



STATE OF WASHINGTON  
DEPARTMENT OF HEALTH  
*Olympia, Washington 98504*

May 23, 2017

CERTIFIED MAIL # 7015 0640 0000 6441 5959

DeAnne Okazaki, Strategic Services Manager  
Providence Regional Medical Center Everett  
1321 Colby Avenue  
Everett, WA 98201

RE: CN Application #17-13

Dear Ms. Okazaki:

We have completed review of the Certificate of Need application submitted by Providence Health & Services proposing to add acute care bed capacity to Providence Regional Medical Center Everett in Everett, within Snohomish County. Enclosed is a written evaluation of the application.

For the reasons stated in the enclosed decision, the application is consistent with the applicable criteria of the Certificate of Need Program, provided Providence Health & Services agrees to the following in its entirety.

**Project Description**

Providence Regional Medical Center Everett currently operates 501 acute care beds. This certificate approves the addition of 70 acute care beds. At project completion, Providence Regional Medical Center Everett will license and operate a total of 571 acute care beds. The approved bed breakdown is shown below.

Type	Colby Campus	Pacific Campus
Acute Care	448	75
Level II Intermediate Care Nursery	0	13
Level III NICU	0	16
Level II Rehabilitation	0	19
<b>Total Campus Bed Capacity</b>	<b>448</b>	<b>123</b>
<b>Total PRMCE Bed Capacity</b>	<b>571</b>	

**Conditions**

1. Approval of the project description as stated above. Providence further agrees that any change to the project as described in the project description is a new project that requires a new Certificate of Need.

2. Providence shall finance the project using cash reserves from Providence Health & Services, as described in the application.
3. Providence Regional Medical Center Everett will provide charity care in compliance with its charity care policies reviewed and approved by the Department of Health, or any subsequent policies reviewed and approved by the Department of Health. Providence Regional Medical Center Everett will use reasonable efforts to provide charity care in an amount comparable to or exceeding the average amounts of charity care provided by hospitals in the Puget Sound Region. Currently, this amount is 1.87% gross revenue and 4.70% of adjusted revenue. Providence Regional Medical Center Everett will maintain records documenting the amount of charity care provided and demonstrating its compliance with its charity care policies.
4. Providence Regional Medical Center Everett will submit annual budgets (required under WAC 246-454-030) that include budgeted charity care amounts of at least the regional average amount of charity care provided by hospitals in the Puget Sound Region.

**Approved Costs**

The approved capital expenditure for the 70-bed addition is \$32,160,158.

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

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

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

Mailing Address:

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

Physical Address:

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

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

Sincerely,



Steve Bowman, PhD, MHA  
Director, Office of Community Health Systems

Enclosure

**EVALUATION DATED MAY 23, 2017 FOR THE CERTIFICATE OF NEED APPLICATION SUBMITTED BY PROVIDENCE HEALTH & SERVICES – WASHINGTON PROPOSING TO ADD ACUTE CARE BEDS TO PROVIDENCE REGIONAL MEDICAL CENTER EVERETT**

**APPLICANT DESCRIPTION**

Providence St. Joseph Health is the parent organization of Providence Health & Services and St. Joseph Health. Formed in 2016, the Providence St. Joseph Health family includes the founding organizations, as well as Covenant Health in Texas. Providence St. Joseph Health, through its subsidiary Providence Health & Services, operates Providence Health & Services-Washington. Providence Regional Medical Center Everett is a DBA of Providence Health & Services-Washington.

With 50 hospitals, 829 physician clinics, senior services, supportive housing and many other health and educational services, the health system and its partners employ more than 100,000 caregivers (employees) serving communities across seven states.<sup>1</sup> System offices are based in Renton, WA and Irvine, CA. [source: Providence St. Joseph Health website]

Providence Health & Services is the third largest not-for-profit health system in the United States, with facilities located in Alaska, Washington, Montana, Oregon and California, within the Providence Health & Services system. For reader ease, Providence St. Joseph Health and all of its Washington subsidiaries will be referred to as “Providence” throughout this evaluation.

Providence facilities licensed by the Washington State Department of Health are shown below:

**Hospitals**

Providence Centralia Hospital  
Providence Holy Family Hospital  
Providence Mount Carmel Hospital  
**Providence Regional Medical Center Everett**  
Providence Sacred Heart Medical Center and Children’s Hospital  
Providence St Josephs Hospital  
Providence St Mary Hospital  
Providence St Peter Hospital  
Kadlec Regional Medical Center  
Swedish Edmonds  
Swedish Medical Center – Cherry Hill  
Swedish Medical Center – First Hill  
Swedish Medical Center – Issaquah Campus

**Ambulatory Surgery Center**

Providence Surgery and Procedure Center

**In-Home Service Agencies**

Providence DominiCare  
Providence Elder Place  
Providence Home Services  
Providence Hospice  
Providence Hospice and Home Care of Snohomish County  
Providence Hospice of Seattle\*  
Providence Infusion and Pharmacy Services  
Providence Infusion and Pharmacy Services  
Providence SoundHomeCare and Hospice  
Providence St Mary Home Health  
Providence VNA Home Health

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<sup>1</sup> Alaska, California, Montana, New Mexico, Oregon, Texas and Washington

Providence Regional Medical Center Everett (PRMCE) is a not-for-profit hospital located in Everett that has been serving the Snohomish County community since 1905. PRMCE is currently licensed for 501 acute care beds, which includes 19 level II rehabilitation beds, as well as 13 Level II NICU bassinets and 16 NICU Level III bassinets. [source: DOH Licensing Data, PRMCE website]

The hospital is designated within the state's EMS and trauma system as a Level II Adult Trauma Center, as a Level III Pediatric Trauma Center, and as a Level II Rehabilitation Trauma Center. [source: Application, p6]

### **BACKGROUND INFORMATION**

In 2006, Providence Regional Medical Center Everett submitted an application to the Certificate of Need Program to add 166 beds to their existing hospital license. The application for 166 beds was not consistent with CN review criteria; however, a bed addition of 106 beds was approved. Certificate of Need #1344 was issued on December 18, 2006, approving the addition of 106 acute care beds to the existing 366 bed hospital for a facility total of 472 acute care beds.

In 2010, Providence Regional Medical Center Everett submitted an application to the Certificate of Need program, requesting approval to operate 13 Level II NICU bassinets and 16 level III NICU bassinets. This application was approved. CN #1439 was issued on January 19, 2011, bringing the facility's total licensed bed count to 501. [source: Certificate of Need historical files]

### **PROJECT DESCRIPTION**

This application proposes the addition of 70 acute care beds to the Providence Regional Medical Center Colby Campus. If approved, the first six beds would be brought online immediately within existing space on the 4th floor of "A wing." The remaining 64 beds would be located in existing shelled space on the 9th floor of the "D wing." These 64 beds would be brought online in two phases, with one 32-bed unit becoming operational in July 2018 and a second 32-bed unit on the other half of the 9th floor coming online in January 2020. At project completion, PRMCE would be licensed for a total of 571 beds. [source: Application p14]

The capital expenditure associated with this project is \$32,160,158. Of that amount, approximately 63% is related to construction costs associated with completing the existing shelled space. Approximately 15% is related to fixed and moveable equipment. The remaining 22% is related to miscellaneous costs, including architect and engineering fees, taxes, and regulatory review. [source: Application p47]

As stated above, PRMCE proposes that the 70 beds will become operational in three phases. The first full year of operation for 70 bed addition would be 2020, and 2022 would be year three. [source: Application p14]

### **APPLICABILITY OF CERTIFICATE OF NEED LAW**

Providence Health & Services – Washington's application is subject to review as the change in bed capacity of a health care facility which increases the total number of licensed beds under Revised Code of Washington (RCW) 70.38.105(4)(e) and Washington Administrative Code (WAC) 246-310-020(1)(c).

## **EVALUATION CRITERIA**

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

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

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

- (i) The consistency of the proposed project with service or facility standards contained in this chapter;*
- (ii) In the event the standards contained in this chapter do not address in sufficient detail for a required determination the services or facilities for health services proposed, the department may consider standards not in conflict with those standards in accordance with subsection (2)(b) of this section; and*
- (iii) The relationship of the proposed project to the long-range plan (if any) of the person proposing the project.”*

In the event 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) including applicable portions of the 1987 Washington State Health plan; 246-310-220 (financial feasibility); 246-310-230 (structure and process of care); 246-310-240 (cost containment).

## **TYPE OF REVIEW**

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

**APPLICATION CHRONOLOGY**

<b>Action</b>	<b>Date</b>
Letter of Intent Submitted	August 11, 2016
Application Submitted	November 2, 2016
Department’s pre-review activities: <ul style="list-style-type: none"> <li>• DOH 1st Screening Letter</li> <li>• Applicant’s Responses Received</li> <li>• DOH 2nd Screening Letter</li> <li>• Applicant’s Responses Received</li> </ul>	November 28, 2016 January 6, 2017 January 30, 2017 February 8, 2017
Beginning of Review	February 21, 2017
Public Comment: <ul style="list-style-type: none"> <li>• Public comments accepted through end of public comment</li> <li>• Public hearing conducted</li> </ul>	March 28, 2017 Not requested or conducted
Rebuttal Comments Due	April 11, 2017 <sup>2</sup>
Department’s Anticipated Decision Date	May 26, 2017
Department’s Actual Decision Date	May 23, 2017

**AFFECTED PERSONS**

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

“...an “interested person” who:

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

WAC 246-310-010(2) requires an affected person to first meet the definition of an ‘interested person.’ WAC 246-310-010(34) defines “interested person” as:

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

During the review of this project MultiCare Health System and Health Facilities Planning and Development sought interested person status.

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<sup>2</sup> All public comment was in support of the project. Providence Regional Medical Center Everett elected not to provide rebuttal comments

### MultiCare Health System

MultiCare Health System is a not-for-profit health system that operates acute care hospitals in Pierce and King Counties. They have also applied to acquire two hospitals in Spokane County. MultiCare Health System requested interested person status and to be informed of the department's decision. MultiCare did not qualify as an "interested person." MultiCare does not provide "services similar to the services under review and located in the health service area;" they do not operate an acute care hospital in Snohomish County. MultiCare does operate urgent care clinics in Arlington, Bothell, Lynnwood, Mill Creek, Mukilteo, but the services provided in an urgent or immediate care setting do not qualify as "similar services" to those that would be provided an acute care bed. Without meeting the definition of an "interested person," MultiCare could not meet the definition of an "affected person."

### Health Facilities Planning and Development

Health Facilities Planning and Development (HFPD) is a healthcare consulting firm based in Seattle. HFPD requested interested person status and to be informed of the department's decision. HFPD does not qualify as an "interested person," as they do not provide healthcare services, set rates, reside in the service area, nor have they submitted a letter of intent for Central Snohomish County within the last twelve months. Without meeting the definition of an "interested person," HFPD could not meet the definition of an "affected person."

### **SOURCE INFORMATION REVIEWED**

- Providence Regional Medical Center Everett's Certificate of Need application received November 2, 2016
- Providence Regional Medical Center Everett's screening responses received January 6, 2017
- Providence Regional Medical Center Everett's screening responses received February 8, 2017
- Public comments received by the department through close of business on March 28, 2017
- 1987 Washington State Health Plan
- Year 2007 through 2016 Comprehensive Hospital Abstract Reporting System (CHARS) data
- Claritas population data obtained in year 2016
- Department of Health – Hospital Finance and Charity Care Program Analysis dated May 18, 2017.
- Department of Health Integrated Licensing and Regulatory System data base (ILRS)
- Licensing and survey data provided by the Department of Health's Investigations and Inspection Office
- Providence Health and Services – Washington's website at <http://washington.providence.org/>
- Joint Commission website at <http://www.qualitycheck.org>
- Certificate of Need historical files

### **CONCLUSIONS**

For the reasons stated in this evaluation, the application submitted by Providence Health & Services – Washington proposing to add 70 acute care beds to Providence Regional Medical Center Everett located in Everett within Snohomish County is consistent with applicable criteria of the Certificate of Need Program, provided Providence Health & Services agrees to the following in its entirety.

**Project Description:**

Providence Regional Medical Center Everett currently operates 501 acute care beds. This certificate approves the addition of 70 acute care beds. At project completion, Providence Regional Medical Center Everett will license and operate a total of 571 acute care beds. The approved bed breakdown is shown below.

<b>Type</b>	<b>Colby Campus</b>	<b>Pacific Campus</b>
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**Conditions:**

1. Approval of the project description as stated above. Providence further agrees that any change to the project as described in the project description is a new project that requires a new Certificate of Need.
2. Providence shall finance the project using cash reserves from Providence Health & Services, as described in the application.
3. Providence Regional Medical Center Everett will provide charity care in compliance with its charity care policies reviewed and approved by the Department of Health, or any subsequent policies reviewed and approved by the Department of Health. Providence Regional Medical Center Everett will use reasonable efforts to provide charity care in an amount comparable to or exceeding the average amounts of charity care provided by hospitals in the Puget Sound Region. Currently, this amount is 1.87% gross revenue and 4.70% of adjusted revenue. Providence Regional Medical Center Everett will maintain records documenting the amount of charity care provided and demonstrating its compliance with its charity care policies.
4. Providence Regional Medical Center Everett will submit annual budgets (required under WAC 246-454-030) that include budgeted charity care amounts of at least the regional average amount of charity care provided by hospitals in the Puget Sound Region.

**Approved Costs:**

The approved capital expenditure for the 70-bed addition is \$32,160,158.

## **CRITERIA DETERMINATIONS**

### **A. Need (WAC 246-310-210)**

Based on the source information reviewed and agreement to the conditions identified in the conclusion section of this evaluation, the department determines that Providence Health & Services – Washington met the applicable need criteria in WAC 246-310-210.

