with the charity care policies reviewed and approved by the Department of Health. Western Washington Medical Group d/b/a Gateway ASC, LLC will use reasonable efforts to provide charity care in an amount comparable to or exceeding the regional average amount of charity care provided by hospitals in the Puget Sound Region. Currently, this amount is 2.88% of gross revenue and 6.41% of adjusted revenue. Western Washington Medical Group d/b/a Gateway ASC, LLC will maintain records documenting the amount of charity care it provides and demonstrating compliance with its charity care policies.

Based on the source documents reviewed in the application and Gateway's agreement to the condition identified in the 'conclusion' section of this evaluation, 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 applicant. **This sub-criterion is met.**

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

Based on the source information reviewed and the applicant's agreement to the conditions identified in the 'Conclusion' section of this evaluation, the department determines that the applicant met the financial feasibility criteria in WAC 246-310-220.

(1) The immediate and long-range capital and operating costs of the project can be met.

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

To determine if the facility would meet its immediate and long range operating costs, the department reviewed the assumptions used as a basis for its financial projections. Additionally, the department reviewed Gateway, ASC's financial statements for its first three full years of operation. Summarized below are the assumptions used by Gateway ASC as the basis for projecting utilization and the number of procedures it expects. [Source: al Application, p10 & 11]

- Since opening in year 2007 under the CN exemption, only those physicians associated with the practice are allowed to perform surgeries at the ASC. Allowing non-Western Washington Medical Group physician's access to the ASC would expand utilization at the ASC.
- For year 2014 and partial year 2015, there are four core surgical specialties using the facility—orthopedics, ear nose, and throat, podiatry, and urology with minor use by gynecology and spine. Approval of this project would expand services to include general surgery, cardiology, oral-maximal fascial, gastroenterology, vascular, and ophthalmology.
- The applicant is assuming 20% increase in productivity on orthopedics in 2015 due to actively recruiting an ortho/spine surgeon to be employed by WWMG. The applicant is assuming a 5% increase in the years 2016-2019 due to use by other orthopedic physicians.
- The applicant is expecting a 10% increase in podiatry due to a recently hired provider. The applicant is assuming a 30% increase in the years 2016 -2019 due to use by other podiatry surgeons.
- The applicant is assuming a 60% increase in productivity in urology due to WWMG moving their outpatient cases to Gateway. They are assuming an additional 10% increase in the years 2016 -2019 due to use by other urology surgeons.
- The applicant is assuming a marked increase in spine surgery in 2015 and 2016 due to recruiting an ortho/spine surgeon to be employed by WWMG. The applicant is assuming a 30% increase in the years 2016-2019 due to use by other spine surgeons.

- The applicant is assuming a 20% increase in productivity in Ear, Nose and Throat in 2015 due to a new provider hired by WWMG. The applicant is assuming another 20% increase in the years 2016 -2019 due to use by other Ear, Nose and Throat surgeons.
- The applicant is assuming a 50% increase in productivity in plastic surgery in 2015 due to new provider. The applicant is assuming another 50% increase in the years 2016 -2019 due to use by other plastic surgery surgeons.
- The applicant is assuming a marginal increase in productivity in gynecology in 2015 due to current providers in the WWMG having limited access to the facility due to location of their office. The applicant is assuming another marked increase in the years 2016 -2019 due to use by other gynecological surgeons.
- The applicant is assuming a marked increase in productivity in pain intervention in 2015 and 2016 due to actively recruiting a pain intervention physician at this time to be employed by WWMG. The applicant is assuming another 50% increase in the years 2016 -2019 due to use by other plastic surgery surgeons.

The applicant is assuming a marginal increase in productivity in general surgery, cardiology, oral surgery, gastroenterology, vascular, and ophthalmology in the years 2015 -2019 due to unknown usage by other multi-specialty providers.

