STATE OF WASHINGTON

DEPARTMENT OF HEALTH

Olympia, Washington 98504

May 3, 2017

CERTIFIED MAIL # 7016 3010 0001 0575 0624

Debbie Perdue, Executive Director
Minor & James Surgical Specialists
515 Minor Avenue, #130
Seattle, Washington 98104

RE: CN Application 17-47

Dear Ms. Perdue,

We have completed review of the Certificate of Need application submitted by Proliance Surgeons, Inc., P.S. dba Minor & James Endoscopy Center proposing to establish a four operating room ambulatory surgical facility in Seattle, within Central King County. Enclosed is a written evaluation of the application.

For the reasons stated in the enclosed decision, the application is consistent with the applicable criteria of the Certificate of Need Program, provided Proliance Surgeons, Inc., P.S. dba Minor & James Endoscopy Center agrees to the following in its entirety.

Project Descriptions:

This certificate approves the establishment of a four-operating room ambulatory surgical facility in Seattle, within Central King County. The surgery center will serve patients aged 18 years and older that require surgical services that can be served appropriately in an outpatient setting. Surgical services within the four ORs are limited to gastroenterology-related endoscopy procedures.

Conditions:

1. Proliance Surgeons, Inc., P.S. dba Minor & James Endoscopy Center agrees with the project description as stated above. Proliance Surgeons, Inc., P.S. dba Minor & James Endoscopy Center 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. Proliance Surgeons, Inc., P.S. dba Minor & James Endoscopy Center will provide charity care in compliance with its charity care. Proliance Surgeons, Inc., P.S. dba Minor & James Endoscopy Center will use reasonable efforts to provide charity care consistent with the

regional average or the amount identified in the application – whichever is higher. The regional charity care average from 2014-2016 was 0.82% of gross revenue and 1.80% of adjusted revenue. Proliance Surgeons, Inc., P.S. dba Minor & James Endoscopy Center will maintain records of charity care applications received and the dollar amount of charity care discounts granted. The department requires that these records be available upon request.

3. Proliance Surgeons, Inc., P.S. dba Minor & James Endoscopy Center will finance the project using cash reserves as stated in the application

4. Proliance Surgeons, Inc., P.S. dba Minor & James Endoscopy Center agrees that the ASF will maintain Medicare and Medicaid certification, regardless of facility ownership.

Approved Costs:
The approved capital expenditure for this project is $156,621.

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

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

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

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

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

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

Sincerely,

Nancy Tyson, Executive Director
Health Facilities and Certificate of Need

Enclosure

EVALUATION DATED MAY 3, 2018 OF THE CERTIFICATE OF NEED APPLICATION SUBMITTED BY PROLIANCE SURGEONS, INC., P.S. DBA MINOR AND JAMES SURGICAL SPECIALISTS PROPOSING TO ESTABLISH AN AMBULATORY SURGICAL FACILITY IN CENTRAL KING COUNTY

APPLICANT DESCRIPTION

Proliance Surgeons, Inc., P.S.

Proliance Surgeons, Inc., P.S. (Proliance) is a for-profit Washington State professional service corporation, equally owned by over 250 physicians. Proliance operates more than 100 care centers in Washington State, including medical clinics, ambulatory surgical facilities (ASFs) [1], physical/occupational therapy clinics, and imaging centers. All Proliance facilities that provide outpatient surgical care are licensed by the Washington State Department of Health and hold accreditation through the Joint Commission, the Accreditation Association for Ambulatory Health Care (AAAHC), or the American Association for Accreditation of Ambulatory Surgery Facilities (AAAASF).

All personnel at Proliance care centers and facilities are employees of Proliance, including physicians and surgeons. Proliance physician employees are classified either as shareholders or non-shareholder employed physicians (typically with the option to become a shareholder after two years of employment).

The corporate structure includes a management team and a governing Board of Directors composed entirely of physician shareholders that are elected by the rest of the shareholders.

The applicant facility, Minor & James Endoscopy Center, is a Proliance-owned facility. [sources: Proliance website, application p. 8]

Minor & James Endoscopy Center

Minor & James Endoscopy Center (MJEC) currently operates as a four operating room (OR) Certificate of Need-exempt ambulatory surgical facility. MJEC was established in 1988. MJEC is licensed by the Washington State Department of Health, is Medicare and Medicaid certified, and is accredited in good standing by the Accreditation Association for Ambulatory Health Care (AAAHC). MJEC currently provides gastroenterology procedures (limited to endoscopy), and some urology procedures. MJEC was acquired by Proliance in 2016. [sources: Certificate of Need historical files, application p. 13]

PROJECT DESCRIPTION

With this application, Minor & James Endoscopy Center proposes to establish an ambulatory surgical facility located in Seattle, within the Central King County secondary service planning area. As mentioned above, MJEC already operates under a Certificate of Need exemption. After Certificate of Need approval, MJEC would continue to operate at its current location at 515 Minor

[1] For the purposes of Certificate of Need review, the terms "Ambulatory Surgical Facilities" (ASFs) and "Ambulatory Surgery Centers" (ASCs) are largely interchangeable, as CN-approved ASFs (the category of licensure) are almost always ASCs (an indicator of Medicare certification). The department's review will consistently refer to these facilities as ASFs; however, the applicant does reference ASCs through the application, and quotations from the applicant will reflect as such.

Avenue Suite 200 in Seattle, WA [98104]. [sources: Certificate of Need historical files, MJEC website]

Surgical services within the four operating rooms include gastroenterology-related endoscopy. The facility also provides some limited urology procedures, but these are not done in the operating room setting. MJEC serves patients aged 18 years and older that require surgical services that can be served appropriately in an outpatient setting. [sources: Certificate of Need historical files, Application p13]

With Certificate of Need approval, MJEC intends to maintain the same level of services as well as the same type of patients. This application proposes to allow other physicians the opportunity to perform surgeries and procedures at the ASF. This action requires prior Certificate of Need review and approval. [source: Application p13]

The estimated capital expenditure associated with this project is $156,621, which is exclusively dedicated to moveable equipment purchases. [source: Application p31]

If this project is approved, MJEC will begin operation as a CN approved ASF within two months following approval. Based on the timing of this decision and the associated steps that an applicant must take in order to execute a Certificate of Need, MJEC expects their first full year of operation as a CN-approved ASF would be 2019, and 2021 would be year three [source: Application p13]

APPLICABILITY OF CERTIFICATE OF NEED LAW

This application is subject to review as the construction, development, or other establishment of new health care facility under Revised Code of Washington (RCW) 70.38.105(4)(a) and Washington Administrative Code 246-310-020(1)(a).

EVALUATION CRITERIA

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

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

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

In the event that WAC 246-310 does not contain service or facility standards in sufficient detail to make the required determinations, WAC 246-310-200(2)(b) identifies the types of standards the

department may consider in making its required determinations. Specifically WAC 246-310-200(2)(b) states:

(b) "The department may consider any of the following in its use of criteria for making the required determinations:
(i) Nationally recognized standards from professional organizations;
(ii) Standards developed by professional organizations in Washington State;
(iii)Federal Medicare and Medicaid certification requirements;
(iv)State licensing requirements;
(v) Applicable standards developed by other individuals, groups, or organizations with recognized expertise related to a proposed undertaking; and
(vi)The written findings and recommendations of individuals, groups, or organizations with recognized experience related to a proposed undertaking, with whom the department consults during the review of an application."

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

TYPE OF REVIEW

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

APPLICATION CHRONOLOGY

Action	Date
Letter of Intent Submitted	March 29, 2017
Application Submitted	June 19, 2017
Department's pre-review activities • DOH 1st Screening Letter • Applicant's Responses Received • DOH 2nd Screening Letter • Applicant's Responses Received	 July 11, 2017 August 11, 2017 September 1, 2017 September 12, 2017
Beginning of Review	September 19, 2017
Public Hearing Conducted	N/A[2]
Public Comments accepted through end of public comment	October 24, 2017
Rebuttal Comments Due	November 8, 2017
PUI Declared	January 29, 2018
PUI Information Submitted to the Department	January 31, 2018
PUI Public Comment Deadline	February 14, 2018
PUI Rebuttal Deadline	February 21, 2018
Department's Anticipated Decision Date	April 9, 2018
Department's Actual Decision Date	May 3, 2018

[2] No public hearing was requested or conducted

PIVOTAL UNRESOLVED ISSUE

During the public comment period, Swedish Health Services (Swedish) submitted a letter with information that terminated a contract; MJEC's utilization projections relied heavily on this contract. To address this issue, the department declared a Pivotal Unresolved Issue (PUI) in order to give MJEC the opportunity to either revise their projections or identify how the contract termination would not have a material impact on their application. Much like the ordinary review process, the PUI process also allows for public comment. During the PUI public comment period, Swedish retracted their original letter. This nullified the concerns the department had with MJEC's projections. Therefore, this evaluation will neither address Swedish's original public comments, nor will it address the PUI.

