



STATE OF WASHINGTON
DEPARTMENT OF HEALTH

Certificate of Need Program
111 Israel Road Southeast – MS 4-7852
Olympia, Washington 98504

August 16, 2016

David Smith, General Counsel
Valley Medical Center
400 South 43rd Street
M/S VMC 1-019
Renton, Washington 98058

RE: Determination of Reviewability 16-23

Dear Mr. Smith:

The Department of Health has completed its review of your determination of reviewability related to the change of ownership, relocation, and increase in operating rooms for VMC Surgery Center located in Renton, within King County. Below is the information considered and the facts relied upon by the Department of Health's Certificate of Need Program in reaching its conclusion regarding your project.

INFORMATION CONSIDERED

- Determination of Reviewability letter received February 16, 2016
- Supplemental information received May 25, 2016, July 13, 2016, August 12, 2016, and August 16, 2016
- Revised Code of Washington (RCW) 70.38
- Washington Administrative Code (WAC) 246-310
- Washington Secretary of State and Department of Revenue information obtained from the respective websites
- Certificate of Need #1193 issued on July 28, 1999
- Certificate of Need #1193E issued on March 29, 2011
- Valley Orthopedic Associates ambulatory surgery center exemption approval issued on March 28, 1997
- Certificate of Need historical files

FACTS CONSIDERED-VMC SURGERY CENTER

- On July 28, 1999, Certificate of Need (CN) #1193 was issued to VMC Surgery Center LLC approving the establishment of an ambulatory surgery center (ASC) in Renton, within the southeast King County planning area.

- On March 29, 2001, CN #1193 was issued to VMC Surgery Center LLC extending the validity of CN#1193 from July 28, 2001 to January 28, 2002. The ASC became operational in July 2002.
- VMC Surgery Center has remained at its same location of 17824 South Talbot Road in Renton [98055], within King County since it opened in 2002.
- VMC Surgery Center is currently licensed under the Valley Medical Center hospital license.
- Surgical services currently provided at VMC Surgery Center include gynecology, orthopedic, otolaryngology, general surgery, pain management, plastic surgery, podiatry, spinal procedures, urology, and ophthalmology.

FACTS CONSIDERED-VALLEY ORTHOPEDIC ASSOCIATES

- On December 19, 1995, Valley Orthopedic Associates was issued an exemption for the establishment of an ASC at 4033 Talbot Road South, #270 in Renton [98055]. The facility is located in the southeast King County planning area.
- The ASC is licensed under the name of Proliance Orthopedic Associates Ambulatory Surgery Center [ASF #60101083].
- The exempt ASC has been in continuous operation since it opened in 1996.
- Surgical services provided at Proliance Orthopedic Associates Ambulatory Surgery Center include orthopedic and pain management.

PROJECT REVIEWED

The February 12, 2016, project consists of five separate actions: change of ownership, change in location, change in licensure status, increase of operating rooms (ORs), and increase in types of procedures provided at VMC Surgery Center. Below is a summary of each action.

Change of Ownership

Currently the surgery center is 100% owned by Valley Medical Center. This project proposes a joint venture between Valley Medical Center and Proliance Surgeons, Inc. PS. Once the joint venture is created, the ownership of VMC Surgery Center will transfer from the hospital to the joint venture.

A draft copy of the Joint Venture Agreement was provided for this review. The Joint Venture is comprised of 51% Proliance Surgeons, Inc. PS and 49% Valley Medical Center.

Attached to the draft Joint Venture Agreement is a draft Management Agreement. VMC Surgery Center will be managed by Proliance Surgeons, Inc. PS.

Change in Location

Two adjoining lots will be combined and a new medical office building will be built. The construction process is expected to take approximately 18 months. During the construction time, the ASC will continue operations at the current site. Once completed, VMC Surgery Center will be relocated to the new site in the new medical office building and the medical building at the former site is expected to be demolished. The physical address of the surgery center will change; however, because two lots will be combined, the address is not yet assigned.

Change in Licensure Status

Currently, VMC Surgery Center is licensed under the Valley Medical Center hospital license. Before reopening the surgery center at the new site, the new owners will apply for and obtain a freestanding ambulatory surgery center license under Revised Code of Washington 70.230.

Increase of Operating Rooms (ORs)

VMC Surgery Center operates with three ORs at the current site. The new building on the new site will be built with six ORs. The increase of three ORs at the new site would be off-set by closure of the exempt ASC licensed as Proliance Orthopedic Associates Ambulatory Surgery Center that currently operates with three ORs. Proliance Orthopedic Associates Ambulatory Surgery Center is located in the southeast King County planning area.

Increase in Types of Surgery Procedures

Currently VMC Surgery Center provides the following types of surgical procedures: gynecology, orthopedic, otolaryngology, general surgery, pain management, plastic surgery, podiatry, spinal procedures, urology, and ophthalmology. Once relocated, VMC Surgery Center's procedures will also include neurosurgery, gastroenterology, cardiac surgery, and vascular surgery. Cardiac procedures will include pacemaker placement, pacemaker battery replacement, and other procedures as they become commonly performed in an ASC but that are not PCI¹ procedures.

Vascular procedures include catheter placement for dialysis access and surgical placement of new access grafts and fistulae, and other procedures as they become commonly performed in an ASC but that are not PCI procedures.

CONCLUSION

- Based on the totality of information considered, the department concludes the change of ownership, change in location, change in licensure status, and increase in operating rooms does not require prior Certificate of Need review. This conclusion is based, in part, on draft documents, the assurance that Proliance Orthopedic Associates Ambulatory Surgery Center will cease operations simultaneously with the opening of the relocated VMC Surgery Center, and current Certificate of Need Program regulations. This approval is based on Valley Medical Center's agreement to the following conditions.
 1. Before commencement of the project, the new joint venture must provide to the department for review and approval, an executed copy of the Joint Venture Agreement. The executed agreement must be consistent with the draft agreement provided in the application.

¹ PCI = Percutaneous coronary interventions and means invasive but nonsurgical mechanical procedures and devices that are used by cardiologists for the revascularization of obstructed coronary arteries. These interventions include, but are not limited to: (a) Bare and drug-eluting stent implantation; (b) Percutaneous transluminal coronary angioplasty (PTCA); (c) Cutting balloon atherectomy; (d) Rotational atherectomy; (e) Directional atherectomy; (f) Excimer laser angioplasty; (g) Extractional thrombectomy.
[source WAC 246-310-705]

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2. Before commencement of the project, the new joint venture must provide to the department for review and approval, an executed copy of the Management Agreement. The executed agreement must be consistent with the draft agreement provided in the application.
3. Prior to licensure of the surgery center, the new joint venture must provide to the department the assigned address for the site.
4. Within 30 days of operation of the surgery center at the new site, Proliance Orthopedic Associates Ambulatory Surgery Center will cease operations and relinquish its ASF license.

Please notify the Department of Health within 20 days of the date of this letter whether you accept the above conditions for this project. If you accept all conditions, a written approval will be sent to you. If you reject any of the above conditions, your request will be denied. The department will send you a letter denying your project and provide you information about your appeal rights.

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

Mailing Address:

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

Physical Address:

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

If you have any questions or would like to arrange for a meeting to discuss this decision, please call me at (360) 236-2955.

Sincerely,



 Janis Sigman, Manager
Certificate of Need Program
Community Health Systems

cc: Donald Black, Attorney w/ Ogden Murphy Wallace, PLLC