Table 2 below is a summary of the projected number of surgeries based on the assumptions above. [Source: Initial Application, p10]

Table 2
Gateway, ASC Utilization Projections Year 2014- 2017

Surgery Type	2014	2015	2016	2017
Orthopedics	966	1159	1449	1449
Podiatry	152	167	198	198
Urology	135	216	238	238
Spine	7	36	144	151
Ear, Nose & Throat	314	377	452	452
Plastics	32	64	96	96
Gynecology	4	20	20	20
Pain Intervention	0	480	720	720
General Surgery	0	0	10	10
Cardiology	0	0	10	10
Oral Maximal Fascial	0	20	20	40
Gastroenterology	0	0	60	60
Vascular	0	0	20	20
Ophthalmology	0	0	20	40
Total	1610	2539	3457	3504

Year 2014 shown in Table 2 above is six months of operation and as stated in the assumptions, is used as a basis for calculating year 2015 projections. Year 2015 assumes approval of this project in

approximately July and anticipates that the additional physicians would use the facility shortly thereafter. The increase in 2015 is due to increased use by existing providers. The increase in the following years is due to increased use by existing providers and use by new providers to the facility. The assumptions relied on by Gateway ASC to project the number of surgeries appear to be reasonable. [Source: Application, p10].

Using the projections in Table 2 above, Table 3 below is a summary of Western Washington Medical Group’s projected revenues and expenses for 2015 through 2017. [Source: Supplemental Materials p3]

Table 3
Western Washington Medical Group
Projected Revenue and Expenses Summary

	Year 2015	Year 2016	Year 2017
Net Revenue	\$48,306,129	\$50,721,435	\$53,257,507
Total Expenses	\$45,483,871	\$47,758,062	\$50,145,565
Net Profit or (Loss)	\$2,822,358	\$2,963,373	\$3,111,542

The ‘net revenue’ line item in Table 5 above is the result of gross revenue minus any deductions for charity care. The ‘total expenses’ line item includes staff salaries/wages and the ASC’s portion of bad debt. As shown in Table 5, Western Washington Medical Group is expected to operate at a profit for all years shown.

Gateway ASC also provided Revenue and Expenses summary for the Gateway ASC for 2013, 2014 and 2015. The table below shows the historical and projected revenue and expenses for the years 2013 through 2015.

Table 4
Gateway ASC
Historical & Projected Revenue and Expenses Summary

	Year 2013	Year 2014	Year 2015
Number of Procedures	1540	1471	1618
Net Revenue	\$4,055,052	\$4,077,096	\$4,892,519
Total Expenses	\$4,053,352	\$3,092,542	\$4,239,437
Net Profit or (Loss)	\$1,700	\$984,554	\$653,082

Table 4 shows that the Gateway ASC has been profitable at the current volumes but is not extremely profitable at these volumes. The projected volume for 2014 is an improvement but relies on a substantial reduction in expenses rather than an increase in revenue. The year 2015 seems more realistic as the revenue has increased and there is also a slight increase in costs. It appears that increased volumes will improve the financial stability of Gateway ASC.

Gateway ASC has been operating from its current location since year 2005. Gateway ASC provided a copy of its executed lease agreement for the site between Gateway ASC, LLC (tenant) and THR Real Estate, LLC (Landlord). [Source: Application, p85-155] The agreement outlines the roles and responsibilities of the lease agreement, along with specific increases in lease costs for future years. A

review of the lease amounts identified in the executed agreement shows that it is comparable to the information used to prepare the revenue and expense summary in the table above.

In addition to the projected Statement of Operations, Gateway ASC provided the projected Balance Sheet for the year 2015. Below is a summary of the balance sheet. [Source: April 3, 2015 Supplemental Material, p2]

Tables 4
Gateway ASC, LLC Forecasted Balance Sheet
Year 2015

Assets		Liabilities	
Total Current Assets	\$900,312	Total Current Liabilities	\$1,289,209
Fixed Assets less Depreciation`	\$4,411,510	Long Term Liabilities	\$2,138,031
Other Assets	\$849,898	Stockholders' Equity	\$2,734,480
Total Assets	\$6,161,720	Total Liabilities & Equity	\$6,161,720

The financial data submitted by the Gateway ASC, LLC shows that the overall Medical Group is profitable and the ASC by itself is also profitable. The ASC would benefit by additional volume to increase its revenues with minimal increase in operating costs.