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

WAC 246-310 does not contain an acute care bed forecasting method. The determination of numeric need for acute care hospital beds is performed using the Hospital Bed Need Forecasting method contained in the 1987 Washington State Health Plan (SHP). Though the SHP was “sunset” in 1989, the department has concluded that this methodology remains a reliable tool for predicting baseline need for acute care beds.<sup>3</sup>

The 1987 methodology is a twelve-step process of information gathering and mathematical computation. This forecasting method is designed to evaluate need for additional capacity in general, rather than identify need for a specific project.

#### Providence Health & Services – Washington – Numeric Need Methodology

This project proposes to add 70 acute care beds to PRMCE located in Everett, within Central Snohomish County. Providence provided an acute care bed methodology based on historical CHARS<sup>4</sup> data for years 2006 through 2015. Below are the assumptions and factors used in the numeric methodology. [source: Application, Exhibit 10]

- Hospital Planning Area – Central Snohomish County
- CHARS Data – Historical years 2006 through 2015
- Projected Population – Based on Claritas 2015 for Central Snohomish; Office of Financial Management medium series data for statewide. For each data source, historical and projected intercensal and postcensal estimates were calculated.
- Planning Horizon – PRMCE provided data through 2029, however identified a 7-year planning horizon following the base year. The base year is 2015; year seven is 2022.
- Excluded MDCs<sup>5</sup> and DRGs<sup>6</sup>
  - MDC 19 – patients, patient days, and DRGs for psychiatric
  - DRG385-391/789-795 – patients, patient days, and DRGs for neonates
  - DRG 462/945-946 – patients, patient days, and DRGs for rehabilitation
- Weighted Occupancy – Calculated consistent with the State Health Plan as the sum, across all hospitals in the planning area, of each hospital’s occupancy rate times that hospital’s percentage of total beds in the area. Providence’s methodology calculated a weighted occupancy of 75%.

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<sup>3</sup> The acute care bed methodology in the 1987 SHP divides Washington State into four separate Health Service Areas (HSAs) that are established by geographic regions appropriate for effective health planning. Snohomish County is located in HSA #1, which includes ten counties: Clallam, Island, Jefferson, King, Kitsap, Pierce, San Juan, Skagit, Snohomish, and Whatcom.

<sup>4</sup> CHARS=Comprehensive Hospital Abstract Reporting System

<sup>5</sup> MDC=Major Diagnostic Category

<sup>6</sup> DRG=Diagnosis Related Group

- Existing Acute Care Bed Capacity – One acute care hospital operates in the Central Snohomish planning area. There is one dedicated psychiatric hospital in Everett – BHC Fairfax Hospital North (HPSY.FS.60492181). Providence did not include this facility in its methodology

In addition, Providence provided the following information:

*“In the case of acute care bed requests, the methodology used to estimate the need for future acute care beds is defined in a 12-step methodology in the Washington State Health Plan (“SHP”). Although the SHP was sunset in 1989, the Department of Health has concluded that this methodology remains a reliable tool for predicting the baseline need for acute care beds, thus still uses this methodology consistently on all Certificate of Need decisions related to acute care bed requests.*

*The methodology defines how data sets of total patient days and population are created and how they are used mathematically to create bed need forecasts for a defined planning area, in this case, the Central Snohomish Planning Area. The methodology for each of the steps is summarized below. The actual bed need calculations for each step of the bed need methodology are presented in Exhibit 10 for the model that uses 2006-2015 CHARS patient day statistics. Table 17 above provides the summary bed need projections. The methodology uses population and total patient day statistics for the state, the Health Service Area (“HSA”) 4, and the Central Snohomish Planning Area.*

*One important change that occurred in 2015 was the transition from ICD9 to ICD10. The transition had a significant effect on the MS-DRGs (“DRGs”) assigned for certain types of hospital stays. Most importantly, for the purposes of the acute care bed need model, the transition to ICD10 significantly shifted the DRGs assigned for rehabilitation patients. Previously, DRGs 945-946 were used to exclude rehabilitation utilization from the acute care model. Unfortunately, this no longer is an accurate designation.*

*Table 18 below shows the rehabilitation providers' discharge mix by DRG. The table clearly demonstrates that DRGs 945 and 946 no longer can be used as the only factor to exclude rehab days from the model. By ignoring this change, the model will inaccurately assign patient days to acute care utilization and corresponding use rates, thereby artificially inflating net bed need. To correct for this reallocation of days from DRGs 945 and 946, beginning in Q4 2015, all patient day figures are excluded, regardless of DRG, from all Washington State rehabilitation units and St. Luke's Rehabilitation Institute, from the acute care bed need model. This exclusion is applied to every step of the methodology.” [source: Application pp29-30]*

Providence based its methodology on the available beds in the planning area, and counted 453 beds. The 453 beds represent only available medical/surgical acute care beds at PRMCE – the only hospital in the planning area. The following bed types were excluded: Level II NICU, Level III NICU, rehabilitation, and psychiatric.

Table 1 below shows the results of Providence’s numeric methodology for years 2015 through 2022. [source: Application Exhibit 10]

**Table 1**  
**Providence Acute Care Bed Methodology**  
**Projection Years 2015 through 2022**

	2015	2016	2017	2018	2019	2020	2021	2022
Gross Bed Need	439	450	461	472	484	497	510	523
Minus Existing Capacity	453	453	453	453	453	453	453	453
<b>Net Need (surplus)</b>	<b>(14)</b>	<b>(3)</b>	<b>8</b>	<b>20</b>	<b>32</b>	<b>45</b>	<b>57</b>	<b>70</b>

Table 1 above shows that the addition of 70 beds between 2017 and 2020 results in a need for 8 beds in 2017, which increases to a need for 70 beds by 2022.

In addition to numeric need, the applicant must also demonstrate that other services and facilities of the type proposed are not or will not be sufficiently available or accessible to meet that need. Providence provided the following statement:

*“There are no other generally similar providers of acute care services in the Central Snohomish Planning Area. Fairfax Hospital Everett is located in the Planning Area, however, it is operating as an adult general psychiatric hospital and therefore is not considered a generally similar provider.”* [source: Application p11]

Public Comment

The department received ten letters of support related to this project. Of these, eight spoke to current occupancy constraints at PRMCE, and the need for additional beds.

Selections of excerpts from these letters are below:

Greg Sanders, Program Director – Sea Mar Family Medicine Residency:

*“Within Snohomish County, Sea Mar has clinics in Marysville, Lynnwood, Monroe and Everett. In June we will be launching our new Family Medicine Residency program. We have worked collaboratively with PRMCE to establish our Inpatient Medicine and Emergency Medicine rotations.... With the current bed count our physician staff members have witnessed firsthand the congestion and delay of patients being admitted due to a lack of beds.*

*“Sea Mar in Snohomish County collaborates closely with PRMCE to ensure that the residents of our community can get the necessary medical care in the right setting at the right time. However, PRMCE is at a point where they simply do not have any additional inpatient capacity to care for the population growth that is expected in Snohomish County.”* [source: Sea Mar public comment]

Community Board Chair, John Vandree, MD & Finance Committee Chair, Tom Gaffney – Providence Northwest Washington

*“The planning area population is growing at a rapid pace and is expected to grow by 6% over the next five years. The growth is primarily attributed to residents age 65 years or older. Residents in this age group have a hospitalization rate more than 4 times that of those younger than 65.*

*“PRMCE routinely operates at or above 75 percent capacity and at peak demand has been operating at 100% capacity.*

*“PRMCE has one of the busiest Emergency Departments in the State. With a busy ED and a hospital that is operating at capacity, PRMCE often has to keep patients in the ED until an acute care bed becomes available. Having additional acute care beds will allow patients to be moved into the correct site of care in a timely manner which is better for the patient and reduces the overall cost of care.”* [source: Providence Northwest Washington public comment]

Christopher Knapp, CEO – The Everett Clinic

*“Our hospitalist providers are in the hospital on a daily basis and are acutely aware of the need for additional inpatient beds. PRMCE routinely operates near capacity and as Snohomish County continues its rapid growth, there is no doubt that the additional capacity PRMCE is requesting will be needed.”* [source: Everett Clinic public comment]

Gary Goldbaum, MD, MPH, Health Officer & Director – Snohomish Health District

*“Given that, and given that PRMCE is already operating regularly at very high inpatient volumes, it's clear that additional beds will be needed as Snohomish County continues to grow and the average age of our population continues to increase. I encourage the Certificate of Need program to approve PRMCE's application for 70 new acute care beds.”* [source: Snohomish Health District public comment]

David Russian, MD, CEO – Western Washington Medical Group

*“In Snohomish County we are fortunate to have a quality medical community committed to providing great care. However, one of the challenges for PRMCE is to ensure that there is adequate inpatient capacity to keep up with a rapidly growing population that has an increasingly higher percentage of people over age 65. PRMCE has a very high average daily census and without these additional beds, PRMCE will not be able to continue adequately provide care to our county's residents.*

*“I encourage the Certificate of Need program to approve PRMCE's application for the addition of 70 acute care beds.”* [source: Western Washington Medical Group public comment]

Rebuttal

None

Department Evaluation

As shown above, Providence relied on the most recently available hospital discharge data in their application. On March 28, 2017 – the last day of public comment – 2016 CHARS data became available to the department. With this new data available, the department also

completed the numeric need methodology. Below are the assumptions and factors used in the department's acute care bed methodology. This methodology is included in this evaluation as Appendix A.

- Hospital Planning Area – Central Snohomish County
- CHARS Data – Historical years 2007 through 2016
- Projected Population – Based on Claritas 2016 for Central Snohomish; Office of Financial Management medium series data for statewide. For each data source, historical and projected intercensal and postcensal estimates were calculated.
- Excluded MDCs<sup>7</sup> and DRGs<sup>8</sup>
  - MDC 19 – patients, patient days, and DRGs for psychiatric
  - DRG385-391/789-795 – patients, patient days, and DRGs for neonates
  - DRG 462/945-946 – patients, patient days, and DRGs for rehabilitation
- Weighted Occupancy – Calculated consistent with the State Health Plan as the sum, across all hospitals in the planning area, of each hospital's occupancy rate times that hospital's percentage of total beds in the area. The department's methodology calculated a weighted occupancy of 75%.
- Existing Acute Care Bed Capacity – One acute care hospital operates in the Central Snohomish planning area. There is one dedicated psychiatric hospital in Everett – BHC Fairfax Hospital North (HPSY.FS.60492181). The department did not include this facility in its methodology

Below is a summary of the steps in the department's numeric need methodology. In this evaluation, the department will not compare its methodology with the one provided by Providence, as the differences in the data sets used by each are not conducive to a practical comparison. The methodology operates the same way, regardless of base year.

Steps 1 through 4 develop trend information on historical hospital utilization.

In steps 1 through 4, the department focused on historical data for years 2007 through 2016 to determine the statewide and health service area [HSA] use trends for acute care services. The department computed a trend line for statewide and HSA utilization of inpatient acute care services. The HSA and state use trend line projected an increase in acute care use: 1.1852 and 0.1032, respectively. The SHP requires use of either the statewide or HSA trend line "*whichever has the slowest change.*" The state trend line, with the slighter increase, showed the slowest change and is considered more statistically reliable. The department applied the data derived from those calculations to the projection years in the following steps.

Steps 5 through 9 calculate baseline, non-psychiatric bed need forecasts.

For these steps, the department calculates base-year use rates, broken down by population ages 0-64 and ages 65 and older, determining the rates at which different populations receive inpatient non-psychiatric care. This includes calculating in-migration to Central Snohomish County (for Washington and out-of-state residents) and out-migration (to other Washington State hospitals and Oregon hospitals). This results in a use rate for the hospital in Central

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<sup>7</sup> MDC=Major Diagnostic Category

<sup>8</sup> DRG=Diagnosis Related Group

Snohomish County. The department then multiplies this use rate by the slope acquired in Step 4 to project how this use rate may change during the projection period.

Table 2 below shows the use rates, broken down by age group that Providence and the department applied to the projected population for the base year:

**Table 2**  
**Department Numeric Need Methodology**  
**Use Rates by Age Cohort**

	<b>0-64</b>	<b>65+</b>
<b>Department [2016]</b>	241.73/1,000 population	1081.10/1,000 population
<b>Providence [2015]</b>	247.01/1,000 population	1,151.14/1,000 population

When the use rates are applied to the projected population, the result is the projected number of patient days for the planning area. The numeric 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 at least seven years from the last full year of available CHARS data. Using 2016 CHARS data, seven years is 2023; and ten years is 2026.

Steps 10 through 12 are intended to determine the total baseline hospital bed need forecasts, including need for short-stay psychiatric services.

In step 10, the department projected the number of acute care beds needed in the planning area, subtracted the existing capacity, resulting in a net need for acute care beds.

The department and Providence agreed on the bed count for Central Snohomish County at 453 beds. As stated earlier, PRMCE is the only acute care hospital in Central Snohomish County.

Table 3 below shows the department’s methodology calculations for years 2017 through 2023. This table also shows the impact to the planning area as the beds are added by phase.

**Table 3**  
**Department of Health Methodology**  
**Projection Years 2017 through 2023**

	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
Gross Number of Beds Needed	495	510	525	540	554	569	584
Minus Existing Capacity	453	453	453	453	453	453	453
<b>Ned Bed Need/(Surplus)</b>	<b>42</b>	<b>57</b>	<b>72</b>	<b>87</b>	<b>101</b>	<b>116</b>	<b>131</b>
Bed Additions	0	6	32	32	0	0	0
<b>Net Bed Need/(Surplus) with project</b>	<b>42</b>	<b>51</b>	<b>34</b>	<b>17</b>	<b>31</b>	<b>46</b>	<b>61</b>

Step 11 projects need for short-stay psychiatric beds. Step 12 is the adjustment phase where any necessary changes are made to the calculations in the prior steps to reflect conditions which might cause the application of the methodology to over or understate the need for acute care beds. This application did not request short-stay psychiatric beds, nor are there

any circumstances known to the department (or suggested by the applicant) to suggest that adjustments are necessary to any prior steps. Therefore, neither Providence nor the department completed steps 11 or 12. Neither of these steps will be discussed any further.