AFFECTED PERSONS

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

"…an "interested person" who:

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

As noted above, WAC 246-310-010(2) requires an affected person to first meet the definition of an 'interested person.' WAC 246-310-010(34) defines "interested person" as:

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

During the course of review, two people requested interested person status, shown below:

Swedish Health Services

Swedish Health Services requested to be an interested person and to be informed of the department's decision. Swedish Health Services operates five hospital campuses, three in King County and one in Snohomish County. Swedish provided public comments during the course of this review. Swedish Health services meets the definition of "interested person" under WAC 246-310-010(34)(b) as they provide similar services within the planning area. Swedish Health Services meets the definition of "affected person," as it is located within the applicant's health service area, provided written comments, and requested in writing to be informed of the department's decision

Harry Teicher, MD

Harry Teicher, MD requested interested person status during the course of review. Dr. Teicher is a physician who practices at Minor & James Endoscopy Center. Dr. Techier meets the definition of "interested person" under WAC 246-310-020(34)(f), as he practices within this planning area. Because he did not provide written comments during the review, Dr. Teicher could not meet the definition of "affected person."

SOURCE INFORMATION REVIEWED

- MJEC's Certificate of Need application submitted June 19, 2017
- MJEC's screening responses received August 11, 2017
- MJEC's screening responses received September 12, 2017
- Public comments received by 5:00 PM on October 24, 2017
- Rebuttal comments received by 5:00 PM on November 8, 2017
- Pivotal Unresolved Issue (PUI) response received by 5:00 PM on January 31, 2018
- PUI Public Comment received by 5:00 PM on February 14, 2018
- Compliance history for credentialed or licensed staff from the Medical Quality Assurance Commission and Nursing Quality Assurance Commission
- Compliance history for MJEC and Proliance facilities and services from the Washington State Department of Health – Office of Investigation and Inspection
- DOH Provider Credential Search website: http://www.doh.wa.gov/pcs
- Historical charity care data for years 2014, 2015, and 2016 obtained from the Department of Hospital/Finance and Charity Care (HFCC) Financial Review
- Year 2016 Annual Ambulatory Surgery Provider Survey for Surgical Procedures Performed During Calendar Year 2015 for hospitals, ambulatory surgical facilities, or ambulatory surgical facilities located in Central King Counties
- Year 2016 Claritas population estimates
- Department of Health internal database – Integrated Licensing & Regulatory Systems (ILRS)
- Accreditation Association for Ambulatory Health Care, Inc. website: http://www.aaahc.org/
- MJEC website: http://proliancesurgeons.com/locations/detail/135
- Proliance website: http://proliancesurgeons.com/
- Washington State Department of Revenue website: http://www.dor.wa.gov
- Center for Medicare and Medicaid Services website: https://www.cms.gov
- Certificate of Need historical files

CONCLUSIONS

For the reasons stated in this evaluation, the application submitted by Proliance Surgeons, Inc., P.S. dba Minor & James Endoscopy Center proposing to establish a four-operating room ambulatory surgical facility in Seattle, within the Central King County secondary service planning area is consistent with the applicable criteria of the Certificate of Need Program, provided Proliance Surgeons, Inc., P.S. dba Minor & James Endoscopy Center agrees to the following in its entirety.

Project Descriptions:

This certificate approves the establishment of a four-operating room ambulatory surgical facility in Seattle, within Central King County. The surgery center will serve patients aged 18 years and older that require surgical services that can be served appropriately in an outpatient setting. Surgical services within the four ORs are limited to gastroenterology-related endoscopy procedures.

Conditions:

1. Proliance Surgeons, Inc., P.S. dba Minor & James Endoscopy Center agrees with the project description as stated above. Proliance Surgeons, Inc., P.S. dba Minor & James Endoscopy Center 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. Proliance Surgeons, Inc., P.S. dba Minor & James Endoscopy Center will provide charity care in compliance with its charity care. Proliance Surgeons, Inc., P.S. dba Minor & James Endoscopy Center will use reasonable efforts to provide charity care consistent with the regional average or the amount identified in the application – whichever is higher. The regional charity care average from 2014-2016 was 0.82% of gross revenue and 1.80% of adjusted revenue. Proliance Surgeons, Inc., P.S. dba Minor & James Endoscopy Center will maintain records of charity care applications received and the dollar amount of charity care discounts granted. The department requires that these records be available upon request.

3. Proliance Surgeons, Inc., P.S. dba Minor & James Endoscopy Center will finance the project using cash reserves as stated in the application

4. Proliance Surgeons, Inc., P.S. dba Minor & James Endoscopy Center agrees that the ASF will maintain Medicare and Medicaid certification, regardless of facility ownership.

Approved Costs:

The approved capital expenditure for this project is $156,621.

CRITERIA DETERMINATIONS

A. Need (WAC 246-310-210)

Based on the source information reviewed and the applicant's agreement to the conditions identified in the "Conclusion" section of this evaluation, the department concludes that Proliance Surgeons, Inc., P.S. dba Minor & James Endoscopy Center has met the need criteria in WAC 246-310-210.

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

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

The Department of Health's Certificate of Need Program uses the numeric methodology outlined in WAC 246-310-270 for determining the need for additional ASFs in Washington State. The numeric methodology provides a basis of comparison of existing operating room (OR) capacity for both outpatient and inpatient ORs in a planning area using the current utilization of existing providers. The methodology separates Washington State into 54 secondary health services planning areas. Proliance Surgeons, Inc., P.S. dba Minor & James Endoscopy Center would be located in Seattle, within the Central King secondary health service planning area.

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

(a) Whether a surplus or shortage of ORs is predicted to exist in the target year; and
(b) If a shortage of ORs is predicted, the shortage of dedicated outpatient and mixed-use rooms are calculated.

Data used to make these projections specifically exclude special purpose and endoscopy rooms and procedures. Dedicated interventional pain management surgical services are also among the excluded rooms and procedures.

Proliance Surgeons, Inc., P.S. dba Minor & James Endoscopy Center

MJEC determined the existing capacity in the Central King secondary service planning area to be 25 dedicated outpatient ORs and 102 mixed use ORs, shown on the following page. [source: Application p19]

Table 1
MJEC OR Count

Facility Name	Outpatient OR	Mixed Use OR
Virginia Mason Medical Center		24
Harborview Medical Center		24
Swedish Medical Center – First Hill		38
Swedish Medical Center – Cherry Hill		16
Seattle Reproductive Surgery Center	3	
Seattle Cancer Care Alliance	4	
Seattle Hand Surgery Group PC	1	
The Polyclinic Surgery Endoscopy Center	3	
Polyclinic – Plastic Surgery Center	4	
First Hill Surgery Center	10	
Capitol Hill Ambulatory Surgery Center (Formerly Group Health Central Hospital)	HMO OR not counted	
OR Count in Numeric Methodology	**25**	**102**

Based on 2015 utilization and population data, MJEC's methodology identified a use rate of 289.28/1,000 population. Focusing on year 2020, MJEC projected the Central King population to be 332,037. Applying the use rate to the projected population and subtracting the existing number of ORs in the planning area, MJEC projected a surplus of 6.08 mixed use ORs in Central King for projection year 2020. [source: Application p19, Exhibit 11]

MJEC provided the following statements as well:

"The model shows a projected net surplus of 6.08 outpatient ORs in the Central King Planning Area in 2020. However, the proposed project does not seek to expand the scope of service or add additional outpatient ORs, but to receive CN-approval for the existing Minor & James Endoscopy Center without changing from its current mix of services (i.e. endoscopy procedures). ***Further, as stated above, the Department excludes GI/endoscopy procedures and associated procedure rooms from its ASC need methodology****. Finally, as mentioned above, market demand for surgeries is moving away from inpatient to outpatient surgeries due to advances in the medical practice that allow physicians to perform safe, high-quality procedures in an outpatient setting, as well as patient expectations and preferences for more care being available in an ambulatory setting. There also is growing demand by payers and other stakeholders to move care delivery to lower cost care settings, as appropriate. MJEC meets these needs."* [source: Application p23]

Public Comment
None

Rebuttal
None

Department's Numeric Methodology and Evaluation

The numeric portion of the methodology requires a calculation of the annual capacity of the existing providers inpatient and outpatient OR's in a planning area – Central King County.