Based on the source information reviewed the department concludes that the immediate and long-range operating costs of the project can be met. **This sub-criterion is met.**

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

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

The estimated capital expenditure associated with the project is \$145,427 and is solely related to the consultant and CN application fees associated with submission of this application and new equipment purchases for physicians doing the new types of procedures proposed by the applicant.

To demonstrate compliance with this sub-criterion, Gateway, ASC provided the following capital expenditure breakdown for the project which is shown in the table below. [Source: Application, p17, & February 23, 2015 Supplemental Materials, p1]

Table 6
Gateway, ASC Projected Capital Expenditure

Item	Cost	% of Total
CN Consulting fees	\$20,427	14%
Equipment	\$125,000	86%
Total Project Cost	\$145,427	100.0%

To further demonstrate compliance with this sub-criterion, Gateway, ASC provided its existing percentage of revenue by source shown in Table 5 below. [Source: Application, p18]

Table 5
Gateway, ASC Existing Revenue Source

Source of Revenue	Current 2013
Medicare	16.7%
Medicaid	6.3%
Champus/Tricare	7.8%
Regence	25.1%
Pemara	14.7%
Other Commercial	19.9%
Workers Comp	9.0%
Other	0.5%
Total	100.00%

As shown in the Table 5 above, currently the majority of the ASCs s revenue sources are private pay and commercial insurance, which is expected based on the types of surgeries currently offered at the ASC. The applicant does not expect the sources to change with the additional services.

Based on the above information, the department concludes that costs associated with this project will not have unreasonable impact on the costs and charges for healthcare services within the service area. **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.

The financial statements submitted by the applicant show sufficient reserves to fund this project.

Based on the source information reviewed, the department concludes the proposed source of funding for this project is appropriate. **This sub-criterion is met.**

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

Based on the source information reviewed and the applicant’s agreement to the conditions identified in the ‘Conclusion’ section of this evaluation, the department determines that Gateway, ASC, LLC has met the structure and process of care criteria in WAC 246-310-230.

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

WAC 246-310 does not contain specific WAC 246-310-230(1) criteria as identified in WAC 246-310-200(2)(a)(i). There are also no known recognized standards as identified in WAC 246-310-200(2)(a)(ii) and (b) that directs what specific staffing patterns or numbers of FTEs that should be employed for projects of this type or size.

Gateway, ASC LLC is currently operating under an exemption from CN review. As an operational ASC, the applicant has 12.5 staff currently working in the facility. The applicant expects to increase the staff by adding hours for part-time staff and hiring one additional RN. The staff will be increased to 18.6 FTEs as additional staff as the workload increases for the ASC. Table 7 below shows the applicant’s current and projected staff. [Source: December 24, 2014 Supplemental Material, p 3]

**Table 7
Gateway, ASC Years 2014 - 2017 FTEs**

FTEs	2014	2015	2016	2017	Total
Medical Director	0.10	0.0	0.0	0.0	0.1
ASC Manager	0.25	0.0	0.0	0.0	0.25
RN Nurse Manager	1.00	0.0	0.0	0.0	1.0
RNs (OR)	2.25	0.30	0.45	1.00	4.00
RNs—(PACU)	4.00	0.50	1.00	0.50	6.00
MA	0.25	0.10	0.15	0.50	1.00
Surgical Technician	2.30	0.60	0.10	0.00	3.00
Office	2.35	0.90	0.00	0.00	3.25
Total	12.5	2.4	1.7	2	18.6

Given that the ASC is currently operational as an exempt ASC and additional staff can be provided or recruited as the additional services are provided, the department concludes that the ASC would be adequately staffed. Based on the source information reviewed, the department concludes this **sub-criterion is met**.