The primary difference between the result of the department’s methodology and the methodology provided by Providence is the source material. Though both the department and Providence used OFM data for the state methodology, CHARS data for hospital discharges, and Claritas data for the Central Snohomish planning area, the department’s use of 2016 data rather than 2015 resulted in more need for acute care beds. In particular, the difference between the Claritas projection for Central Snohomish County ZIP codes from 2015 to 2016 was significant.

The ZIP codes used by both the department and Providence<sup>9</sup> are shown below in Table 4 [source: Application p11]

**Table 4  
Central Snohomish County ZIP Codes**

<b>ZIP Code</b>	<b>City</b>
98201	Everett
98203	Everett
98204	Everett
98208	Everett
98258	Lake Stevens
98270	Marysville
98271	Marysville
98275	Mukilteo

The total projected populations based on 2015 data and 2016 data for the planning area are shown below:

**Table 5  
Population Differences by Source Year**

<b>Population</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
<b>2015 Data</b>	316,865	320,630	324,394	328,159	331,924	335,688	339,453
<b>2016 Data</b>	325,881	330,492	335,104	339,715	344,326	348,937	353,548

[source: Claritas 2015 and 2016]

As shown above, the population projections for the planning area increased significantly from 2015 to 2016. Though there is no explanation from Claritas regarding the change in population projection, the department has determined that Claritas is a reliable source for projections at the sub-county level.

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<sup>9</sup> In their application, Providence also listed the following ZIP codes that do not have reported population volumes – 98205 is not a valid ZIP code, 98206 is a PO Box ZIP code, 98207 is a company-specific ZIP code, and 98213 is a PO Box ZIP code. [source: USPS website]

Based on the department's need methodology alone, need for additional acute care beds in Central Snohomish County is demonstrated.

In addition to the numeric need methodology, the department must determine whether other services or facilities of the type proposed are not or will not be sufficiently available and accessible to meet that need.

Providence correctly pointed out that there are no generally similar providers of acute care services in Central Snohomish County. The department did not identify any alternative sources of care within the planning area. Furthermore, public comment supported that PRMCE is the primary acute care resource for non-hospital providers in the planning area. **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.

To evaluate this sub-criterion, the department evaluates an applicant's admission policies, willingness to serve Medicare and Medicaid patients, and to serve patients that cannot afford to pay for services.

The admission policy provides the overall guiding principles of the facility as to the types of patients that are appropriate candidates to use the facility and assurances regarding access to treatment. The admission policy must also include language to ensure all residents of the planning area would have access to the proposed services. This is accomplished by providing an admission policy that states patients would be admitted without regard to race, ethnicity, national origin, age, sex, pre-existing condition, physical, or mental status.

Medicare certification is a measure of an applicant's willingness to serve the elderly. With limited exceptions, Medicare is coverage for individuals age 65 and over. It is also well recognized that women live longer than men and therefore more likely to be on Medicare longer.

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

Charity care shows a willingness of a provider to provide services to individuals who do not have private insurance, do not qualify for Medicare, do not qualify for Medicaid, or are under insured. With the passage of the Affordable Care Act, the amount of charity care is expected to decrease, but not disappear.

#### Providence Health & Services – Washington

The application included copies of the following policies used at all Washington Providence hospitals, including PRMCE:

- Patient Rights and Responsibilities Policy
- Non-Discrimination Policy
- Charity Care Policy

The application also included the General Admission Policy that is specific to PRMCE. [sources: Application Exhibits 11-13, January 6, 2017 screening response p21]

PRMCE documented that it is currently Medicare and Medicaid certified. The hospital Medicare and Medicaid numbers are below:

**Table 6**  
**PRMCE Medicare and Medicaid Certification**

Certification	Number
Medicare	50-0014
Medicaid	3309606

PRMCE provided its current and projected source of revenue, summarized in the table below. [source: January 6, 2017 screening response p5]

**Table 7**  
**PRMCE Current and Projected Payer Mix**

Payer Source	2015 Actual	2023 Forecast
Medicare	44.0%	45.7%
Medicaid	20.4%	21.0%
Commercial Insurance	30.7%	30.0%
Other	0.3%	0.5%
Self Pay	1.5%	0.5%
Other Government	2.2%	1.5%
Workers Compensation	1.0%	0.8%

In addition to the policies and payer mix information above, Providence provided the following information related to access to care at PRMCE:

*“PRMCE is a part of Providence whose mission is to provide compassionate care to all people in need. This includes a special concern for those who are poor and vulnerable. With more than 110 years of history providing services to those in need, PRMCE turns no one away.*

*Given our Mission to care for those who are poor and vulnerable, PRMCE cares for large populations of charity care and Medicaid patients. In 2015, PRMCE offered \$8.7 million in free and discounted care for those in need. In addition to providing a high level of free and discounted medical care, PRMCE provided an additional \$49.0 million in unfunded cost of government-sponsored medical care, community health, grants and donations, education and research programs and subsidized services.*

*With Medicaid expansion and health insurance exchanges, PRMCE's charity care spending reflects the success of more people gaining health insurance coverage. Providence is using community benefit investments to create healthier communities, beyond just the need for free and discounted care. Not only does this improve access to care, but through programs and donations, PRMCE's community benefit connects families with preventive care to keep them*

healthy, fills gaps in community services and provides opportunities that bring hope in difficult times.

The breakdown of the community benefit contributions in 2015 is provided in [application] Table 20:

***Providence Regional Medical Center Everett Community Benefit, 2015***

<b><i>Service</i></b>	<b><i>Amount</i></b>
<i>Unfunded portion of government-sponsored medical care</i>	<i>\$44.6 million</i>
<i>Free and discounted medical care</i>	<i>\$8.7 million</i>
<i>Community health, grants and donations</i>	<i>\$0.4 million</i>
<i>Education and research programs</i>	<i>\$2.1 million</i>
<i>Subsidized services</i>	<i>\$1.9 million</i>
<b><i>Total</i></b>	<b><i>\$57.7 million</i></b>

[source: Application pp36-37]

**Public Comment**

Out of ten letters of support, two voiced support under this sub-criterion.

**Bob Farrell, CEO – Community Health Center of Snohomish County**

*“Community Health Center of Snohomish County is a Federally Qualified Health Center (FQHC) that provides our diverse community with affordable medical, dental, mental health, and pharmacy services to the residents of Snohomish County. Our vision is a healthy community achieved through access to care for everyone. CHC was founded to serve the health needs of county residents who face barriers to health care. We have enjoyed a close relationship with PRMCE since 1983, a year in which the hospital helped start our organization.*

*As a health care provider in the community, I am aware of the importance of planning for the needs of our community. The city of Everett and the greater Snohomish County region are growing rapidly and placing even more demands on the hospital services. Without this expansion, our community members would have to drive outside of their community for inpatient care.*

*Because of our need as a community-based health care organization to be able to access high quality inpatient services for our patients regardless of their socioeconomic status, we are very much in support of PRMCE adding additional beds. This will enable PRMCE to continue fulfilling their mission of providing compassionate, high quality care to the regional community we mutually serve.”* [source: Community Health Center of Snohomish County Public Comment]

**Ray Stephanson, Mayor – City of Everett**

*“PRMCE has provided compassionate, high-quality health care for more than 110 years to all people in need - our families, our friends, our co-workers, and our neighbors - with a special concern for those who are poor and vulnerable. We expect PRMCE to be part of this*

*community for many years to come. I encourage the Certificate of Need Program to approve PRMCE's application for 70 new acute care beds, thus allowing PRMCE to continue to fulfill its mission of providing compassionate care to all people in need.*" [source: City of Everett Public Comment]

### Rebuttal

None

### Department Evaluation

Providence has been providing healthcare services to the residents of Washington State through its hospitals, clinics, and other services for many years. Healthcare services have been available to low-income, racial and ethnic minorities, handicapped, and other underserved groups. [source: Providence website]

The Admission Policy describes the processed Providence uses to admit a patient to PRMCE. The Patients Rights and Responsibilities Policy – in use at all Washington State Providence hospitals – includes language to ensure all patients are made aware of their rights and responsibilities as a patient.

A Non-Discrimination Policy was also included within the application. The purpose of the Non-Discrimination Policy, which is currently in place at PRMCE, is: *"To ensure that all patients and visitors of Providence Regional Medical Center Everett are welcomed and treated with equality and respect, consistent with our Mission and core values and with applicable federal, state, or local law."* [source: Application Exhibit 12]

This policy includes language to ensure that *"patients receive equal access to quality care and can welcome their visitors, free from discrimination based on age, race, color, creed, ethnicity, religion, national origin, marital status, sex, sexual orientation, gender identity or expression, disability, veteran or military status, or any other basis prohibited by federal, state, or local law. In addition, caregivers will ensure that visitors receive equal visitation privileges consistent with patient preferences and privacy rights."* [source: Application Exhibit 12]

Each of these policies is available on the PRMCE website.<sup>10</sup>

For PRMCE, Medicare revenues are approximately 44% of total revenues. Providence anticipates that this will increase approximately 1.7% with the addition of 70 acute care beds.

For PRMCE, Medicaid revenues are approximately 20% of total revenues. Providence anticipates that this will increase approximately 0.6% with the addition of 70 acute care beds.

The Certificate of Need Program verified the payer mix provided by Providence with PRMCE's year-end financial reports for 2015, and these values are consistent.

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<sup>10</sup> The policies can be found on the PRMCE website here:  
<http://washington.providence.org/hospitals/regional-medical-center/for-patients-and-visitors/doh-request/>

Commercial and other revenues are also expected to adjust slightly with the addition of 70 acute care beds.

The Charity Care Policy provided in the application has been reviewed and approved by the Department of Health's Hospital/Finance and Charity Care (HFCC) Program. The policy outlines the process one would use to obtain financial assistance and is used in conjunction with the charity care policy. The policy was last revised in January 2016, and is consistent with the policy posted on the Department of Health's website.

Charity Care Percentage Requirement

For charity care reporting purposes, Washington State is divided into five regions: King County, Puget Sound (less King County), Southwest, Central, and Eastern. Providence proposes additional acute care beds in Central Snohomish County within the Puget Sound Region. Currently there are 19 hospitals operating within the region. Of the 19 hospitals, some did not report charity care data for years reviewed.<sup>11</sup>

Table 8 below compares the three-year historical average of charity care provided by the hospitals currently operating in the Puget Sound Region and PRMCE's historical charity care percentages for years 2012-2015. The table also compares the projected percentage of charity care. [source: Application, Exhibit 17 and HFCC Program's 2013-2015 charity care summaries]

**Table 8  
Charity Care Percentage Comparisons**

	<b>Percentage of Total Revenue</b>	<b>Percentage of Adjusted Revenue</b>
Puget Sound Region Historical Average	1.82%	4.62%
PRMCE Historical Average	2.54%	6.72%
PRMCE Projected Average	1.33%	3.70%

As noted in Table 8 above, the three-year historical average shows PRMCE has historically provided charity care above the regional average. For this project, Providence projects that PRMCE would provide charity care below the regional average. Providence has been providing health care services in Central Snohomish County for many years. Charity care is health care provided through the hospital at no cost or reduced cost to low income patients. Charity care is a state-mandated program that allows uninsured or underinsured people to receive inpatient and outpatient care at a reduced cost. Only people who meet certain income and asset criteria are eligible to receive charity care. Information provided in the application demonstrates that Providence offers a variety of community outreach programs and classes in the Central Snohomish region and in all of the communities it serves. Outreach programs help offset costs for healthcare services in the communities, but it is not charity care and cannot be counted toward the percentage of charity care provided by a hospital under Certificate of Need rules.

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<sup>11</sup> For years 2013 and 2014, the following three hospitals did not report data: Forks Community Hospital in Forks; Whidbey General Hospital in Coupeville; and EvergreenHealth-Monroe [formerly Valley General Hospital, Monroe]. For years 2015, EvergreenHealth-Monroe did not report data.

The focus of this sub-criterion is charity care percentages specific to PRMCE. Providence provided the following statement related to the decline in projected charity care:

*“Charity Care for Puget Sound hospitals as well as Statewide has declined since 2013...As a result of the Affordable Care Act, more individuals were able to enroll in Medicaid and other Exchange plans. As Medicaid enrollment went up...Charity Care declined across all hospitals. However, PRMCE continues to have a higher percentage of Charity Care and Medicaid when compared to the Statewide total.”* [source: Application pp37-38]

Though Providence does correctly note that charity care has declined since the passage of the Affordable Care Act, the department still requires applicants to provide charity care at a percentage consistent with the regional average.<sup>12</sup> Providence must provide written agreement to the charity care conditions stated below:

- Providence Regional Medical Center Everett will provide charity care in compliance with its charity care policies reviewed and approved by the Department of Health, or any subsequent policies reviewed and approved by the Department of Health. Providence Regional Medical Center Everett 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 Puget Sound Region. Currently, this amount is 1.87% gross revenue and 4.70% of adjusted revenue. Providence Regional Medical Center Everett will maintain records documenting the amount of charity care provided and demonstrating its compliance with its charity care policies.
- Providence Regional Medical Center Everett will submit annual budgets (required under WAC 246-454-030) that include budgeted charity care amounts of at least the regional average amount of charity care provided by hospitals in the Puget Sound Region.

Based on the information provided in the application and with Providence’s agreement to the condition, the department concludes **this sub-criterion is met.**

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

(a) The special needs and circumstances of entities such as medical and other health professions schools, multidisciplinary clinics and specialty centers providing a substantial portion of their services or resources, or both, to individuals not residing in the health service areas in which the entities are located or in adjacent health service areas.