Central King County is comprised of 14 ZIP codes, shown below:

Table 2
Central King County ZIP Codes

ZIP Code	City
98101	Seattle
98102	Seattle
98104	Seattle
98108	Seattle
98109	Seattle
98112	Seattle
98118	Seattle
98119	Seattle
98121	Seattle
98122	Seattle
98134	Seattle
98144	Seattle
98178	Seattle
98199	Seattle

According to the department's records, there are 20 planning area providers with OR capacity. Of these providers, five are hospitals and 15 are ambulatory surgical facilities.

Because there is no mandatory reporting requirement for utilization of ASFs or hospital ORs, the department sends an annual utilization survey to all hospitals and known ASFs in the state. When this application was submitted in June 2017, the most recent utilization survey data available was for year 2016. The data provided in the utilization survey is used, if available.

Below, Table 3 shows a listing of the hospitals. [source: CN historic files and ILRS]

Table 3
Central King Planning Area Hospitals

Facility	ZIP Code
Harborview Medical Center	98104
Kaiser Central Hospital	98112
Swedish Medical Center – First Hill	98122
Swedish Medical Center – Cherry Hill	98122
Virginia Mason Medical Center	98101

[source: ILRS]

For the hospitals, all known OR capacity and procedures are included in the methodology calculations for the planning area, with the exception of Kaiser Central Hospital. Kaiser Central Hospital is owned and operated by the Health Maintenance Organization (HMO) Kaiser Permanente. As an HMO, Kaiser is operated primarily for the use of their enrolled members, not the community at large. Therefore, it is not considered sufficiently available and accessible to the community to be counted in the numeric need methodology.

Table 4 below, contains a listing of the 15 ASFs in the planning area.

Table 4
Central King Planning Area ASFs

Facility	ZIP Code	CN Approved or Exempt?
Pacmed Ambulatory Surgical Clinic*	98104	Exempt
The Polyclinic Surgery Endoscopy Centers*	98122	Exempt
Seattle Facial Plastic Surgery Center	98104	Exempt
Seattle Hand Surgery Group PC	98122	Exempt
Seattle Surgery Center	**98104**	Approved
Seattle Plastic Surgery Center	98122	Exempt
Seattle Spine Institute	98122	Exempt
Pacific Northwest Center for Facial Plastic Surgery	98122	Exempt
Seattle Reproductive Surgery Center	**98109**	Approved
The Polyclinic - Plastic Surgery Center	98104	Exempt
Kaiser Permanente Capitol Hill Procedure Center*	**98112**	Approved
Minor and James Surgery Center	98104	Exempt
Minor and James Endoscopy Center*	98104	Exempt
First Hill Surgery Center	**98104**	Approved
Northwest Glaucoma and Cataract	98104	Exempt

[source: ILRS]

Of the 15 ASFs shown above, four – including the applicant – are endoscopy or pain management facilities (designated with an asterisk). The numeric methodology deliberately excludes the OR capacity and procedures from the numeric need methodology.[3] As a result, the ORs and procedures for these facilities will not be counted in the numeric need methodology.

Out of the remaining eleven ASFs within the planning area, eight are located within the offices of private physicians, whether in a solo or group practice that have received an exemption (considered a Certificate of Need-exempt ASF). The use of these ASFs is restricted to physicians that are employees or members of the clinical practices that operate the facility. Therefore, these facilities do not meet the ASF definition in WAC 246-310-010. For Certificate of Need-exempt ASFs, the number of surgeries, but not ORs, is included in the

[3] WAC 246-310-270(9)(iv)

methodology for the planning area. In summary, OR capacity will be counted for two Certificate of Need-approved ASFs and four hospitals.

The data points used in the department's numeric methodology are identified in Table 5. The methodology and supporting data used by the department is provided in Appendix A attached to this evaluation.

Table 5
Department's Methodology Assumptions and Data

Assumption	Data Used
Planning Area	Central King County
Population Estimates and Forecasts	Age Group: 18+ Claritas Population Data released year 2016 Year 2016 – 275,657 Year 2021 – 296,952
Use Rate	Divide calculated surgical cases by 2016 population results in the service area use rate of 309.399/1,000 population
Year 2016 Total Number of Surgical Cases	65,135 – Inpatient or Mixed-Use; 20,153 – Outpatient 85,288 – Total Cases
Percent of surgery: outpatient vs. inpatient	Based on DOH survey and ILRS: 23.63% outpatient; 76.37% inpatient
Average minutes per case	Based on DOH survey and ILRS: Outpatient cases: 50.92 minutes Inpatient cases: 132.52 minutes
OR Annual capacity in minutes	68,850 outpatient surgery minutes; 94,250 inpatient or mixed-use surgery minutes (per methodology in rule)
Existing providers/ORs	Based on listing of Central King County Providers: 21 dedicated outpatient ORs 99 mixed use ORs
Department's Methodology Results	Surplus of 3.22 mixed use ORs

Based on the assumptions described in Table 5 above, the department's application of the numeric methodology indicates a surplus of 3.22 outpatient ORs in 2021.

When comparing the applicant's and department's methodology, there are differences in several data points identified in Table 4 above. Noted differences are shown below.

Data Points
Population Estimates and Forecasts
Existing Providers/ORs
Use Rate

These three data points are tightly connected. When the 2016 total number of surgical cases is divided by the year 2016 population, the result is a planning area use rate. The use rate is then applied to the projected population.

Once the methodology projects the number of ORs needed in a planning area, the existing number of ORs is subtracted, resulting in the net need or surplus of ORs for a planning area.

Below is a comparison of the applicant's and department's methodologies

Population Estimates/Forecasts

The source of the applicant's projected population is the similar to that used by the department (Claritas). However, the department used 2016 as the base year and the applicant used 2015. It also appears that the applicant used all ages, whereas the department used ages 18+, as this was reflective of the ages to be served at the facility.

Table 6
Central King County Population

Applicant Projection Year Ages 0-85+	DOH Projection Year Ages 18+
2020	2021
332,037	298,732

[source: Application Attachment 11, Claritas 2016 population data]

As stated above, the data points used in this numeric need methodology are tightly connected. MJEC's population forecast resulted in a greater surplus in mixed use operating rooms. By decreasing the population, the surplus of mixed use outpatient operating rooms also decreased. The discrepancy between MJEC and the department on this data point does not alter the fact that is projects a surplus of mixed-use ORs, not a need for dedicated outpatient ORs.

Use Rate

A use rate per 1,000 residents is calculated by dividing the total number of surgeries by the base year (2016) population and then dividing by 1,000. The applicant calculated a use rate of 289.28/1,000 based on all residents regardless of age, for the Central King County secondary health services planning area. The department calculated a use rate of 309.399/1,000 residents of the Central King County secondary health services planning area, ages 18 and older. For this project, the department's use rate is more accurate because it included more recent survey information, population information, and focuses on the age group proposed to be served by the applicant.

Number of Existing ORs

There are several discrepancies between MJEC's OR count and the department's OR count, shown on the following page.

Table 7
OR Counts

Facility	MJEC OR Count	Department OR Count	Difference
Inpatient / Mixed Use			
Harborview Medical Center	24	25	+1
Swedish Medical Center – First Hill	38	40	+2
Swedish Medical Center – Cherry Hill	16	10	-6
Seattle Cancer Care Alliance	4	0	-4
Seattle Reproductive Surgery Center	3	1	-2[4]
Outpatient			
Seattle Hand Surgery Group PC	1	0	-1
The Polyclinic Surgery Endoscopy Center	3	0	-3
Polyclinic – Plastic Surgery Center	4	0	-4
First Hill Surgery Center	10	12	+2

[source: Application p19, CN Historical Files, 2016 ASF, 2015 ASF survey; DOH IIO]

It is unclear why there are so many discrepancies, but the source data for the departments OR count is listed below:

Table 8
Department Data Sources

Facility	Data Source and Notes
Harborview Medical Center	2017 Survey for 2016 data
Swedish Medical Center – First Hill	2016 Survey for 2015 data
Swedish Medical Center – Cherry Hill	2016 Survey for 2015 data
Seattle Cancer Care Alliance	ILRS – Seattle Cancer Care Alliance is located in ZIP Code 98195, not within Central King County
Seattle Reproductive Surgery Center	CN #1579 – Approved 1 OR and 2 dedicated cystoscopy ORs. Cystoscopy ORs are excluded.
Seattle Hand Surgery Group PC	CN Historical Files – this facility received an exemption on 5/21/1991
The Polyclinic Surgery Endoscopy Center	CN Historical Files and ILRS – this facility has never received a CN.
Polyclinic – Plastic Surgery Center	CN Historical Files – this facility received an exemption on 2/27/2014
First Hill Surgery Center	ILRS – Upon their last license update, First Hill Surgery Center had 12 ORs.