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

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

Gateway ASC is an exempt ASC that has been operating since year 2007, and has already established ancillary and support agreements with healthcare providers in the central Snohomish County planning area. Gateway ASC provided a copy of the existing transfer agreement between itself and Swedish Edmonds that was established in year 2007. The agreement identifies the roles and responsibilities of both entities. There is no indication that current relationships would be negatively affected if this exempt ASC obtains Certificate of Need approval.

Therefore, the department concludes that there is reasonable assurance that Gateway ASC will continue its relationships with ancillary and support services 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.*

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

The ASC has been operating at its current location since February 2007, and it does not own or operate any other health care facilities in Washington or any other state. The Department of Health's Investigations and Inspections Office (IIO), which surveys ASCs within Washington State, has completed a compliance survey in 2013 for Gateway ASC. The survey revealed no substantial non-compliance issues for the ASC. [Source: IIO compliance data]

The Department of Health's Medical Quality Assurance Commission credentials medical staff in Washington State and is used to review the compliance history for all medical staff, which includes the six physician owners listed on page one of this evaluation. Additionally, one of the physician owners—Harold J. McCutchan, MD—acts as the current medical director. These services are provided as part of the employment responsibilities, rather than under a medical director contract. A compliance history review of all the medical staff associated with the Gateway ASC reveals no recorded sanctions for all. [Source: Compliance history provided by Medical Quality Assurance Commission]

After reviewing the compliance history of Gateway ASC and the compliance history of medical staff associated with operation of the ASC, the department concludes there is reasonable assurance that Gateway ASC would continue to operate in conformance with applicable state and federal licensing and certification requirements. **This sub-criterion is met.**

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

WAC 246-310 does not contain specific WAC 246-310-230(4) criteria as identified in WAC 246-310-200(2)(a)(i). There are also no known recognized standards as identified in WAC 246-310-200(2)(a)(ii) and (b) that 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.

Gateway ASC currently operates as an exempt ASC since 2007. Ancillary and support services and agreements are not expected to change if this project is approved.

Additionally, the department considers the results of the numeric methodology and review criteria outlined in WAC 246-310-210. Application of the numeric methodology shows a need for additional OR capacity in the central Snohomish planning area. Within the application, Gateway ASC demonstrated it met the standards to receive approval to convert its exempt ASC into a CN approved ASC.

The department concludes that approval of this project would not have the potential of fragmentation of acute care services within the planning area. **This sub-criterion is met.**

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

This sub-criterion is evaluated in sub-section (3) above, and based on that evaluation; the department concludes that **this sub-criterion is met.**

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

Based on the source information reviewed and the applicant's agreement to the conditions identified in the 'Conclusion' section of this evaluation, the department concludes Gateway ASC, LLC has met the cost containment criteria in WAC 246-310-240.

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

To determine if a proposed project is the best alternative, 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 and WAC 246-310-270. 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 the project met the applicable 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, Gateway ASC has met the review criteria under WAC 246-310-210, 220, and 230. Therefore, the department moves to step two below.

Step Two

Before submitting this application, Gateway ASC considered and rejected only the option of status quo or do nothing. The applicant states that the option was rejected because with advent of new healthcare initiatives as adopted by the Federal Government, full utilization of existing facilities will be key to survival. The ASC is not currently utilized at full capacity, but in order to allow physicians not associated with the group practice access to the ASC a Certificate of Need is required. To best utilize the ASC and to ensure that the ASC continues to remain in operation in the future, this application was submitted. [Source: Application, pp20-21]

This project proposes to allow other physicians the opportunity to perform surgeries and procedures at the ASC. This action is not allowed under the limitation of the exemption from Certificate of Need. As a result, if Gateway ASC wants to allow other physicians access to the ASC, submission of an application is its only option.