#### Department Evaluation

This sub-criterion is not applicable to this application

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<sup>12</sup> The condition related to the percentage of charity care and its impact on PRMCE’s revenue and expense statement is addressed in the financial feasibility section of this evaluation.

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

Department Evaluation

This sub-criterion is not applicable to this application

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

Department Evaluation

This sub-criterion is not applicable to this application

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

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

Department Evaluation

This sub-criterion is not applicable to this application

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

Department Evaluation

This sub-criterion is not applicable to this application

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

Department Evaluation

This sub-criterion is not applicable to this application

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

Based on the source information reviewed and agreement to the conditions identified in the conclusion section of this evaluation, the department determines that Providence Health & Services – Washington met the applicable 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.

#### Providence Health & Services – Washington

The assumptions used by Providence to determine the projected number of admissions, patient days, and occupancy of PRMCE are below. [sources: Application pp14, 29, 51-52, Attachment 17]

- Given that no construction is required for the 4th Floor A Wing, the six beds on that unit are anticipated to be available following Certificate of Need approval in 2017.
- PRMCE anticipates the beds on the 9th Floor D Wing to be staffed and available in two phases, starting with 32 beds in July 2018, and an additional 32 beds in January 2020
- The phasing of the beds corresponds to the projected acute care bed demand in the Planning Area.
- *“Since PRMCE is the only hospital in the Planning Area, those forecasts in Table 17 [of the application] for 'Planning Area Hospitals' would apply only to PRMCE.”* Table 17 of the application is the methodology. No other inflation is assumed.

Using the assumptions stated above, Providence projected the number of inpatient discharges, patient days, and average length of stay for PRMCE. The projections are shown on the following page in Table 9. [source: Application Exhibit 17]

**Table 9**  
**Providence Regional Medical Center Everett**  
**Projections for Years 2017-2022**

	2017	2018	2019	2020	2021	2022
Licensed Acute Care Beds <sup>13</sup>	459	491	491	523	523	523
Discharges	29,159	29,851	30,556	31,318	32,041	32,774
Patient Days	126,277	129,454	132,696	136,300	139,733	143,262
Average Daily Census	346	355	364	373	383	392
Occupancy Percentages	75.4%	75.6%	75.0%	74.5%	74.0%	75.9%

The assumptions Providence used to project revenue, expenses, and net income for PRMCE for projection years 2017 through 2023 are below. [source: Application pp52-53, January 6, 2017 screening response p5]

- *Models do not include any charge or cost inflation.*
- *Hospital revenues and expenses per statistic have been calculated from 2015 actuals, prepared at the cost center level, and then aggregated up to Hospital totals.*
- *For those cost centers linked to patient days, growth in patient days drives growth in cost center revenues and expenses.*
- *Primary statistics other than patient days are inflated at the same annual growth rate as patient days.*
- *FTEs ("full time equivalents") have been calculated at the cost center level. It is assumed that employees who provide direct patient care are "flexed" with increased patient days. The model also assumes there is some flexing of FTEs who also provide ancillary support services. The FTE calculations are at the cost center level and aggregated up and added to the 2015 Hospital-wide totals to project total FTE's both with and without the project.*
- *FTE's associated with Management Physician FTE's, Physician FTE's, and Non Physician Med Practice FTE's are held constant over the forecast period as they are not driven by volume in the cost centers impacted by the project.*
- *There is no wage inflation; wages per hour and annual salaries are assumed constant at 2015 levels. Changes in staffing mix, principally additional nursing staff, is assumed as patient days increase.*
- *Employee benefits were calculated at 8.9% of wages and salaries. Benefits such as group health insurance, life insurance, pension and retirement, and workers compensation are now accounted for at the corporate level.*
- *In 2015, actual net reimbursement equaled 35.7% of charges. It is assumed that this collection rate will remain constant thereafter.*
- *Charity care has been forecast at 1.33% of gross revenues.*
- *Bad debt was 0.28% of gross revenues in 2015. The model assumes that bad debt rate remains constant over the forecast period, with and without the project.*

<sup>13</sup> This refers to the number of beds that are licensed to provide acute care for general medical/surgical purposes. This does not include rehabilitation beds or either neonatal intensive care units.

- The payer mix for PRMCE is based on 2015 total charges. Payer mix is assumed to change with the aging of the population and continued expansion of Medicaid in the Affordable Care Act.

<b>Payer Source</b>	<b>2015 Actual</b>	<b>2023 Forecast</b>
Medicare	44.0%	45.7%
Medicaid	20.4%	21.0%
Commercial Insurance	30.7%	30.0%
Other	0.3%	0.5%
Self Pay	1.5%	0.5%
Other Government	2.2%	1.5%
Workers Compensation	1.0%	0.8%

- Other operating revenues are predominately rental income, cafeteria revenue, gift shop, and cost recoveries for provided services such as employees leased to other organizations.
- Other Direct Expenses principally include a change in accounting from Purchase Services for Corporate Allocations in Information Technology, Supply Chain, Revenue Cycle, Human Resources, Real Estate & Construction, and General Management support resources. Professional Liability Insurance is also included.

PRMCE’s projected revenue, expenses, and net income for projection years 2017 through 2023 are shown below in Table 10. [source: Application Exhibit 17]

**Table 10  
Providence Regional Medical Center Everett  
Revenues and Expenses in Years 2017-2022**

	Phase 1		Phase 2	
	2017	2018	2019	
Net Revenue	\$724,254,334	\$737,381,256	\$751,118,511	
Total Expenses	\$693,729,105	\$700,373,411	\$707,747,085	
<b>Net Profit / (Loss)</b>	<b>\$30,525,229</b>	<b>\$37,007,845</b>	<b>\$43,371,426</b>	

	Phase 3		
	2020	2021	2022
Net Revenue	\$766,330,946	\$780,845,628	\$795,750,255
Total Expenses	\$716,944,663	\$722,469,743	\$727,999,773
<b>Net Profit / (Loss)</b>	<b>\$49,386,283</b>	<b>\$58,375,885</b>	<b>\$67,750,482</b>

The ‘Net Revenue’ line item is gross inpatient and outpatient hospital revenue. The ‘Total Expenses’ line item includes all expenses related to hospital operations, including all staff salaries/wages and allocated costs from PRMCE to Providence.

Public Comment

None

Rebuttal

None

Department Evaluation

To evaluate this sub-criterion, the department first reviewed the assumptions used by Providence to determine the projected number of admissions, patient days, and occupancy of PRMCE with 70 additional acute care beds. When compared to historical data [years 2013 through 2015] provided in the application, the department notes that overall admissions are expected to increase with the increase in beds. The occupancy percentages are expected to increase slightly in calendar year 2017 and 2018 when the additional 6 beds are licensed and operational. Partway through year 2018, 32 beds will be added to complete phase 2. In 2020, 32 beds will be added to complete phase 3. Occupancy will decrease slightly between 2019 and 2021, but will increase again starting in 2022. By the first year of operation with 523 general acute care beds, PRMCE’s projected occupancy is expected to be about 74.5%. By the end of year three (2022) PRMCE’s occupancy is expected to increase to about 75.9%. After reviewing Providence’s admission and patient day assumptions for PRMCE, the department concludes they are reasonable.

Providence based its revenue and expenses for PRMCE on the assumptions referenced above. Providence also used its current operations as a base-line for the revenue and expenses shown in Table 10. Historical information shows that Providence operates PRMCE with revenue exceeding expenses. With an additional 70 medical/surgical beds, Providence projected that PRMCE will continue operating with revenue exceeding expenses.

In the ‘need’ section of this evaluation, the department discussed the low percentage of charity care projected at PRMCE and concluded that a charity care condition is necessary. The revenue and expense statement in Table 10 above is based on PRMCE’s projections that charity care dollars and percentages would be below the regional average. Table 11 below shows the adjustments in charity care to be provided.

**Table 11**  
**Providence Regional Medical Center Everett**  
**Projected Charity Care Years 2017 through 2022**

	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
<b>PRMCE Application</b>	\$25,890,825	\$26,360,089	\$26,851,172	\$27,394,990	\$27,913,864	\$28,446,678
<b>Department Calculation</b>	\$35,520,103	\$36,163,896	\$36,837,621	\$37,583,695	\$38,295,549	\$39,026,527
<b>Increase</b>	\$9,629,278	\$9,803,807	\$9,986,449	\$10,188,705	\$10,381,685	\$10,579,849

As shown in Table 11 above, charity care dollars increase based on the department’s condition related to charity care percentages at PRMCE. Table 12 shows a recalculation of the PRMCE revenue and expense summary using the revised charity care dollars calculated in Table 11

**Table 12**  
**Providence Regional Medical Center Everett**  
**Projected 2017 through 2022 – Revised for Charity Care**

	Phase 1	Phase 2	
	2017	2018	2019
Net Revenue	\$714,625,056	\$727,577,449	\$741,132,062
Total Expenses	\$693,729,105	\$700,373,411	\$707,747,085
<b>Net Profit / (Loss)</b>	<b>\$20,895,951</b>	<b>\$27,204,038</b>	<b>\$33,384,977</b>

	Phase 3		
	2020	2021	2022
Net Revenue	\$756,142,241	\$770,463,943	\$785,170,406
Total Expenses	\$716,944,663	\$722,469,743	\$727,999,773
<b>Net Profit / (Loss)</b>	<b>\$39,197,578</b>	<b>\$47,994,200</b>	<b>\$57,170,633</b>

As shown in Table 12 above, even with the increase in charity care dollars, PRMCE would operate at a profit with the 70-bed addition.

To assist the department in its evaluation of this sub-criterion, staff from the Department of Health’s HFCC Program<sup>14</sup> also provided a financial analysis. To determine whether Providence would meet its immediate and long range capital costs, the HFCC Program reviewed Providence’s historical and projected financial statements. The information is shown below:

*“Providence’s CN capital expenditure for the 70 acute care bed expansion is projected to be \$32,160,158. The funding will come from existing reserves of Providence Health & Services (PH&S).”*

*Below is a summary of the balance sheets from the application.*

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<sup>14</sup> Effective July 1, 2016, the hospital financial and cost containment analyses are provided by the Hospital/Financial and Charity Care Program within the Department of Health’s Office of Community Health Systems.

PRMCE FY 2016 Actual			
Assets		Liabilities	
Current	193,896,080	Current	65,559,541
Board Designated	16,153,602	Long Term Debt	417,714,058
Property/Plant/Equipment	476,512,496	Other	1,460,022
Other	43,187,840	Equity	245,016,398
Total	729,750,018	Total	729,750,019
Fiscal Year End Financial and Utilization Report to WA ST Dept. of Health			
Providence Health & Services FY 2015			
Assets		Liabilities	
Current	3,288,885,000	Current	2,328,030,000
Board Designated	5,297,564,000	Long Term Debt	3,729,795,000
Property/Plant/Equipment	6,580,860,000	Other	1,646,804,000
Other	572,968,000	Equity	8,035,648,000
Total	15,740,277,000	Total	15,740,277,000

*PRMCE's 2016 balance sheet shows Board Designated Assets at the facility-level are not sufficient to fund this project, but the applicant stated that reserves of the parent entity, PH&S, would be used. A review of the parent organization's balance sheets indicate that it has the assets to fund this project from reserves.*

*I have also reviewed various ratios' that can give a snapshot of the financial health of PRMCE and PH&S as of 2016. Also detailed are the three years following completion of the project. The applicant did not provide facility-specific balance sheets for future years, so ratios that use those numbers are not included. Statewide 2015 ratios are included as a comparison and are calculated from all community hospitals in Washington State whose fiscal year ended in that year. The data is collected by the Washington State Dept. of Health Community Health Systems section of the Health Systems Quality Assurance division. Below is a table showing the results.*

*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.*

*CON year 8 (eighth year of the overall project, third year following addition of the final beds) fiscal year end ratios for PRMCE are within acceptable range of the 2015 State average. The hospital is breaking even in each year of the projections.*

PRMCE				Actual	2021	2022	2023
Ratio Category	Trend	State 15	PH&S 15	PRMCE16	CONy6	CONy7	CONy8
Long Term Debt to Equity	B	0.461	0.464	1.705	n/a	n/a	n/a
Current Assets/Current Liabilities	A	3.201	1.413	2.958	n/a	n/a	n/a
Assets Funded by Liabilities	B	0.387	0.385	0.662	n/a	n/a	n/a
Operating Expense/Operating Revenue	B	0.943	0.982	0.983	0.925	0.915	0.904
Debt Service Coverage	A	5.408	2.163	3.199	5.093	5.452	5.842
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 Interest Exp/Current Mat. LTD and Interest						

*Review of the financial and utilization information show that the immediate and long-range capital expenditure as well as the operating costs can be met.” [source: HFCC Analysis pp2-3]*

Based on the information above, 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.

Providence Health & Services – Washington

The capital expenditure associated with the addition of 70 acute care beds at PRMCE is \$32,160,158. A breakdown of the capital expenditure is shown below in Table 13 [source: application p47]

**Table 13  
Providence Regional Medical Center Everett  
Estimated Capital Expenditure Breakdown**

<b>Item</b>	<b>Cost</b>
Construction Costs	\$20,176,601
Moveable Equipment	\$3,530,630
Fixed Equipment	\$1,424,578
Architect and Engineering Fees	\$3,061,834
Consulting Fees	\$144,743
Supervision and Inspection	\$621,141
Washington State Sales Tax	\$2,977,953
Permits and Regulatory Review	\$222,678
<b>Total</b>	<b>\$32,160,158</b>

Since PRMCE is currently operational with 453 general acute care beds, no start-up costs are required. [source: Application p49]

Providence provided a letter from ‘Cumming’ a contractor in Seattle attesting that the costs for construction, equipment, and fees identified above are reasonable. [source: Application Exhibit 15]

Providence stated that no changes in costs or charges for acute care services at PRMCE are anticipated. [source: Application, p52]

#### Public Comment

None

#### Rebuttal

None

#### Department Evaluation

Providence provided a letter from a contractor, attesting that the construction estimate within the application is reasonable. The spaces in which the new beds will be placed are currently shelled, unused areas. PRMCE would continue full operations during the construction required to add the 70 beds. As a result, no start-up costs are required.