As previously stated, special purpose rooms including those dedicated to endoscopy, are specifically excluded from the numeric need methodology. Therefore, even though the numeric methodology shows a surplus of 3.22 mixed use ORs, that surplus would not be a basis to deny

[4] While Seattle Reproductive Surgery Center is an approved, 3-OR facility, two of the ORs are dedicated to cystoscopy. Under WAC 246-310-270(9)(a)(iv), rooms dedicated to cystoscopy are excluded from the numeric need methodology.

this application. As a result of this the department considered additional information within the application to evaluate the need for this project

Proliance Surgeons, Inc., P.S. dba Minor & James Endoscopy Center
To support approval of their project, MJEC provided historical utilization of their facility:

	2012	**2013**	**2014**	**2015**	**2016**	**Jan 2017-April 2017**
Procedures	4,266	3,983	4,213	4,008	3,711	1,106

[source: August 11, 2017 screening responsesp4]

"Based on the need methodology, there is no need for additional outpatient ORs in the Central King Planning Area in 2020. However, as stated above, this request is not proposing a change in services, and the services MJEC does provide, i.e., GI/ endoscopy, are not included in the need methodology." [source: Application p18]

"The proposed project does not seek to expand the scope of service or add additional outpatient ORs, but to receive CN-approval for the existing Minor & James Endoscopy Center without changing from its current mix of services (i.e. endoscopy procedures)." [source Application p23]

Public Comment
None

Rebuttal
None

Department Evaluation
Again, the department recognizes the numeric methodology deliberately excludes special purpose rooms, such as endoscopy ORs. As a result, the numeric methodology should not be solely relied upon to determine need for dedicated endoscopy ORs such as those proposed in this application. The applicant provided information to support that utilization at the existing facility should continue and grow as a result of inviting additional physicians to provide surgical services within the facility. Furthermore, the types of procedures proposed are limited to endoscopic and GI type services. Based on the source information reviewed and MJEC's agreement to the conditions in the conclusions section of this evaluation, the department concludes that the applicant has demonstrated that there is need for the continued operation of their ASF.

WAC 246-310-270(6)
WAC 246-310-270(6) requires a minimum of two ORs in an ASF.

Proliance Surgeons, Inc., P.S. dba Minor & James Endoscopy Center
MJEC has proposed that the ASF will have four ORs. [source: Application p7]

Public Comment
None

Rebuttal
None

Department Evaluation
WAC 246-310-270(6) requires a minimum of two ORs in an ASF. As MJEC has proposed that their facility will have four ORs, **this standard is met.**

In summary, based on the department's numeric methodology, numeric need for additional OR capacity in the Central King County secondary health service planning area is demonstrated.

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

MJEC provided limited statements related to the availability and accessibility of other providers in the planning area. The majority of their justification for approval of their ORs relied on the fact that the facility has existing volumes, and that disrupting this would lead to over 4,000 procedures per year needing to take place in an alternate location. To further evaluate this sub-criterion, the department identified the planning area ASF providers with dedicated endoscopy ORs.

Table 9
Surgical Specialty Comparison

Facility	**Information**
Pacmed Ambulatory Surgical Clinic	Not CN Approved
The Polyclinic Surgery Endoscopy Center	Not CN Approved

[source: ILRS, DOH IIO]

Of the surgery centers above, neither has Certificate of Need approval. Both are exclusively dedicated to endoscopy or pain management. Though exempt surgery centers are present in the planning area, they are under no obligation to provide charity care, or to serve Medicare and Medicaid patients. Therefore, these remaining surgery centers may not be sufficiently available and accessible to all residents of the planning area.

MJEC correctly points out that there are limited available endoscopy providers in the planning area. The department agrees, and adds that the only existing outpatient surgery centers providing endoscopy are Certificate of Need exempt, and are therefore not required to provide charity care or accept Medicare or Medicaid patients.

The application also identifies that there is no proposed expansion of services; merely a continuation of the existing services. According to the historical volumes provided above, the facility already provides approximately 4,000 procedures annually. There is no information to

suggest that existing facilities in the planning area have the capacity to absorb these volumes, nor did any area ASFs provide public comment indicating that their facilities could do so.

Therefore, the department concludes that other resources in the planning area would likely not be available and accessible to absorb these volumes. Furthermore, CN approval would increase the availability and accessibility of this existing facility to planning area residents, as CN-approved ASFs are required to provide charity care and CN-exempt ASFs are not. **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 policy, willingness to serve Medicare patients, Medicaid patients, and to serve patients that cannot afford to pay for services.

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

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

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

Charity care shows a willingness of a provider to provide services to individuals who do not have private insurance, do not qualify for Medicare, do not qualify for Medicaid, or are under insured. With the passage of the Affordable Care Act in 2010, the amount of charity care decreased over time. However, with recent federal legislative changes affecting the ACA, it is uncertain whether this trend will continue. Specific to ASFs, WAC 246-310-270(7) requires that ASFs shall implement policies to provide access to individuals unable to pay consistent with charity care levels reported by the hospitals affected by the proposed project.

Proliance Surgeons, Inc., P.S. dba Minor & James Endoscopy Center

MJEC provided copies of the following policies, along with the following comments.

- Admission Policy [source: Application Exhibit 15]
- Patient Rights and Responsibilities, Patient Nondiscrimination Policy [source: Application Exhibit 16]
- Charity Care Policy [source: August 11, 2017 screening response Revised Exhibit 14]

"Exhibit 15 provides a copy of the Proliance Admission Policy and Exhibit 16, the Proliance Patient Rights and Responsibilities Policy, which includes clear language regarding non-discrimination. In accordance with our mission, Proliance is committed to meeting community and regional health needs. MJEC will continue providing charity care consistent with the Proliance Charity Care Policy." [source: Application p30]

Medicare and Medicaid Programs

MJEC is currently Medicare and Medicaid certified. MJEC provided its existing and projected source of revenues by payer for the proposed ASF in Table 10 [source: Application p14]

"Proliance accepts all patients with insurance, including Medicaid and Medicare and currently provides charity care. We have allocated 1.29% of annual gross revenues to charity care in our proforma financial forecast, provided in Exhibit 17, consistent with the 3-year King County Regional charity care average, less Harborview Medical Center." [source: Application p29]

"The payer mix is based on MJEC YTD2017 actuals adjusted to meet charity care regional average." [source: Application p32]

Table 10
Historical and Projected Payer Mix

Payer Group	Historical	Projected
Medicare	34.4%	34.4%
Medicaid	1.6%	1.6%
"Traditional"	63.3%	63.3%
Self-Pay	0.6%	0.6%
Other	0.1%	0.1%
Total	**100.0%**	**100.0%**

"Payer-Traditional" is synonymous with "Commercial" health coverage (e.g. Premera, Regence, United Healthcare, Aetna, etc.) whereas "Payer-Other" corresponds to Labor & Industries (L&I) and TriCare/Champus." [source: August 11, 2017 screening response, p4]

Public Comments

None

Rebuttal

None

Department Evaluation

MJEC provided the Proliance admission, non-discrimination, and charity care policies, stating that each are currently in use and would continue to be used at MJEC. The admission policy that was provided includes the required information, including the criteria for admitting patients and a description of the types of patients that would be served. These policies are consistent with those approved by the department in past evaluations.

The financial data provided in the application shows Medicare and Medicaid revenues consistent with Table 10 above. The department concluded that MJEC intends for this proposed surgery center to be accessible and available to Medicare and Medicaid patients based on the information provided.

Again, the current Proliance Charity Care Policy is used for all of its ambulatory surgical facilities. The policy includes the process one must use to access charity care.