Based on the source information reviewed, the department concludes this project is the best available alternative for the residents of central Snohomish County and surrounding communities. **This sub-criterion is met.**

Appendix A

CN15-11 Gateway ASC, LCC
Departments Methodology

Service Area Population 2018:		324,212								
Surgeries @ 98.00/1,000:		31,773		12,709.03	19,064					
a.i.	94,250	minutes/year/mixed-use OR								
a.ii.	68,850	minutes/year/dedicated outpatient OR								
a.iii.	2	dedicated outpatient OR's x 68,850 minutes =			137,700	minutes dedicated OR capacity	2,485	Outpatient surgeries		
a.iv.	17	mixed-use OR's x 94,250 minutes =			1,602,250	minutes mixed-use OR capacity	13,764	Mixed-use surgeries		
b.i.	projected inpatient surgeries =		11,549	=	1,344,419	minutes inpatient surgeries				
	projected outpatient surgeries =		20,224	=	1,120,449	minutes outpatient surgeries				
b.ii.	Forecast # of outpatient surgeries - capacity of dedicated outpatient OR's									
		20,224	-	2,485	=	17,738	outpatient surgeries			
b.iii.	average time of inpatient surgeries			=	116.41	minutes	(per Survey)			
	average time of outpatient surgeries			=	55.40	minutes	(per Survey)			
b.iv.	inpatient surgeries*average time			=	1,344,419	minutes				
	remaining outpatient surgeries(b.ii.)*ave time			=	982,749	minutes				
					2,327,168	minutes				
c.i.	if b.iv. < a.iv. , divide (a.iv.-b.iv.) by 94,250 to determine surplus of mixed-use OR's									
	Not Applicable - Go to c.11. and ignore any value here.									
		1,602,250								
		- 2,327,168								
		-724,918	/	94,250	=	-7.69				
c.ii.	if b.iv. > a.iv., divide (inpatient part of b.iv - a.iv.) by 94250 to determine shortage of inpatient OR's									
	USE THESE VALUES									
		1,344,419								
		- 1,602,250								
		(257,831)	/	94,250	=	-2.74				
	divide outpatient part of b.iv. By 68,850 to determine shortage of dedicated outpatient OR's									
		982,749	/	68,850	=	14.27				

CN15-11 Gateway ASC, LCC
Departments Methodology

Facility	Special rms	Ded. Inpat	Ded. Output	Mixed use	closed/n ot used	op hrs	op wks	ip hrs	ip wks	mixed hrs	mixed wks	ip min/case	ip clean	2009 ip cases	2009 ip min	op min/case	op clean	2009 op case	2009 op min	Capacity	Occpy %
Providence Everett Medical	0.00	0	0	17	3	30.6	52	30.6	52	30.6	52	116.41	30	12647	1472223	73.56	30		336155	1602250	112.9%
Western Washington Medical Group	0.00	0	2			40	50									58.00	90		90132	137700	65.5%
Everett Clinic	0.00	0	8			50	52									56	15		610848	550800	110.9%
Everett Bones & Joint	0.00	0	2			50	52									60	10		102000	137700	74.1%
Northwest Weight Loss	0.00	0	2			30.6	52									50			25350	137700	18.4%
Totals	0.00	0	14	17	3	201	258	30.6	52	30.6	52			12647	1472223			16881	935260	2566150	93.8%
												Average min/case			116.41	Ave min/case			55.40		
																			935260		
	29,528.00																				
Note:																					
Total Surgeries 2013	29,528							16881													
Area population 2018	324,212				16881																
Area population 2013	301,308																				
Use Rate 2013 per survey	98.00																				
Applicant's use rate	n/a																				
In pt surgery percentage	42.8%																				
Outpt surgery percentage	57.2%																				
ORS COUNTED IN METHOD	ded inpt	ded otpt	mix use																		
TOTALS	0	0	17																		
Providence Medical Center Everett	0	0	17																		
	0	0	0																		