In the financial review, HFCC Program confirmed that the rates proposed by Providence for PRMCE are similar to Washington statewide averages. [source: HFCC Program analysis p4]

Providence stated under WAC 246-310-220(1) that the payer mix is not expected to significantly change with the additional beds at PRMCE. Further, Providence stated that all assumptions related to costs and charges are based on current rates at PRMCE with no proposed changes.

Based on the above information, the department concludes that the addition of 70 acute care beds at PRMCE would probably not have an unreasonable impact on the costs and charges for healthcare services in Central Snohomish County. **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.

#### Providence Health & Services – Washington

The capital expenditure associated with the addition of 70 acute care beds at PRMCE is \$32,160,158. [source: Application, p47]

Providence intends to fund the project using cash reserves and provided a letter of financial commitment from the Vice President of Finance Operations in Western Washington. In

addition to the financial commitment letter, Providence provided its audited financial statements for fiscal years 2012 through 2015 to demonstrate it has sufficient reserves to finance the project. [source: Application, Exhibits 16 & 19]

Public Comment

None

Rebuttal

None

Department Evaluation

After reviewing the balance sheet, the HFCC Program made the following conclusion:

*“The CN project capital expenditure is \$32,160,158. Providence Health & Services will use existing reserves. This investment represents 0.2% of total assets, and only .6% of Board Designated Assets of the parent organization as of 2015. The financing methods used are appropriate business practice.”* [source: HFCC Analysis p4]

If this project is approved, the department would attach a condition requiring Providence to finance the project consistent with the financing description in the application. With the financing condition, the department concludes **this sub-criterion is met.**

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

Based on the source information reviewed and agreement to the conditions identified in the conclusion section of this evaluation, the department determines that Providence Health & Services – Washington met the applicable structure and process (quality) of care criteria in WAC 246-310-230.

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

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

Providence Health & Services – Washington

PRMCE currently provides acute care services with 453 licensed general acute care beds, 19 level II rehabilitation beds, 13 Level II NICU bassinets, and 16 NICU Level III bassinets, for a facility total of 501 beds. With the addition of 70 acute care beds, PRMCE would be licensed and operating as a 571-bed acute care hospital beginning in January 2020. [source: DOH Licensing Data, PRMCE website]

Table 14 below provides a breakdown of current and projected FTEs (full time equivalent employees) for the hospital. Current year is 2017; projected years are 2018 through 2022,

which is the third year following completion of the project. [source: Application p52, January 6, 2017 screening response p6]

**Table 14**  
**Providence Regional Medical Center Everett**  
**Current and Proposed FTEs for Years 2017-2022**

	<b>2017 current</b>	<b>2018 increase</b>	<b>2019 increase</b>	<b>2020 increase</b>	<b>2021 increase</b>	<b>2022 increase</b>
Management Physicians	1.9	0.0	0.0	0.0	0.0	0.0
RNs	973.0	9.2	21.9	36.5	50.2	64.3
Physicians	1.4	0.0	0.0	0.0	0.0	0.0
Non Physician Medical Practitioners <sup>15</sup>	7.1	0.0	0.0	0.0	0.0	0.0
Other/Support <sup>16</sup>	1,574.4	26.6	39.3	53.9	67.6	81.7
Non Productive <sup>17</sup>	303.1	4.3	7.3	10.7	14.0	17.4
Agency FTEs <sup>18</sup>	54.6	0.5	1.2	2.0	2.9	3.6
<b>Total Added</b>	<b>--</b>	<b>40.6</b>	<b>69.7</b>	<b>103.1</b>	<b>134.7</b>	<b>167.0</b>
<b>Total</b>	<b>2,915.5</b>	<b>2,965.7</b>	<b>3,006.1</b>	<b>3,050.8</b>	<b>3,093.7</b>	<b>3,137.4</b>

In addition to the information in the table above, Providence provided the following statements related to this sub-criterion.

*“We do not anticipate any staffing challenges. PRMCE has an excellent reputation and history of being able to retain and recruit appropriate personnel. PRMCE offers a competitive wage scale, a generous benefit package, and a professionally rewarding work setting.*

*Providence has multiple resources available to assist with the identification and recruitment of appropriate and qualified personnel:*

- *Experienced recruitment teams locally and within Providence to recruit qualified manpower;*
- *Strong success in recruiting for critical to fill positions with recruiters that offer support on a national level as well as local level;*
- *Career listings on the Providence Web site and job postings on multiple search engines and listing sites (e.g. Indeed, Career Builders, Monster, NW Jobs);*
- *Educational programs with local colleges and universities as well as the University of Great Falls Bachelor of Science in Nursing program (operated by Providence).*

*Each of these factors has contributed to the ability to maintain a highly qualified employee and management base.”* [source: Application p58]

<sup>15</sup> Physician Assistants

<sup>16</sup> Patient Services Representatives, front desk staff, medical assistants, managers, and supervisors

<sup>17</sup> Representative of time FTEs spend on paid time off

<sup>18</sup> FTE hours “charged by other agency providers” to PRMCE

“PRMCE is actively involved in the training of future health care personnel. As noted in Table 35 PRMCE partners with many educational institutions throughout the Puget Sound to serve as a training site for students from various disciplines who wish to prepare themselves for a future in a healthcare related field. Students enrolled in the training programs do a portion of their training at PRMCE.

PRMCE partners with COPE Health Scholars to provide a practical, hands-on clinical experience for college students and graduates. These students rotate through many clinical departments, such as medical/surgical, emergency department, children's center and others. This clinical experience gives participants exposure needed to advance to professional schools and obtain jobs in health care related fields.

These training programs provide a large pool of new health care professionals to the community and serve as an ongoing source for recruiting new personnel to PRMCE.

<b>Education Area</b>	<b>School Name</b>	<b>Program</b>	<b>Approx. Students/Year</b>
<i>Dietary</i>	<i>Bastyr University</i>	<i>RD Dietetic Internships</i>	<i>1</i>
	<i>Sea Mar Community Health</i>	<i>RD Dietetic Internships</i>	<i>1</i>
	<i>SodexoHo Distance Ed.</i>	<i>RD Dietetic Internships</i>	<i>1</i>
	<i>University of Washington</i>	<i>Dietetic Internships</i>	<i>1</i>
<i>Behavioral Health</i>	<i>Argosy University</i>	<i>Doctorate, Psychology</i>	<i>2</i>
	<i>Seattle Pacific University</i>	<i>Doctorate, Psychology</i>	<i>2</i>
<i>Imaging</i>	<i>Bellingham Technical</i>	<i>Rad Tech (ARRT)</i>	<i>32</i>
	<i>Seattle Pacific University</i>	<i>Ultrasound (ARDDMS)</i>	<i>4</i>
<i>Integrative Med</i>	<i>Bastyr University</i>	<i>Doctorate, Acupuncture</i>	<i>9</i>
<i>Laboratory</i>	<i>Edmonds CC*</i>	<i>Phlebotomy</i>	<i>5</i>
	<i>Everett CC*</i>	<i>Phlebotomy</i>	<i>5-8</i>
<i>Nursing</i>	<i>Bellevue CC*</i>	<i>RN Refresher</i>	<i>5</i>
	<i>Everett CC*</i>	<i>AA in Nursing</i>	<i>251</i>
	<i>Lake Washington Technical</i>	<i>Nursing</i>	<i>10</i>
	<i>North Seattle CC*</i>	<i>AA in Nursing</i>	<i>103</i>
	<i>Northwest University</i>	<i>BS in Nursing</i>	<i>57</i>
	<i>Seattle Pacific University</i>	<i>BS in Nursing</i>	<i>58</i>
	<i>Shoreline CC*</i>	<i>AA in Nursing</i>	<i>69</i>
	<i>University of WA – Bothell</i>	<i>BS in Nursing</i>	<i>45</i>
<i>Oncology</i>	<i>Bellevue CC*</i>	<i>Radiation Therapy</i>	<i>1-3</i>
	<i>Boston University</i>	<i>MSW</i>	<i>2</i>
<i>Pharmacy</i>	<i>Creighton University</i>	<i>Doctorate of Pharmacy</i>	<i>1-2</i>
	<i>Edmonds CC</i>	<i>Pharmacy Tech</i>	<i>1</i>
	<i>Everest Technical College</i>	<i>Pharmacy Tech</i>	<i>1-2</i>
	<i>North Seattle CC*</i>	<i>Pharmacy Tech</i>	<i>1</i>
	<i>Pima Technical College</i>	<i>Pharmacy Tech</i>	<i>1</i>
	<i>Skagit CC*</i>	<i>Pharmacy Tech</i>	<i>1</i>

<i>Education Area</i>	<i>School Name</i>	<i>Program</i>	<i>Approx. Students/Year</i>
	<i>University of Washington</i>	<i>Doctorate of Pharmacy</i>	<i>10-15</i>
	<i>Washington State University</i>	<i>Doctorate of Pharmacy</i>	<i>1-2</i>
<i>Surgery</i>	<i>Renton Technical College</i>	<i>Surgery Technicians</i>	<i>3-4</i>

\*CC = Community College  
[source: Application pp58-60]

Public Comment

Out of ten letters of support for this project, two spoke specifically to this sub-criterion, below:

Greg Sanders, Program Director – Sea Mar Family Medicine Residency:

*“In June we will be launching our new Family Medicine Residency program. We have worked collaboratively with PRMCE to establish our Inpatient Medicine and Emergency Medicine rotations. As a result the increase in acute care beds will lend itself to greater educational opportunities for this unopposed program. The residency program will spend time in the community becoming familiar with the patient population that they may someday treat. Statistics show that a high percentage of residency graduates stay and work within the surrounding area of their training clinic/CHC to help address the limited access to primary care patients.”* [source: Sea Mar public comment]

David Beyer, Ph.D., President – Everett Community College

*“On behalf of Everett Community College, I am pleased to offer support of Providence Regional Medical Center Everett's application for a Certificate of Need to increase acute care bed capacity by 70 beds. PRMCE and the College serve the Snohomish County area and share the mission to provide service to the entire population, in particular those that are in most need.*

*“PRMCE and the College have partnered to ensure quality healthcare programs are available in our communities. The College has an excellent nursing program and PRMCE provides resources to that program as well as clinical experiences for nursing students. Additionally, the Providence Everett Healthcare Clinic, which provides healthcare services to our students as well as to the community, is located on the campus of Everett Community College.”* [source: Everett Community College public comment]

Rebuttal

None

Department Evaluation

PRMCE is currently operational with 453 general acute care beds, and 501 beds total. In year 2017, 6 additional acute care beds are expected to become operational, for a facility total of 459 general acute care beds and 507 beds total. In In year 2018, 32 additional acute care beds are expected to become operational, for a facility total of 491 general acute care beds and 539 beds total. In year 2020, a further 32 acute care beds are expected to become

operational, for a facility total of 491 general acute care beds and 571 beds total Under this timeline, full calendar year one for the complete project is 2020 and full year three is 2022.

Staffing for PRMCE is based on the projected occupancy of 74.5% in year one; 74.0% in year two; and 75.9% in year three. As noted in Table 14 Providence intends to increase FTEs proportionately with the increased occupancy of PRMCE. For years 2017 through 2022, an additional 167 FTEs would be needed at PRMCE. Key staff for the hospital is already in place.

Providence intends to use the strategies for recruitment and retention of staff it has successfully used in the past to staff this project. The strategies identified by Providence are consistent with those of other applicants reviewed and approved by the department.

Information provided in the application demonstrates that Providence is a well-established provider of healthcare services in Snohomish County. Based on the above information provided by the applicant and public comment, the department concludes that Providence has the ability and expertise to recruit and retain a sufficient supply of qualified staff for this project. **This sub-criterion is met.**

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

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

#### Providence Health & Services – Washington

Providence provided the following statement related to this sub-criterion:

*“PRMCE is an existing acute care hospital providing high quality patient services which includes appropriate ancillary and support services. PRMCE has expanded ancillary services that ensure efficiency and access to state-of-the-art diagnostic and therapeutic services to serve all patients in the best possible manner. The existing ancillary and support services will support the additional bed capacity.”* [source: Application p60]

Providence also provided a list of ancillary and services that are provided on-site. [source: January 6, 2017 screening response p6]

- *Distribution*
- *Linen*
- *Housekeeping*
- *Dietary I Food Services*
- *Imaging services*
- *Laboratory*
- *Pharmacy*
- *Emergency Department*
- *Surgery*

Public Comment

None

Rebuttal

None

Department Evaluation

Providence has been providing acute care services at PRMCE in Everett since 1905 and all ancillary and support services are already in place. This project proposes the addition of 70 general acute care beds. Providence does not expect the existing ancillary and support services to change with the added beds.

Based on the information reviewed in the application, the department concludes that there is reasonable assurance that Providence will continue to maintain the necessary relationships with ancillary and support services with additional 70 beds at PRMCE. The department concludes that approval of 70 acute care beds at PRMCE would not negatively affect existing healthcare 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.

Providence Health & Services – Washington

Providence provided the following statement related to this sub-criterion.