WAC 246-310-270(7)

WAC 246-310-270(7) requires that ASFs shall implement policies to provide access to individuals unable to pay consistent with charity care levels reported by the hospitals affected by the proposed ASF. For charity care reporting purposes Washington State is divided into five regions: King County, Puget Sound, Southwest, Central, and Eastern. MJEC is located with Central King County within the King County region. Currently, there are 22 hospitals operating in the region. Of those, five hospitals[5] are within the planning area. Of these five, three[6][7] could be affected by approval of this project.

MJEC projected that the ASF will provide charity care at 1.29% of total revenue. For this project, the department reviewed the most recent three years of charity care data for the 22 existing hospitals currently operating within the King County Region and focused on the three potentially affected acute care hospital located in the planning area. The three years reviewed are 2014, 2015, and 2016.[8] Table 11 below is a comparison of the historical average charity care for the King County Region as a whole, the historical average charity care within the planning area, and the projected charity care to be provided at the ASF. The adjustments mentioned above are included.

Table 11
Charity Care – Three Year Average

	% of Total Revenue	% of Adjusted Revenue
3-year King County Region, less Harborview	0.93%	1.99%
3-year Central King, less Harborview and Kaiser Permanente	0.82%	1.80%
Projected MJEC	1.29%	--

[sources: Community Health Systems Charity Care 2013-2015, Application p29]

[5] Harborview Medical Center, Kaiser Permanente Central Hospital, Swedish Medical Center – First Hill, Swedish Medical Center – Cherry Hill, and Virginia Mason Medical Center.

[6] Harborview Medical Center is subsidized by the state legislature to provide charity care services. Charity care percentages for Harborview make up almost 50% of the total percentages provided in the King County Region. Therefore, for comparison purposes, the department excludes Harborview Medical Center's percentages.

[7] Kaiser Permanente Central Hospital (formerly Group Health Central Hospital) is not included in the department's annual charity care reports. Healthcare charges at this facility are prepaid through member subscriptions; therefore, uncompensated healthcare is generally not incurred. The Kaiser Permanente HMO was not specifically identified within the facility's payer mix, so the ASF would not be subtracting potential volumes from the hospital.

[8] As of the writing of this evaluation, year 2017 charity care data is not yet available

As shown above, the three year regional average proposed by MJEC is higher than the regional average, and higher than the average for the adjusted Central King County secondary service planning area.

Though the application shows that MJEC intends to provide charity care above the planning area average and consistent with the regional average, the department would still attach a condition related to this sub-criterion if this project is approved. The condition would require MJEC to make reasonable efforts to provide charity care at the levels stated in the application, or the regional average – whichever is higher. This condition would also require MJEC to maintain records of charity care applications received and the dollar amount of charity care discounts granted. The department would require that these records be available upon request.

Based on the information reviewed and with MJEC's agreement to the conditions identified above, the department concludes **this sub-criterion is met.**

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

(a) The special needs and circumstances of entities such as medical and other health professions schools, multidisciplinary clinics and specialty centers providing a substantial portion of their services or resources, or both to individuals no residing in the health service areas in which the entities are located or in adjacent health service areas.

Department Evaluation
This criterion is not applicable to this application.

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

Department Evaluation
This criterion is not applicable to this application.

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

Department Evaluation
This criterion is not applicable to this application.

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

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

Department Evaluation
This criterion is not applicable to this application.

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

Department Evaluation
This criterion is not applicable to this application.

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

Department Evaluation
This criterion is not applicable to this application.

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

Based on the source information reviewed and applicant's agreement to the conditions identified in the "Conclusion" section of this evaluation, the department concludes that Proliance Surgeons, Inc., P.S. dba Minor & James Endoscopy Center has met the financial feasibility criteria in WAC 246-310-220.

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

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

Proliance Surgeons, Inc., P.S. dba Minor & James Endoscopy Center
The assumptions used by MJEC to determine utilization and the projected number of procedures for its first three full years of operation are summarized below. [source: August 11, 2017 screening response pp23-26]

"*Please see Table 1* [below] *for utilization forecasts for the first five (5) years of operation for the proposed project. Project commencement will occur upon CN approval, anticipated by January 1, 2018. The project will be completed within two months after commencement. Therefore, the first full year of operation (i.e . Year 1) for the project is 2019."*

	2019	***2020***	***2021***	***2022***	***2023***
Total Cases	*5,932*	*7,785*	*8,644*	*8,812*	*8,983*

The forecast model uses the following assumptions and methodologies:

1. *Surgical use rates by ICD-9 procedure code group were derived from the latest National Center for Health Statistics ("NCHS") survey study, "Ambulatory Surgery in the United States." The report analyzed and presented summaries of data from the 2006 National Survey of Ambulatory Surgery ("NSAS").*

National Center for Health Statistics
Ambulatory Surgery Utilization Estimates

Procedure Description (ICD9-CM Code)	***Procedures***	***Utilization Rate / 10,000***
Operations on the Digestive System	*Includes:* *-Dilation of Esophagus* *-Endoscopy of small intestine with or without biopsy* *-Endoscopy of large intestine with or without biopsy* *-Endoscopic polypectomy of large intestine*	*483.3*

In this study, ambulatory surgery refers to surgical and nonsurgical procedures performed on an ambulatory basis in a hospital or freestanding center's general ORs, dedicated ambulatory surgery rooms, and other specialized rooms. This NCHS survey study is the principal source for published national data on the characteristics of visits to hospital based and freestanding ambulatory surgery centers. The report was updated and revised in 2009 and contains the latest NCHS estimates on ambulatory surgery use rates.

2. *Based on MJEC patient origin statistics presented in Exhibit 12, approximately 25% of MJEC's total case count comes from Central King Planning Area residents; whereas over 85% of MJEC's total cases come from King County residents. Therefore, it was determined that for the purposes of the utilization forecast , which incorporates per capita estimates and market share assumptions, King County would be the most appropriate catchment area definition. The NCHS use rates were multiplied by the 2017-2023 King County population, and then divided by 10,000 to forecast ambulatory surgeries by procedure type, by year, for King County Residents. Table 3 includes these procedure estimates for the planning area specific to the purposes of the utilization forecast.*

King County Planning Area Ambulatory Surgery Forecast

Procedure Description (ICD9-CM Code)	***2019***	***2020***	***2021***	***2022***	***2023***
Operations on the Digestive System	*76,683*	*77,415*	*78,136*	*78,865*	*79,600*

3. *MJEC's 2017 market share figure was calculated based on annualized 2017 MJEC cases by procedure group and divided by the respective King County procedure group subtotal presented in Revised Table 10. 2018-2023 market share assumptions are based on improved access to MJEC due to expected CN-approval. Please see [the] table below for specific market share assumptions by year. As will be shown below, there is ample capacity*

for MJEC to provide immediate access for planning are a residents and others county-wide, cumulating in projected additional procedures shortly after CN-approval.

MJEC Market Share Assumptions

Procedure Description (ICD9-CM Code)	***2019***	***2020***	***2021***	***2022***	***2023***
Operations on the Digestive System	*7.7%*	*10.1%*	*11.1%*	*11.2%*	*11.3%*

4. *Estimated King County surgeries were then multiplied by MJEC's presumed market share, yielding forecasted number of procedures, by year. These projections are included* [below]

MJEC Projected Number of Ambulatory Surgeries, by Year

Procedure Description (ICD9-CM Code)	***2019***	***2020***	***2021***	***2022***	***2023***
Operations on the Digestive System	*5,932*	*7,785*	*8,644*	*8,812*	*8,983*

5. *Based on the forecasted number of ambulatory surgeries at MJEC, there would be demand for 4.0 ORs by the third full year of operation (2021). This assumes operations of 240 days per year and operating efficiency of the ORs consistent with WAC 246-310-270(8) (ii).*

MJEC Projected ASF ORs

Cases	***2019***	***2020***	***2021***
Total Cases	*5,932*	*7,785*	*8,644*
Cases per Day (assumes 240 days of operation)	*24.72*	*32.44*	*36.02*
Surgery Minutes Per Year (assumes 32 minutes/case)	*189,829*	*249,132*	*276,600*
Estimated Number of ORs Needed per WAC 246-310-270(9)(ii)	*2.8*	*3.6*	*4.0*

Note: outpatient surgery minutes per case are 32 based on internal figures. Please note that estimated number of ORs needed is calculated by dividing surgery minutes by 68,850 minutes per year, the default figure in WAC 246-310-270(9)(ii).”