*“PRMCE has no history of criminal convictions related to ownership/operation of a health care facility, licensure revocations or other sanctions described in WAC 246-310-230 (5)(a). (Note: the above WAC has been re-codified as WAC 246-310-230.) Patient care at PRMCE is and will continue to be provided in conformance with all applicable federal and state requirements.”* [source: Application p62]

*“PRMCE is licensed by the State of Washington Department of Health, is Medicare certified and accredited by the Joint Commission. PRMCE also participates in a variety of other accreditation, licensure and certification reviews by external agencies (such as the American College of Radiology, American College of Surgeons Commission on Cancer, Commission on Accreditation of Rehabilitation Facilities, etc.) This activity is part of our efforts to meet the expectations and requirements of customers to exceed external standards. PRMCE also uses national and regional benchmarking to set annual quality and safety goals for the delivery of patient care.”* [source: Application pp62-63]

Public Comment

None

Rebuttal

None

Department Evaluation

As part of this review, the department must conclude that the proposed services provided by an applicant would be provided in a manner that ensures safe and adequate care to the public.<sup>19</sup> To accomplish this task, the department reviewed the quality of care compliance history for all healthcare facilities owned, operated, or managed by Providence or its subsidiaries. The department also reviewed the compliance history of a random selection of facilities and agencies owned, operated by, or affiliated with Providence outside of Washington State.<sup>20</sup>

Providence Health and Services – Washington is part of Providence St. Joseph Health, which is one of the largest not-for-profit healthcare systems in the United States. Providence operates several healthcare facilities and services nationwide through a number of subsidiaries. Its Washington facilities are operated under the Providence Health and Services – Washington subsidiary. [sources: Application, pp7-8; January 6, 2017 screening response p1]

Washington State Facilities

Using the department’s internal database, the department reviewed survey data for the 25 licensed facilities and agencies owned by, affiliated with, or operated by Providence in Washington State. This includes 13 hospitals<sup>21</sup>, one ambulatory surgery center, and eleven in-home services agencies – shown below in Table 15. [source: Department of Health Office of Investigation and Inspection]

**Table 15  
Providence Facilities and License Status**

<b>Licensee</b>	<b>License Number</b>	<b>Surveys since 2014</b>	<b>Substantially Compliant?</b>
<b>Hospitals</b>			
Providence Centralia Hospital	HAC.FS.00000191	1	yes
Providence Holy Family Hospital	HAC.FS.00000139	2	yes
Providence Mount Carmel Hospital	HAC.FS.00000030	1	yes
Providence Regional Medical Center Everett	HAC.FS.00000084	1	yes

<sup>19</sup> WAC 246-310-230(5)

<sup>20</sup> Affiliates outside of Washington State include all St Joseph Health facilities and agencies. Providence and St Joseph Health – a California-based nonprofit healthcare system – announced their affiliation on July 6, 2016. [source: [www.stjhs.org/newsroom.aspx](http://www.stjhs.org/newsroom.aspx)]

<sup>21</sup> Providence directly owns and operates eight hospitals in Washington State. The five additional hospitals listed include Kadlec Regional Medical Center and four Swedish hospitals. Swedish and Providence affiliated in 2012. Kadlec and Providence affiliated in 2014. [source: Certificate of Need historical files]

Licensee	License Number	Surveys since 2014	Substantially Compliant?
Providence Sacred Heart Medical Center and Children's Hospital	HAC.FS.00000162	0	yes
Providence St Josephs Hospital	HAC.FS.00000194	1	yes
Providence St Mary Medical Center	HAC.FS.00000050	1	yes
Providence St Peter Hospital	HAC.FS.00000159	1	yes
Kadlec Regional Medical Center	HAC.FS.00000161	2	yes
Swedish Edmonds	HAC.FS.60183546	2	yes
Swedish Medical Center - Cherry Hill	HAC.FS.60329940	1	yes
Swedish Medical Center - First Hill	HAC.FS.00000001	1	yes
Swedish Medical Center - Issaquah Campus	HAC.FS.60256001	1	yes
<b>Ambulatory Surgery Center</b>			
Providence Surgery and Procedure Center (Spokane)	ASF.FS.60475161	1	yes
<b>In-Home Service Agencies</b>			
Providence DominiCare	IHS.FS.60259664	1	yes
Providence Elder Place	IHS.FS.00000415	1	yes
Providence Home Services	IHS.FS.00000419	1	yes
Providence Hospice*	IHS.FS.60201476	2	yes
Providence Hospice and Home Care of Snohomish County*	IHS.FS.00000418	3	yes
Providence Hospice of Seattle*	IHS.FS.00000336	2	yes
Providence Infusion and Pharmacy Services	IHS.FS.00000417	1	yes
Providence Infusion and Pharmacy Services	IHS.FS.60344780	1	yes
Providence SoundHomeCare and Hospice	IHS.FS.00000420	2	yes
Providence St Mary Home Health	IHS.FS.00000446	2	yes
Providence VNA Home Health	IHS.FS.00000467	2	yes

\* indicates a Medicare/Medicaid certified hospice agency

Assisted Living Facilities and Skilled Nursing Facilities are licensed through the Department of Social and Health Services Aging and Long-Term Support Administration (DSHS ALTSA). Using information from the DSHS ALTSA website, the department reviewed survey data for the five skilled nursing and four assisted living facilities owned by Providence in Washington State. According to the reports found on the website, all nine facilities are in substantial compliance with state regulations and have submitted applicable plans of correction to address survey deficiencies.

Providence and its affiliates operate all across the western United States. The department randomly selected Providence and Providence-affiliated facilities in Montana, California, and Texas to review for their compliance with state and federal standards, shown below:

**Table 16  
Providence and Affiliated Facilities Outside of Washington**

<b>Facility Name</b>	<b>State</b>	<b>Joint Commission?</b>	<b>State Enforcement Action since 2014?</b>
<b>Providence</b>			
St Patrick Hospital	MT	yes	no
Providence St Joseph Medical Center	MT	yes	no
St Joseph Assisted Living Center	MT	n/a <sup>22</sup>	no
Providence Holy Cross Medical Center	CA	yes	no
Providence Little Company of Mary Medical Center San Pedro	CA	yes	no
Providence Little Company of Mary Medical Center Torrance	CA	yes	no
Providence Saint John's Health Center	CA	yes	no
Providence Saint Joseph Medical Center	CA	yes	no
Providence Tarzana Medical Center	CA	yes	no
<b>Providence Affiliate – St Joseph Health</b>			
Santa Rosa Memorial Hospital	CA	yes	yes <sup>23</sup>
Queen of the Valley Medical Center	CA	yes	no
St Joseph Hospital, Eureka	CA	yes	no
Petaluma Valley Hospital	CA	yes	no
Hoag Hospital Irvine	CA	no – DNV <sup>24</sup>	no
Mission Hospital Laguna Beach	CA	yes	no
Mission Hospital Mission Viejo	CA	yes	yes <sup>25</sup>
St Joseph Hospital Orange	CA	yes	yes <sup>26</sup>
St Jude Medical Center	CA	yes	yes <sup>27</sup>
St Mary Medical Center	CA	yes	no
Hoag Hospital Newport Beach	CA	no – DNV	no
St Joseph Home Care	CA	yes	no
Covenant Medical Center	TX	yes	no
Covenant Children’s Hospital	TX	yes	no
Covenant Health Levelland	TX	no	no
Covenant Health Plainview	TX	no	no

As shown above, out-of-state Providence facilities have demonstrated compliance with applicable state and federal regulations. Aside from one action noted above at Saint Jude

<sup>22</sup> The Joint Commission does not accredit or certify assisted living centers.

<sup>23</sup> Seven enforcement actions related to the facility’s failure to report breach of information. Fines paid in full for all closed cases.

<sup>24</sup> “DNV” = Det Norske Veritas – an accrediting agency with CMS deeming authority, similar to the Joint Commission. [source: <http://dnvglhealthcare.com>]

<sup>25</sup> Three enforcement actions related to patient care and a “Breach to person/entity outside facility/hc system.” Fines paid in full.

<sup>26</sup> Two enforcement actions related to patient care. Fines paid in full.

<sup>27</sup> One enforcement action related to “retention of a foreign object in a patient.” Fine paid in full.

Medical Center, all citations against Providence-affiliated facilities happened prior to the affiliation of the two healthcare networks. No evidence on any of the state licensing websites indicated that any of the above facilities have ever been closed or decertified from participation in Medicare or Medicaid as a result of compliance issues.

Based on the above information, the department concludes that Providence demonstrated reasonable assurance that PRMCE would continue to operate in compliance with state and federal requirements if this project is approved. **This sub criterion is met.**

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

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

#### Providence Health & Services – Washington

Providence provided the following information related to this sub-criterion:

*“PRMCE has developed long-term collaborative relationships with other providers to expand program offerings and ensure access and continuity of appropriate care for residents of Snohomish County and the other surrounding communities served by PRMCE. PRMCE coordinates patient access to other Providence entities as well as community providers to ensure continuity of care during hospital discharge to other levels of care as well as when other facilities need to transfer patients to PRMCE for more advanced care. Those providers include hospitals, hospice, home care, long-term care facilities, psychiatric care, assisted living and other providers. These collaborations and referral patterns will continue. Some of the examples include:*

- *Providence Hospice and Home Care of Snohomish County (PHHC) and PRMCE are both part of Providence and have a close working relationship. PHHC operates a 16 bed hospice care center on the PRMCE Colby campus for terminally-ill patients who need general inpatient level of care. PRMCE is able to move appropriate patients from PRMCE inpatient units to the Hospice Care Center.*
- *Bethany of the Northwest, a transitional care provider, is located on the PRMCE Pacific Campus, which enhances continuity of care for long term care patients.*
- *Fairfax Hospital Everett, which operates an adult general psychiatric hospital, is also located on the PRMCE Pacific Campus.*
- *Puget Sound Kidney Center (PSKC) and PRMCE have a transfer agreement in place for patients from PSKC that require inpatient care. In addition, PSKC provides inpatient dialysis for the PRMCE inpatients needing that care.*
- *Transfer agreements are in place with area hospitals and medical groups including Whidbey General Hospital, Peace Health St. Joseph, Skagit Valley Hospital,*

*Community Health Center, Northwest Weight Loss Surgery, The Everett Clinic, DaVita, Western Washington Medical Group, Everett Bone and Joint, and Swedish Mill Creek Freestanding Emergency Department when they need to move their patients to PRMCE for a higher level of care.*

- *The Everett Gospel Mission and PRMCE collaborate to provide emergent, temporary, and some extended term housing for homeless individuals who have a medical need for rest.* [source: Application p61]

*“PRMCE is an existing acute care hospital with a long history of providing high quality patient care. To assist patients and families with obtaining appropriate post-hospital care that will assure continuity of care, discharge planning will be provided to facilitate timely and appropriate discharge of patients. Policies and procedures are in place to assure coordination and a referral system that assures patients receive appropriate care.”* [source: Application p60]

Providence provided the associated Transition Planning Referral Policy. [source: Application Exhibit 20]

#### Public Comment

The department received ten letters of support for this project. Out of the ten, three spoke to the requirements under this sub-criterion.

#### Greg Sanders, Program Director – Sea Mar Family Medicine Residency:

*“Sea Mar in Snohomish County collaborates closely with PRMCE to ensure that the residents of our community can get the necessary medical care in the right setting at the right time. However, PRMCE is at a point where they simply do not have any additional inpatient capacity to care for the population growth that is expected in Snohomish County. An increase in the number of inpatient beds is not only important to PRMCE, but is necessary for Sea Mar to ensure continuity of care of our patients.*

*“On behalf of Sea Mar, I urge you to approve PRMCE's request for the addition of 70 acute care beds.”* [source: Sea Mar public comment]

#### Christopher Knapp, CEO – The Everett Clinic

*“The Everett Clinic has more than 500 providers and 322,000 active patients within Snohomish County. The expansion of the number of acute care beds available is important to The Everett Clinic's ability to continue to serve our patients. I encourage the Certificate of Need program to approve PRMCE's application for 70 new acute care beds. This will allow PRMCE and The Everett Clinic to continue to provide high quality healthcare to the residents of Snohomish County.”* [source: Everett Clinic public comment]

#### Gary Goldbaum, MD, MPH, Health Officer & Director – Snohomish Health District

*“As the Health Officer and Director of the Snohomish Health District, I have worked with Providence Regional Medical Center Everett for ten years. I know how important PRMCE's services are to this area and I support their Certificate of Need application seeking approval for the addition of 70 licensed acute care beds.*

*Since 1959, Snohomish Health District has provided a wide range of programs and services that protect and promote the public health. In everything we do, we seek to engage in partnerships with others in the community, and our work with PRMCE over the years is an example of truly engaged community partners.*

*We view the Health District's programs as a first line of defense to prevent any widespread outbreak of illness from occurring in our area. But we also know that PRMCE is the health care safety net for this area and that, in addition to being the everyday, day-and-night acute and tertiary care provider, it is one of the designated hubs for critical response medical care in the event of a pandemic or natural disaster. The current influenza epidemic proves the need for additional capacity, as PRMCE cared for all who needed care and accepted transfers from other community hospitals to ensure care was provided even on days when PRMCE was at capacity.*

*Given that, and given that PRMCE is already operating regularly at very high inpatient volumes, it's clear that additional beds will be needed as Snohomish County continues to grow and the average age of our population continues to increase.” [source: Snohomish Health District public comment]*

#### Rebuttal

None

#### Department Evaluation

The letters sent by Sea Mar, The Everett Clinic, and the Snohomish Health district provide valuable perspectives related to this sub-criterion. The excerpts above demonstrate the importance of PRMCE’s ability to partner with community resources, and their availability to coordinate during public health emergencies.

Information in the application demonstrates that as a long-time provider of acute care services, PRMCE has the infrastructure in place to expand its beds.

As the only acute care hospital in Everett and with its Level II Adult Trauma designation, patients come to PRMCE with a variety of diagnoses and acuities. The additional acute care beds will allow PRMCE to continue to provide the necessary care to these patients. PRMCE also holds accreditation with the Joint Commission, which also requires referral relationships to ensure a continuum of care necessary for patients.

Based on the information provided in the application, the department concludes there is reasonable assurance that this project will continue to promote continuity in the provision of health care services in the community with additional medical/surgical beds at PRMCE.

**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 addressed in sub-section (3) above and **is met**.

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

Based on the source information reviewed and agreement to the conditions identified in the conclusion section of this evaluation, the department determines that Providence Health & Services – Washington met the applicable cost containment criteria in WAC 246-310-240.

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

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

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

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

Step One:

For this project, Providence Health & Services – Washington met the applicable review criteria under WAC 246-310-210, 220, and 230. Therefore, the department moves to step two below.

Step Two:

Providence Health & Services – Washington

Providence provided discussion of 5 alternatives to the proposed project, described on the following page:

*“PRMCE considered several alternatives for the request to add 70 acute care beds including: 1) build out a shelled floor in the D Wing; (2) utilize existing 4th Floor A Wing Observation unit for acute care beds; (3) remodel two floors (3rd and 4th floors) in B Wing; (4) build out two shelled floors in the D Wing; and (5) do nothing. The decision-making criteria included maximizing quality of patient care, including creating available bed capacity; minimizing capital and operating costs/inefficiencies; and optimizing community and regional access to services at PRMCE. PRMCE selected a combination of option one and option two as the appropriate choice for bed expansion as it provides the most operational efficiencies, maximizes the quality of patient care and meets the bed demand through 2022.” [source: Application p64]*

#### Public Comment

None

#### Rebuttal

None

#### Department Evaluation

Information provided in the application and within public comments demonstrates that there is need for additional acute bed capacity in Central Snohomish County. The public comments related to lack of bed capacity supports that a “do nothing” option was appropriately ruled out by the applicant. Providence rejected options 3 and 4, as these options were too expensive and offered too many beds, respectively.

As stated above, Providence ultimately selected a combination of options 2 and 3, for a total of 70 beds. This number is consistent with the number of beds projected in PRMCE’s numeric need methodology.

The department did not identify any alternative that was a superior alternative in terms of cost, efficiency, or effectiveness that is available or practicable.

Taking into account the public comments related to need for additional acute care beds at PRMCE and the options considered by Providence, the department concurs that a 70-bed expansion at PRMCE is reasonable and the best available option for the planning area and surrounding communities. **This sub-criterion is met.**

#### Step Three

This step is applicable only when there are two or more approvable projects. Providence’s application is the only application under review to add acute care beds in Snohomish County. Therefore, this step does not apply.

#### (2) In the case of a project involving construction:

(a) The costs, scope, and methods of construction and energy conservation are reasonable;

Providence Health & Services – Washington

Providence provided the following statement in response to this sub-criterion:

*“PRMCE will design the expansion in accordance with the standards contained within the Washington State licensing rules and the Facility Guidelines Institute's "Guidelines for Design and Construction of Hospitals and Outpatient Facilities".*

*“Providence ensures that all construction projects meet the Washington State Building Code and the Washington Energy Code. Additionally, the energy conservation program ensures all construction projects are evaluated for alternative electrical and mechanical systems incorporating energy use reduction technology. Providence endeavors to exceed energy codes where it is affordable to do so, in the interest of reducing ongoing operating costs.”* [source: Application p68]

Public Comment

None

Rebuttal

None

Department Evaluation

As a part of its analysis, HFCC provided the following statements regarding the construction costs, scope, and method:

*“The costs of the project are the cost for construction, planning and process. PRMCE’s projections are below.*

<b>PRMCE</b>	
Total Capital	\$ 32,160,158
Beds/Stations/Other (Unit)	70
Total Capital per Unit	\$459,430.83

*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. PRMCE is using existing space as well as building out existing shelled space and will construct the facility to the latest energy and hospital standards.*

*Staff is satisfied the applicant plans are appropriate.”* [source: HFCC Analysis p5]

Based on the information provided in the application, the demonstrated need for additional acute care beds at PRMCE, and the analysis from HFCC, the department concludes **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.

Providence Health & Services – Washington

Providence provided a letter from ‘Cumming’ a contractor in Seattle attesting that the costs for construction, equipment, and fees identified above are reasonable. [source: Application Exhibit 15]

Providence stated that no changes in costs or charges for acute care services at PRMCE are anticipated. [source: Application, p52]

Public Comment

None

Rebuttal

None

Department Evaluation

As part of its analysis, HFCC provided the following statements related to this sub-criterion.

*“Staff is satisfied that adding 70 acute care beds servicing a bed need area which has bed need and where the population is growing in number will not have an unreasonable impact of the costs and charges to the public of providing services by other persons.”* [source: HFCC Analysis p5]

This project involves construction by completing shelled-in space at PRMCE. With need for additional acute care beds at PRMCE and the assumptions related to the costs and charges discussed under the Financial Feasibility section of this evaluation, the department does not anticipate this project would have an unreasonable impact on the costs and charges to the public. Therefore, the department concludes **this sub-criterion is met.**

- (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.

Providence Health & Services – Washington

Providence provided the following information related to this sub-criterion. [source: Application p67]

*“PRMCE continually looks for ways to improve patient care, operational efficiency and patient throughput. PRMCE has implemented several operational initiatives over the last several years in order to create additional capacity and ensure patients are in the right care setting at the right time without expanding licensed acute care beds. These improvements had a positive impact by opening up capacity temporarily. However, the demand for services*

*continues to increase and these initiatives are no longer enough to allow PRMCE to fulfill the demand for inpatient services.*

*Placement of the additional 70 beds in the existing patient care towers are the most effective for staff efficiency and productivity. Designing the 9th floor in the same configuration of the other floors in the D Wing allows for staff flexibility and efficiency in patient flow and throughput. The D Wing was designed with significant caregiver and patient input and as a result, it is highly efficient in the use of staffing resources, supplies and information technology support infrastructure. PRMCE operates at fewer paid staff hours per adjusted admit and adjusted patient days than it did before opening the D Wing in 2011 (see Table 37). Because the bulk of the 70 requested new beds will be in the D Wing, PRMCE anticipates similar efficiencies as those that have been observed:*

Public Comment

None

Rebuttal

None

Department Evaluation

As a part of its analysis, the HFCC provided the following statements related to this sub-criterion:

*“Staff is satisfied that adding 70 acute care beds servicing a bed need area which has bed need and where the population is growing in number will not have an unreasonable impact of the costs and charges to the public of providing services by other persons.*

*Staff is satisfied the project is appropriate and needed.”* [source: HFCC Analysis p5]

This project has the potential to improve delivery of acute care services to the residents of Central Snohomish County and surrounding communities with the addition of 70 beds to PRMCE. The department is satisfied the project is appropriate and needed. **This sub-criterion is met.**

# APPENDIX A

**Central Snohomish County Acute Care Bed Need  
Step 1**

**2007 to 2016 HSA TOTAL NUMBER OF RESIDENT PATIENT DAYS MINUS REHABILITATION PATIENT DAYS**

	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>10-YEAR TOTAL</b>
<b>HSA #1</b>	1,236,804	1,283,791	1,278,317	1,272,789	1,298,227	1,282,023	1,300,706	1,339,663	1,406,654	1,432,521	<b>13,131,495</b>
<b>STATEWIDE TOTAL</b>	1,999,882	2,069,175	2,065,777	2,055,241	2,068,011	2,054,931	2,067,274	2,116,496	2,210,893	2,274,457	<b>20,982,137</b>

**Central Snohomish County Acute Care Bed Need  
Step 2**

**2007 to 2016 HSA TOTAL NUMBER OF RESIDENT PATIENT DAYS MINUS REHABILITATION PATIENT DAYS**

	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>10-YEAR TOTAL</b>
<b>HSA #1</b>	1,236,804	1,283,791	1,278,317	1,272,789	1,298,227	1,282,023	1,300,706	1,339,663	1,406,654	1,432,521	13,131,495
<b>STATEWIDE TOTAL</b>	1,999,882	2,069,175	2,065,777	2,055,241	2,068,011	2,054,931	2,067,274	2,116,496	2,210,893	2,274,457	20,982,137

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**2007 TO 2016 HSA TOTAL NUMBER OF PSYCHIATRIC PATIENT DAYS**

	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>10-YEAR TOTAL</b>
<b>HSA #1</b>	781	1,170	1,826	1,392	1,639	2,911	3,104	9,804	11,700	15,482	<b>49,809</b>
<b>STATEWIDE TOTAL</b>	930	1,255	2,129	1,571	1,916	3,189	3,413	11,129	13,630	18,309	<b>57,471</b>

HSA #1 Hospitals include: BHC Fairfax in Kirkland, BHC Fairfax North in Everett, Fairfax Behavioral Health Monroe in Monroe, Puget Sound Behavioral Health in Tacoma (closed in 2006), Cascade Behavioral Health in Tukwila, Navos (formerly West Seattle Psychiatric Hospital) in Seattle, and Smokey Point Behavioral Hospital in Marysville (not yet operational)

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**2007 to 2016 HSA TOTAL NUMBER OF PATIENT DAYS MINUS REHABILITATION PATIENT DAYS AND PSYCHIATRIC PATIENT DAYS**

	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>10-YEAR TOTAL</b>
<b>HSA #1</b>	1,236,023	1,282,621	1,276,491	1,271,397	1,296,588	1,279,112	1,297,602	1,329,859	1,394,954	1,417,039	<b>13,081,686</b>
<b>STATEWIDE TOTAL</b>	1,998,952	2,067,920	2,063,648	2,053,670	2,066,095	2,051,742	2,063,861	2,105,367	2,197,263	2,256,148	<b>20,924,666</b>

**Central Snohomish County Acute Care Bed Need  
Step 3**

**2007 to 2016 HSA TOTAL NUMBER OF PATIENT DAYS MINUS REHABILITATION PATIENT DAYS AND PSYCHIATRIC PATIENT DAYS**

	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>10-YEAR TOTAL</b>
<b>HSA #1</b>	1,236,023	1,282,621	1,276,491	1,271,397	1,296,588	1,279,112	1,297,602	1,329,859	1,394,954	1,417,039	<b>13,081,686</b>
<b>STATEWIDE TOTAL</b>	1,998,952	2,067,920	2,063,648	2,053,670	2,066,095	2,051,742	2,063,861	2,105,367	2,197,263	2,256,148	<b>20,924,666</b>

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**TOTAL POPULATIONS**

	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>10-YEAR TOTAL</b>
<b>HSA #1</b>	4,068,118	4,133,178	4,198,237	4,263,296	4,288,111	4,312,926	4,337,741	4,362,556	4,387,371	4,434,721	<b>42,786,255</b>
<b>STATEWIDE TOTAL</b>	6,470,767	6,577,951	6,685,134	6,792,318	6,838,294	6,884,271	6,930,247	6,976,224	7,022,200	7,100,155	<b>68,277,562</b>

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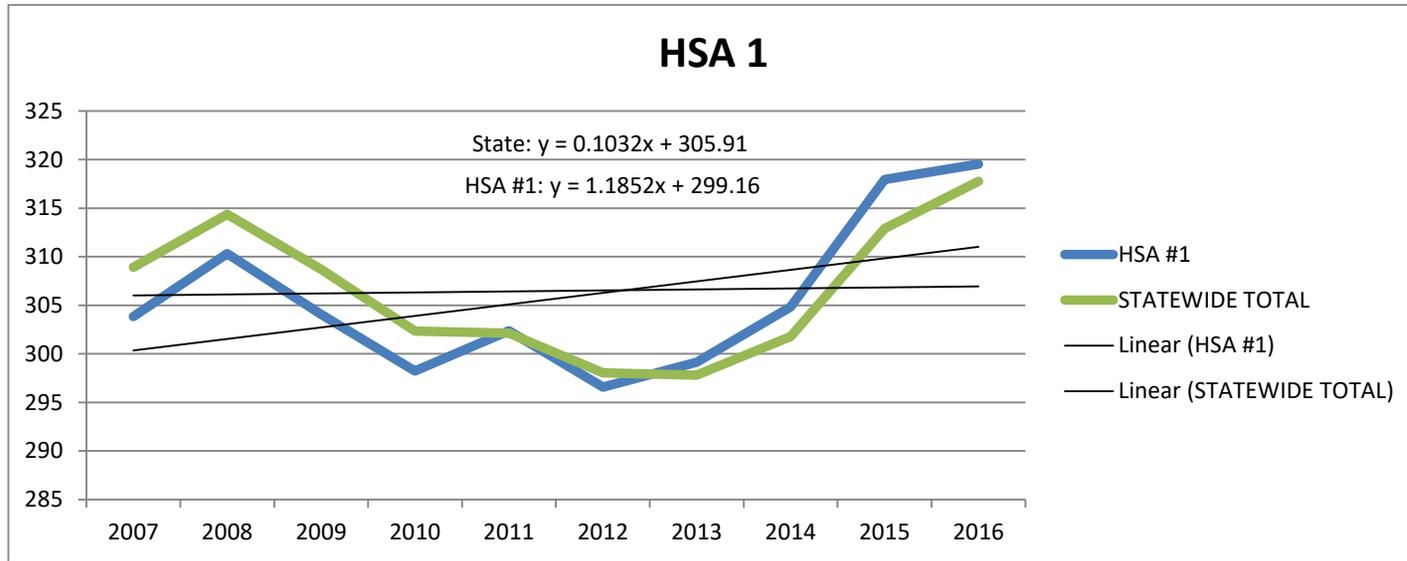
**RESIDENT USE RATE PER 1,000**

	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>10-YEAR TOTAL</b>
<b>HSA #1</b>	303.8316	310.3232	304.0541	298.2193	302.3681	296.5764	299.1423	304.8348	317.9476	319.5329	<b>3056.830277</b>
<b>STATEWIDE TOTAL</b>	308.9204	314.3715	308.6921	302.3519	302.136	298.0333	297.8048	301.7918	312.9024	317.7604	<b>3064.76446</b>