The assumptions MJEC used to project revenue, expenses, and net income for the proposed surgery center for projection years 2019-2021 are summarized below. [source: Application pp31-33]

- *Inflation of gross and net revenues was excluded from the models.*
- *Average revenues per case were calculated using YTD2017 revenue statistics from MJEC*
- *The payer percentages for gross revenues is provided in the table below. The payer mix is based on MJEC YTD2017 actuals adjusted to meet charity care regional average*

[shown on the following page]

Payer Group	Percentage
Medicare	34.4%
Medicaid	1.6%
"Traditional"	63.3%
Self-Pay	0.6%
Other	0.1%
Total	**100.0%**

- *Contractual allowances, by payer, were calculated based on MJEC YTD2017 revenue statistics and are included in Exhibit 17.*
- *Bad debt is assumed constant at 0.5% of gross revenues.*
- *Charity care is assumed constant at 1.29% of gross revenue. It should be noted this figure is consistent with the King County (less Harborview Medical Center) regional charity care average of 1.29% over the 2013-2015 period*
- *Staffing requirements are based on current FTE counts at MJEC and adjusted in the forecast to reflect increased access to the facility.*

FTEs	*Current (2017)*	*2018*	*2019*	*2020*	*2021*
Business Office Employees	*1.34*	*2.24*	*2.24*	*3.36*	*3.36*
Reception	*1.68*	*2.24*	*2.24*	*2.24*	*2.24*
GI Technicians	*4.48*	*5.60*	*6.72*	*6.72*	*6.72*
Registered Nurses	*5.49*	*7.28*	*8.18*	*9.07*	*9.07*
Instrument Technicians	*0.90*	*1.79*	*1.79*	*1.79*	*1.79*
Manager	*0.56*	*0.56*	*0.56*	*0.56*	*0.56*
Total	*14.45*	*19.71*	*21.73*	*23.74*	*23.74*

- *Wage and salary figure are specific to each group of FTEs, and are calculated on an hourly basis, based on current MJEC estimates. It is assumed a FTE works 2,080 hours per year*
- *Benefits were calculated as 22.0% of total wages and salaries, based on current MJEC estimates.*
- *Supplies, purchased services, and 'other expenses' were calculated on a per case basis, driven off MJEC actuals. 'Other expenses' include recruitment, meeting, legal, and travel expenses, among others.*
- *Repairs and maintenance were calculated based on MJEC actuals.*
- *Employee development, physician development, and dues-memberships-licenses are calculated by actuals per FTE and projected to adjust for increasing number of FTEs.*
- *B&O taxes were calculated at 1.8% of net revenue.*
- *Lease equipment were based on MJEC actuals.*
- *Central business office cost allocations were assumed to be 5% of net revenue based on Proliance estimates. This corporate allocation includes executive administration, finance, human resources, legal, billing and collection, etc.*
- *Inflation was not included in any operating expense forecasts.*

MJEC's projected revenue, expenses, and net income for the ASF are shown in Table 12 below. [source: August 11, 2017 screening response Exhibit 17B]

Table 12
Projected Revenue and Expenses Years 2017 through 2020

	CY2018 (partial year)	CY2019 (year one)	CY2020 (year two)	CY2021 (year three)
Net Revenue	$2,742,764	$3,598,829	$4,723,109	$5,243,848
Total Expenses	$2,706,182	$3,195,689	$3,755,617	$3,943,103
Net Profit/(Loss)	$36,582	$403,140	$967,492	$1,300,745

The "Net Revenue" line item is gross patient revenue, minus any deductions from revenue for contractual allowances, bad debt, and charity care. The "Total Expenses" line item includes operating expenses, including salaries and wages, benefits, insurance, rentals and leases, and depreciation.

Public Comment
None

Rebuttal
None

Department Evaluation
To evaluate this sub-criterion, the department first reviewed the assumptions used by MJEC to determine the projected number of procedures and occupancy of the ASF. MJEC used a combination of existing volumes and published utilization statistics. The NCHS report used by MJEC to assume surgical use in the planning area is the most recently available utilization survey for outpatient surgery trends in the United States. After reviewing MJEC's utilization assumptions, the department concludes they are reasonable.

MJEC based its revenue and expense assumptions for the ASF on the assumptions listed above. As this is an existing facility, and Proliance does have documented experience in operating ASFs, their assumptions are reasonable.

MJEC provided a lease agreement for the site, between HR First Hill Medical Building SPE, LLC and Proliance Surgeons, Inc., P.S. The lease identifies the roles and responsibilities for each, and is effective for eleven years. All costs associated with the lease are substantiated in the revenue and expense statement.

MJEC identified the medical director, Dr. Harry Teicher, who is a Proliance surgeon shareholder. The role of medical director is uncompensated, and there is no associated contract. MJEC provided a job description for the medical director, which includes roles and responsibilities for both MJEC and the medical director.

The pro forma financial statements show revenues exceeding expenses within the first full year of operation and to continue doing so.

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.

Proliance Surgeons, Inc., P.S. dba Minor & James Endoscopy Center

The capital expenditure associated with the operation of MJEC as a CN-approved ASF is $156,621, which is exclusively dedicated to moveable equipment purchases. [source: Application p31]

MJEC provided copies of equipment quotes within Exhibit 6 of their application showing the exact costs from their vendors.

Public Comment

None

Rebuttal

None

Department Evaluation

As stated above, under WAC 246-310-210(2) and WAC 246-310-220(1) MJEC is expected to maintain the current payer mix, with 34.4% of revenue coming from Medicare, 1.6% coming from Medicaid, and 63.3% coming from commercial payers.

The department calculated gross charges per procedure (prior to contractual adjustments), below:

Table 13
Department Calculation of Gross Charges per Case

Item	2018	2019	2020	2021
Gross Charges	$9,321,961	$12,231,513	$16,052,654	$17,822,519
Cases	4,521	5,932	7,785	8,644
Gross Charge/Case	$2,061.92	$2,061.95	$2,062.00	$2,061.84

[source: Application Exhibit 15]

As shown above, the difference in gross charges year-by-year is nominal.

Based on the above information, the department concludes that the establishment of MJEC as a CN-approved ASF would probably not have an unreasonable impact on the costs and charges

for healthcare services in the Central King County secondary service planning area. **This sub-criterion is met.**

(3) *The project can be appropriately financed.*
WAC 246-310 does not contain specific source of financing criteria as identified in WAC 246-310-200(2)(a)(i). There are also no known recognized standards as identified in WAC 246-310-200(2)(a)(ii) and (b) that directs how a project of this type and size should be financed. Therefore, using its experience and expertise the department compared the proposed project's source of financing to those previously considered by the department.

Proliance Surgeons, Inc., P.S. dba Minor & James Endoscopy Center
MJEC intends to fund the project using cash reserves and provided a letter of financial commitment from Dave Fitzgerald, CEO of Proliance Surgeons. In addition to the financial commitment letter, MJEC provided Proliance's fiscal years 2012, 2013, 2014 and 2015 audited financial statements to demonstrate it has sufficient reserves to finance the project. [source: Application Exhibit 18]

Public Comments
None

Rebuttal
None

Department Evaluation
Proliance intends to finance this project using corporate reserves. This approach is appropriate, as Proliance's assets are more than sufficient to cover this cost.

If this project is approved, the department would attach a condition requiring Proliance 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 the applicant's agreement to the conditions identified in the "Conclusion" section of this evaluation, the department concludes that Proliance Surgeons, Inc., P.S. dba Minor & James Endoscopy Center has met the structure and process (quality) of care criteria in WAC 246-310-230.

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

Proliance Surgeons, Inc., P.S. dba Minor & James Endoscopy Center
"Proliance employs a very large number of general and specialty care providers. Therefore, we have the ability to float selected administrative, clinical, and technical staff to the ambulatory surgery center as needed. Proliance offers attractive work environment, hours and pay, attracting local residents who are highly qualified. We do not expect any staffing challenges that would disrupt our ability to achieve our goals and objectives relative to MJEC.." [source: Application p34]

MJEC provided a listing of all existing staff as well as their projected staffing, below:

Table 14
Projected Staffing 2018-2021

Staff Type	2018	2019	2020	2021
Business Office Employees	1.9	3.3	3.3	3.3
Reception	2.24	2.24	3.36	3.36
GI Techs	2.24	2.24	2.24	2.24
RNs	5.60	6.72	6.72	6.72
Instrument Techs	7.28	8.18	9.07	9.07
Manager	1.79	1.79	1.79	1.79
Total	0.56	0.56	0.56	0.56
Total:	**19.71**	**21.73**	**23.74**	**23.74**

MJEC provided the following statement related to the medical director:

"The Medical Director is Harry Teicher, MD (MD00032495) and the Director of Nursing is Sara Lenth (RN00120341). The Medical Director is an employee of Proliance." [source: August 11, 2017 screening response p13]

Public Comment
None

Rebuttal
None

Department Evaluation
As shown above, the ASF staff are already in place, and additional staff would be available from Proliance's other facilities, should the need arise.

Information provided in the application demonstrates that Proliance is a well-established provider of healthcare services in the King County. MJEC is currently operational with 4 ORs as a CN-exempt facility.

Given that MJEC already offers surgical services as a CN-exempt ASF, the department concludes that MJEC has the ability to staff the proposed ASF.

Based on the above information, the department concludes that a sufficient supply of qualified staff is available for this project. **This sub-criterion is met.**

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

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

Proliance Surgeons, Inc., P.S. dba Minor & James Endoscopy Center

MJEC provided the following statement relating to ancillary and support services required for the proposed project. [source: Application p35]

"MJEC currently provides endoscopy procedures and related services. Thus, our services already include all necessary resources. Further, Proliance is a significant provider throughout the King County and greater Puget Sound region. Our existing contracts with other local providers sufficiently support the services offered at the MJEC and meet all demands of patient care. Please see below for a list of principal vendors for ancillary and support services.

i. McKesson Medican-Surgical
ii. McKesson – Pharmaceutical
iii. Owens & Minor
iv. EndoChoice
v. Medivators
vi. Fujifilm

Public Comment

None

Rebuttal

None

Department Evaluation

MJEC has been providing healthcare services in Central King County for many years. The ancillary and support required for the operation of the ASF are already in place and available.

Based on the information reviewed in the application, the department concludes that there is reasonable assurance that MJEC will maintain the necessary relationships with ancillary and support services to provide outpatient surgical services at the proposed ASF. The department concludes that there is no indication that the operation of this existing CN-exempt ASF as a CN-approved ASF would adversely affect the existing relationships. **This sub-criterion is met.**

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

<u>Proliance Surgeons, Inc., P.S. dba Minor & James Endoscopy Center</u>
MJEC provided the following statement related to this sub-criterion:

"Proliance does not have any such convictions as defined in WAC 246-310-230 (5) (a)." [source: Application p12]

<u>Public Comment</u>
None

<u>Rebuttal</u>
None

<u>Department Evaluation</u>
As a part of this review, the department must conclude that the proposed services provided by an applicant would be provided in a manner that ensures safe and adequate care to the public.[9] To accomplish this task, the department reviewed the quality of care and compliance history for the healthcare facilities owned, operated, or managed by Proliance Surgeons, Inc., P.S.

<u>Washington State Survey Data</u>
Proliance Surgeons currently owns or operates 16 ambulatory surgical facilities in Washington State. Of these 16, all but two are accredited by either the Joint Commission[10], the Accreditation Association for Ambulatory Health Care[11], or American Association for Accreditation of Ambulatory Surgery Facilities[12].

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

[10] *"An independent, not-for-profit organization, The Joint Commission accredits and certifies nearly 21,000 health care organizations and programs in the United States. Joint Commission accreditation and certification is recognized nationwide as a symbol of quality that reflects an organization's commitment to meeting certain performance standards."* [source: Joint Commission website]

[11] *"AAAHC accreditation means that the organization participates in on-going self evaluation, peer review and education to continuously improve its care and services. The organization also commits to a thorough, on-site survey by AAAHC surveyors, who are themselves health care professionals, at least every three years."* [source: AAAHC website]

[12] *"AAAASF accreditation programs help facilities demonstrate a strong commitment to patient safety, standardize quality, maintain fiscal responsibility, promote services to patients and collaborate with other health care leaders. AAAASF provides official recognition to facilities that have met 100% of its high standards. Accreditation assures the public that patient safety is top priority in a facility. An accredited facility must comply with the most stringent set of applicable standards available in the nation and meet our strict requirements for facility directors, medical specialist certification and staff credentials. It also*

Using its own internal database, the department reviewed historical survey data for healthcare facilities associated with Proliance. The survey data is summarized by facility in the table below. [source: Application p10, DOH Office of Investigations and Inspections]

Table 15
Proliance Facilities

Facility Name	License Number	Surveys Since 2014	Substantially Compliant?
Cascade Ear Nose and Throat Surgery Center	ASF.FS.60442571	1	Yes
Edmonds Center for Outpatient Surgery	ASF.FS.60101035	0	Yes
Everett Bone and Joint Surgery Center*	ASF.FS.60101038	0	Yes
Lakewood Surgery Center	ASF.FS.60101047	1	Yes
Plastic and Reconstructive Surgeons ASC	ASF.FS.60572737	2	Yes
Proliance Orthopedic Associates ASC	ASF.FS.60101083	2	Yes
Proliance Eastside Surgery Center	ASF.FS.60101042	2	Yes
Proliance Highlands Surgery Center	ASF.FS.60101051	1	Yes
Puyallup Ambulatory Surgery Center	ASF.FS.60534460	1	Yes
Seattle Orthopedic Center – Surgery	ASF.FS.60101053	1	Yes
Seattle Surgery Center	ASF.FS.60101072	0	Yes
Skagit Northwest Orthopedic ASC at Continental	ASF.FS.60442605	0	Yes
Skagit Northwest Orthopedic ASC at LaVenture	ASF.FS.60101074	1	Yes
Southwest Seattle Ambulatory Surgery Center	ASF.FS.60101076	1	Yes
The Retina Surgery Center	ASF.FS.60278648	2	Yes
The Surgery Center at Rainier	ASF.FS.60101080	1	Yes

* - Applicant

As shown above, all Proliance facilities are substantially compliant.

In addition to the facilities identified above, the department also reviewed the compliance history of the physicians and other staff associated with MJEC. The table below shows the six

must pass a thorough survey by qualified AAAASF surveyors. An accredited facility is re-evaluated through a self-survey every year, and an onsite survey every three years. Facilities must continuously comply with all AAAASF accreditation standards between surveys. Upon approval, an accredited facility must prominently display its accreditation certificate in public view. An accredited facility must be fully equipped to perform procedures in the medical specialties listed on its accreditation application." [source AAAASF website]

physicians and their credential status. [source: August 11, 2017 screening response p12, Medical Quality Assurance Commission]

Table 16
MJEC Physicians

Name	Credential Number	License Status
Richard Driscoll, MD	MD00024135	Active
Robert Sandford, MD	MD00015437	Active
Harry Teicher, MD	MD00032495	Active
Steve Han, MD	MD00043687	Active
Joel Lilly, MD	MD00027366	Active
John Mullen, MD	MD00038847	Active

As shown above, all physicians associated with MJEC have active credentials in good standing. Based on the information above, the department concludes that MJEC demonstrated reasonable assurance that the facility would continue to operate in compliance with state and federal requirements if this project is approved. **This sub-criterion is met.**

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

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

Proliance Surgeons, Inc., P.S. dba Minor & James Endoscopy Center
MJEC provided the following statement related to this sub-criterion:

"The project will include MJEC's four-suite operating room facility as a CN-approved ASF, allowing for increased access to the existing facility. Further, CN approval is beneficial for patients in that assurance of greater access and high quality care is improved. Minor & James Surgical Specialists is working with local inpatient health providers, as required. [source: Application p35]

The signed transfer policy between MJEC and Swedish Health Services was provided in Attachment 26 in their August 11, 2017 screening response.

Public Comment
None

Rebuttal
None

Department Evaluation

With the increased access CN approval brings, the department concludes that the establishment of this free-standing ASF does not represent unwarranted fragmentation of services. Furthermore, the applicant provided statements identifying how the ASF would operate in relation to the existing facilities and services in the planning area. Based on this information, the department concludes that the ASF would have an appropriate relationship to the service area's existing health care system. **This sub-criterion is met.**

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

Department Evaluation

This sub-criterion is evaluated in sub-section (3) above, **is** met

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

Based on the source information reviewed and the applicant's agreement to the conditions identified in the "Conclusion" section of this evaluation, the department concludes that Proliance Surgeons, Inc., P.S. dba Minor & James Endoscopy Center has met the cost containment criteria in WAC 246-310-240.