## Central Snohomish County Acute Care Bed Need Step 4

### RESIDENT USE RATE PER 1,000

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	TREND LINE
<b>HSA #1</b>	303.8316	310.3232	304.0541	298.2193	302.3681	296.5764	299.1423	304.8348	317.9476	319.5329	1.1852
<b>STATEWIDE TOTAL</b>	308.9204	314.3715	308.6921	302.3519	302.136	298.0333	297.8048	301.7918	312.9024	317.7604	0.1032



**Central Snohomish County Acute Care Bed Need  
Steps 5 & 6**

**STEP #5  
2016**

**HOSPITAL PATIENT DAYS**

	<b>Total Patient Days in Central Snohomish Hospitals</b>	<b>- Out of State (OOS) Resident Patient Days in Central Snohomish Hospitals</b>	<b>= Total Patient Days in Central Snohomish Hospitals, Minus OOS</b>	<b>%</b>
0-64	71,138		535	70,603 0.75%
65+	57,759		623	57,136 1.08%
<b>TOTAL</b>	<b>128,897</b>		<b>1,158</b>	<b>127,739 0.90%</b>

	<b>Total Patient Days in Washington State Hospitals Minus Central Snohomish</b>	<b>- Out of State (OOS) Resident Patient Days in Washington State Hospitals Minus Central Snohomish</b>	<b>= Total Patient Days in Washington State Hospitals, Minus OOS, Minus Central Snohomish</b>	<b>%</b>
0-64	1,183,848		68,319	1,115,529 5.77%
65+	961,712		42,448	919,264 4.41%
<b>TOTAL</b>	<b>2,145,560</b>		<b>110,767</b>	<b>2,034,793 5.16%</b>

	<b>Total Central Snohomish Resident Patient Days in Central Snohomish Hospitals</b>	<b>+ Total Central Snohomish Resident Patient Days in Other Washington State Hospitals</b>	<b>= Total Central Snohomish Resident Patient Days</b>	<b>+ Central Snohomish Resident Patient Days Provided in Oregon</b>	<b>= Total Central Snohomish Resident Patient Days - All Settings</b>
0-64	41,293		26,916	68,209	71 68,280
65+	33,194		8,684	41,878	74 41,952
<b>TOTAL</b>	<b>74,487</b>		<b>35,600</b>	<b>110,087</b>	<b>145 110,232</b>

	<b>Total Other Washington State Resident Patient Days in Central Snohomish Hospitals</b>	<b>+ Total Other Washington State Resident Patient Days in Other Washington State Hospitals</b>	<b>= Total Other Washington State Resident Patient Days</b>	<b>+ Other Washington State Resident Patient Days Provided in Oregon</b>	<b>= Total Other Washington State Resident Patient Days - All Settings</b>
0-64	29,310		1,088,613	1,117,923	55,390 1,173,313
65+	23,942		910,580	934,522	20,699 955,221
<b>TOTAL</b>	<b>53,252</b>		<b>1,999,193</b>	<b>2,052,445</b>	<b>76,089 2,128,534</b>

## Central Snohomish County Acute Care Bed Need Steps 5 & 6

### MARKET SHARES

#### PERCENTAGES OF PATIENT DAYS

##### CENTRAL SNOHOMISH RESIDENT PATIENT DAYS

	In Central Snohomish Hospitals	In Other Washington State Hospitals	In Oregon Hospitals
0-64	60.48%	39.42%	0.10%
65+	79.12%	20.70%	0.18%

##### OTHER WASHINGTON STATE RESIDENT PATIENT DAYS

	In Central Snohomish Hospitals	In Other Washington State Hospitals	In Oregon Hospitals
0-64	2.50%	92.78%	4.72%
65+	2.51%	95.33%	2.17%

### 2016

#### POPULATION BY PLANNING AREA

	Central Snohomish County	Other Washington State
0-64	282,465	5,784,212
65+	38,805	994,673
<b>TOTAL</b>	<b>321,270</b>	<b>6,778,885</b>

### STEP #6

#### USE RATE BY PLANNING AREA

	Central Snohomish County	Other Washington State
0-64	241.73	202.85
65+	1,081.10	960.34

**Central Snohomish County Acute Care Bed Need  
Step 7A**

**USE RATE BY PLANNING AREA  
2016  
Central Snohomish County**

<b>0-64</b>	<b>241.73</b>
<b>65+</b>	<b>1,081.10</b>

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**PROJECTED POPULATION - CENTRAL SNOHOMISH COUNTY**

<b>PROJECTION YEAR</b>	<b>2023</b>	
<b>0-64</b>		298,890
<b>65+</b>		54,659
<b>TOTAL</b>		353,548

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**PROJECTED USE RATE**

<b>PROJECTION YEAR</b>	<b>2023</b>	
<b>USE RATES</b>		
0-64 Using HSA #1 Trend		250.03
0-64 Using Statewide Trend		<b>242.45</b>
65+ Using HSA #1 Trend		1,089.39
65+ Using Statewide Trend		<b>1,081.82</b>

**Central Snohomish County Acute Care Bed Need  
Step 8**

**PROJECTED USE RATE**

**PROJECTION YEAR                    2023**

**USE RATES**

<b>0-64</b>	242.45
<b>65+</b>	1,081.82

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**PROJECTED POPULATION**

**PROJECTION YEAR                    2023**

<b>0-64</b>	298,890
<b>65+</b>	54,659
<b>TOTAL</b>	<b>353,548</b>

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**PROJECTED NUMBER OF PATIENT DAYS**

**PROJECTION YEAR                    2023**

<b>0-64</b>	72,466
<b>65+</b>	59,131
<b>TOTAL</b>	<b>131,597</b>

**Central Snohomish County Acute Care Bed Need  
Step 9**

**PROJECTED NUMBER OF PATIENT DAYS**

PROJECTION YEAR	2023		
	CENTRAL SNOHOMISH COUNTY RESIDENTS	ALL OTHER WASHINGTON STATE	TOTAL WASHINGTON STATE
0-64	72,466	1,337,945	1,410,411
65+	59,131	1,371,856	1,430,987
<b>TOTAL</b>	<b>131,597</b>	<b>2,709,801</b>	<b>2,841,398</b>

**MARKET SHARE (% PATIENT DAYS FROM STEP 5)**

**CENTRAL SNOHOMISH RESIDENT PATIENT DAYS**

	In Central Snohomish Hospitals	In Other Washington State Hospitals	In Oregon Hospitals
0-64	60.48%	39.42%	0.10%
65+	79.12%	20.70%	0.18%

**OTHER WASHINGTON STATE RESIDENT PATIENT DAYS**

	In Central Snohomish Hospitals	In Other Washington State Hospitals	In Oregon Hospitals
0-64	2.50%	92.78%	4.72%
65+	2.51%	95.33%	2.17%

**PROJECTED RESIDENT PATIENT DAYS BY LOCATION, WITH MARKET SHARE ASSIGNED**

**CENTRAL SNOHOMISH RESIDENT PATIENT DAYS**

	In Central Snohomish Hospitals	In Other Washington State Hospitals	In Oregon Hospitals
0-64	43,825	28,566	75
65+	46,786	12,240	104
<b>TOTAL</b>	<b>90,611</b>	<b>40,806</b>	<b>180</b>

**OTHER WASHINGTON STATE RESIDENT PATIENT DAYS**

	In Central Snohomish Hospitals	In Other Washington State Hospitals	In Oregon Hospitals
0-64	33,423	1,241,360	63,162
65+	34,385	1,307,744	29,727
<b>TOTAL</b>	<b>67,807</b>	<b>2,549,104</b>	<b>92,889</b>



**Central Snohomish County Acute Care Bed Need  
Step 10A**

**CENTRAL SNOHOMISH PLANNING AREA**

	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>
<b>POPULATION 0-64</b>	282,465	284,811	287,158	289,504	291,851	294,197	296,543	298,890	301,236	303,583	305,929
<b>0-64 USE RATE</b>	241.73	241.83	241.94	242.04	242.14	242.25	242.35	242.45	242.55	242.66	242.76
<b>POPULATION 65+</b>	38,805	41,070	43,335	45,599	47,864	50,129	52,394	54,659	56,923	59,188	61,453
<b>65+ USE RATE</b>	1,081.10	1,081.20	1,081.30	1,081.41	1,081.51	1,081.61	1,081.72	1,081.82	1,081.92	1,082.03	1,082.13

<b>TOTAL POPULATION</b>	321,270	325,881	330,492	335,104	339,715	344,326	348,937	353,548	358,160	362,771	367,382
<b>TOTAL CENTRAL SNOHOMISH RESIDENT DAYS</b>	110,232	113,281	116,332	119,383	122,435	125,488	128,542	131,597	134,653	137,710	140,768
<b>TOTAL DAYS IN CENTRAL SNOHOMISH HOSPITALS</b>	131,543	135,587	139,632	143,678	147,725	151,774	155,824	159,875	163,927	167,980	172,035

<b>AVAILABLE BEDS</b>											
PRMCE	453	453	453	453	453	453	453	453	453	453	453
<b>TOTAL</b>	<b>453</b>										

<b>WEIGHTED OCCUPANCY STANDARD</b>	75.00%	75.00%	75.00%	75.00%	75.00%	75.00%	75.00%	75.00%	75.00%	75.00%	75.00%
<b>GROSS BED NEED</b>	<b>480.52</b>	<b>495.29</b>	<b>510.07</b>	<b>524.85</b>	<b>539.64</b>	<b>554.43</b>	<b>569.22</b>	<b>584.02</b>	<b>598.82</b>	<b>613.63</b>	<b>628.44</b>
<b>NET BED NEED/(SURPLUS)</b>	<b>27.52</b>	<b>42.29</b>	<b>57.07</b>	<b>71.85</b>	<b>86.64</b>	<b>101.43</b>	<b>116.22</b>	<b>131.02</b>	<b>145.82</b>	<b>160.63</b>	<b>175.44</b>

**Central Snohomish County Acute Care Bed Need  
Step 10B**

**CENTRAL SNOHOMISH PLANNING AREA**

	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>
<b>POPULATION 0-64</b>	282,465	284,811	287,158	289,504	291,851	294,197	296,543	298,890	301,236	303,583	305,929
<b>0-64 USE RATE</b>	241.73	241.83	241.94	242.04	242.14	242.25	242.35	242.45	242.55	242.66	242.76
<b>POPULATION 65+</b>	38,805	41,070	43,335	45,599	47,864	50,129	52,394	54,659	56,923	59,188	61,453
<b>65+ USE RATE</b>	1,081.10	1,081.20	1,081.30	1,081.41	1,081.51	1,081.61	1,081.72	1,081.82	1,081.92	1,082.03	1,082.13

<b>TOTAL POPULATION</b>	321,270	325,881	330,492	335,104	339,715	344,326	348,937	353,548	358,160	362,771	367,382
<b>TOTAL CENTRAL SNOHOMISH RESIDENT DAYS</b>	110,232	113,281	116,332	119,383	122,435	125,488	128,542	131,597	134,653	137,710	140,768
<b>TOTAL DAYS IN CENTRAL SNOHOMISH HOSPITALS</b>	131,543	135,587	139,632	143,678	147,725	151,774	155,824	159,875	163,927	167,980	172,035

<b>AVAILABLE BEDS</b>											
PRMCE	453	459	491	491	523	523	523	523	523	523	523
<b>TOTAL</b>	<b>453</b>	<b>459</b>	<b>491</b>	<b>491</b>	<b>523</b>						

<b>WEIGHTED OCCUPANCY STANDARD</b>	75.00%	75.00%	75.00%	75.00%	75.00%	75.00%	75.00%	75.00%	75.00%	75.00%	75.00%
<b>GROSS BED NEED</b>	<b>480.52</b>	<b>495.29</b>	<b>510.07</b>	<b>524.85</b>	<b>539.64</b>	<b>554.43</b>	<b>569.22</b>	<b>584.02</b>	<b>598.82</b>	<b>613.63</b>	<b>628.44</b>
<b>NET BED NEED/(SURPLUS)</b>	<b>27.52</b>	<b>36.29</b>	<b>19.07</b>	<b>33.85</b>	<b>16.64</b>	<b>31.43</b>	<b>46.22</b>	<b>61.02</b>	<b>75.82</b>	<b>90.63</b>	<b>105.44</b>

**Central Snohomish County Acute Care Bed Need  
Hospital Patient Day Data**

**HOSPITAL PATIENT DAY DATA  
2016**

**PATIENT DAYS WORKSHEET**

**Total Patient Days in Central Snohomish Hospitals**

	PRMCE	HOSPITAL	HOSPITAL 3	HOSPITAL 4	HOSPITAL 5	TOTAL
Total 0-64	71,138	n/a	n/a	n/a	n/a	<b>71,138</b>
Total 65+	57,759	n/a	n/a	n/a	n/a	<b>57,759</b>

**Out of State (OOS) Resident Patient Days in Central Snohomish Hospitals**

	PRMCE	HOSPITAL	HOSPITAL 3	HOSPITAL 4	HOSPITAL 5	TOTAL
OOS 0-64	535	n/a	n/a	n/a	n/a	<b>535</b>
OOS 65+	623	n/a	n/a	n/a	n/a	<b>623</b>

**Central Snohomish Resident Patient Days in Central Snohomish Hospitals**

	PRMCE	HOSPITAL	HOSPITAL 3	HOSPITAL 4	HOSPITAL 5	TOTAL
0-64	41,293	n/a	n/a	n/a	n/a	<b>41,293</b>
65+	33,194	n/a	n/a	n/a	n/a	<b>33,194</b>

**Central Snohomish Resident Patient Days in All Other Washington State Hospitals**

0-64	26,916
65+	8,684

**Central Snohomish Resident Patient Days in Oregon Hospitals**

0-64	71
65+	74

**Total Washington State Resident Patient Days in Washington State Hospitals**

0-64	1,254,986
65+	1,019,471

**Total Out of State Resident Patient Days Within Washington State**

0-64	68,854
65+	43,071