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

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

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

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

Department Evaluation

Step One:

The department concluded that MJEC met the applicable review criteria under WAC 246-310-210, 220, and 230. Therefore, the department moves to step two.

Step Two:

Proliance Surgeons, Inc., P.S. dba Minor & James Endoscopy Center

MJEC provided the following statements related to their consideration of alternatives prior to submitting this project.

"In deciding to submit this application, MJEC explored the following options: (1) no project-continuing as a licensed, certificate of need exempt facility, (2) the requested project-seeking certificate approval for a 4-OR facility, and (3) seeking certificate of need approval for an 8-OR facility." [source: Application p36]

MJEC identified the advantages and disadvantages of these three options in table form, reproduced below: [source Application pp36-38]

Promoting Access

Option	***Advantages/Disadvantages***
No Project –Remain CN Exempt	*There is no advantage to continuing as-is in terms of improving access. (Disadvantage ("D"))*
Requested Project	*Allows MJEC to be open to all physicians in the community who are credentialed and privileged as a member of Proliance's medical staff, improving local access for other local surgeons and their patients (Advantage ("A"))*
CN Approval – 8 OR ASC	*An 8-OR facility would improve access (A)* *However, it would require development of a new site that would lead to delays in access for current services needed by Planning Area residents (D)*

Promoting Quality of Care

Option	***Advantages/Disadvantages***
No Project –Remain CN Exempt	*There is no advantage from a quality of care perspective. However there are no current quality of care issues. (Neutral ("N"))*
Requested Project	*The requested project meets and promotes quality and continuity of care issues in the planning area, given it improves access identified above (A)* *From an quality of care perspectives, there are no disadvantages (A)*
CN Approval – 8 OR ASC	*Same as the Project in terms of improving access and quality (A)* *An 8-OR facility would require development of a new site that would lead to delays in access for current services needed by Planning Area residents; thereby, disrupting continuity of care (D)*

Promoting Cost and Operating Efficiency

Option	***Advantages/Disadvantages***
No Project –Remain CN Exempt	*Under this option, there would be no impacts on costs. (N)* *However, MJEC has already incurred virtually all capital costs for four operating suites. It is much more efficient (lower cost) to better utilize fixed plant and equipment with greater volumes/throughput – average operating costs fall, by definition. This option constrains others' use of the ASC, thus, constrains case volumes at the ASC.* *As a direct result, the No Project option will reduce efficiency and cost-effectiveness relative to what it could otherwise be. This is the principal disadvantage from an efficiency perspective. (D)*
Requested Project	*MJEC has already incurred virtually all capital costs for its four operating suites. It is much more efficient to better utilize fixed plant and equipment with greater volumes/throughput. This option allows MJEC to best utilize its ASF resources, hence improves efficiency and increases cost-effectiveness. (A)* *There are no disadvantages (N)*
CN Approval – 8 OR ASC	*A new site would likely be required to accommodate the additional 4 ORs. This would require substantial capital expenditures. (D)* *To the extent that a larger site would materialize into larger case volumes there could be opportunities to capture considerable economies of scale. (A)*

Staff Impacts

Option	***Advantages/Disadvantages***
No Project –Remain CN Exempt	*Principal advantage would be the avoidance of hiring/employing additional ASF staff. (A)* *There are no disadvantages from a staffing point of view (N)*
Requested Project	*MJEC has already hired staff necessary for current and short-term utilization, but will require significant recruitment of additional staff. However, these additional staff also means it will be able to realize economies of scale opportunities as volumes increase and staff are utilized more productively. (N)* *Greater volumes will also increase the attractiveness of MJEC to employment candidates-this can act to improve staff quality. (A)*
CN Approval – 8 OR ASC	*Would require significantly larger number of staff (D)* *Similar advantages as requested project if volumes would correspond to increased capacity (A)*

Legal Restrictions

Option	***Advantages/Disadvantages***
No Project –Remain CN Exempt	*There are no legal restrictions to continuing operations as presently.(A)*
Requested Project	*The principal advantage would be allowing MJEC the ability to "open" its ASF to credentialed and privileged Proliance medical staff. This will improve access, quality and continuity of care, and promote the highest, efficient use of MJEC as compared to the No Project option. (A)* *Principal disadvantage is it requires CN approval, which requires time and expense. (D)*
CN Approval – 8 OR ASC	*Same as the Project*

Public Comment
None

Rebuttal
None

Department Evaluation
Information provided within the application demonstrates that it is unlikely MJEC could increase utilization of their 4-OR facility without CN-approval. Based on this alone, MJEC appropriately rejected the "do nothing" option.

The other alternative to the requested project explored by MJEC was to relocate and expand to 8 ORs. MJEC identified that it would require a higher capital expenditure, more time, and generally greater complications. This alternative was appropriately rejected.

The statements provided in relation to this sub-criterion can be substantiated, and the department did not identify any alternatives that would be superior in terms of cost, efficiency, or effectiveness. The department concurs that the requested project is reasonable and is the best option of the three presented by MJEC for the planning area and surrounding communities. **This sub-criterion is met.**

Department Evaluation
Step Three:
This step is applicable only when there are two or more approvable projects. MJEC's application is the only application under review to add outpatient surgical capacity in the Central King County secondary health service planning area. Therefore, this step does not apply.

Based on the information stated above, **this sub-criterion is met.**

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

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

Proliance Surgeons, Inc., P.S. dba Minor & James Endoscopy Center
As stated in the project description portion of this evaluation, this project does not involve construction. This sub-criterion is not applicable to this project.

(b) The project will not have an unreasonable impact on the costs and charges to the public of providing health services by other persons.

Proliance Surgeons, Inc., P.S. dba Minor & James Endoscopy Center
As stated in the project description portion of this evaluation, this project does not involve construction. This sub-criterion is not applicable to this project.

(3) The project will involve appropriate improvements or innovations in the financing and delivery of health services which foster cost containment and which promote quality assurance and cost effectiveness.

Proliance Surgeons, Inc., P.S. dba Minor & James Endoscopy Center
"An important benefit of the Requested Project is the expanding access to non-MJEC physicians and their patients provides greater access to lower cost care. Without such access to freestanding ASFs in general, ambulatory surgeries would be limited to hospital-based ambulatory surgery facilities, which are higher cost." [source: application p40]

Public Comment
None

Rebuttal
None

Department Evaluation
Based on information provided within the application, and evaluated under WAC 246-310-210 and 230, the department is satisfied that his project is appropriate and needed. This project has the potential to improve the delivery of health services. As of the date of this evaluation, there are four ASFs with dedicated endoscopy services in the planning area, but the only CN-approved facility is owned and operated by Kaiser Permanente. As stated under WAC 246-310-210, this facility is an HMO and is therefore only available and accessible to enrolled members of that HMO. The department concludes the addition of a CN-approved ASF will appropriately improve the delivery of health services in Central King County. **This sub-criterion is met.**

APPENDIX A

Washington State Department of Health

APPENDIX A
ASC Need Methodology
Central King

Facility	License Number	CN Approved?	ZIP Code	Special Procedure Rooms	Dedicated Inpatient ORs	Dedicated Outpatient ORs	Mixed Use ORs	Inpatient min/case	Inpatient Cases in Mixed Use ORs	2011 Inpatient Mins. In Mixed Use ORs	Outpatient Min/Case	Outpatient Cases	Outpatient Mins.	Data Source
Harborview Medical Center	HAC.FS.00000029	Yes	98104	8	0	1	25	178.45	16,408	2,928,084	54.95	910	50,000	2017 survey for 2016 data
Kaiser Permanente Central Hospital	HAC.FS.00000020	Yes	98112	HMO, not counted										
Swedish Medical Center - First Hill	HAC.FS.00000001	Yes	98122	9	0	0	40	120.93	25,843	3,125,304				2016 survey for 2015 data
Swedish Medical Center - Cherry Hill	HAC.FS.00000003	Yes	98122	0	0	0	10	165.71	5,096	844,468				2016 survey for 2015 data
Virginia Mason Medical Center	HAC.FS.00000010	Yes	98101	0	0	0	24	97.47	17,788	1,733,731				2015 survey for 2014 data
Pacmed Ambulatory Surgical Clinic	ASF.FS.60100067	No	98104	3	0	0	0				#DIV/0!			2017 survey for 2016 data
The Polyclinic Surgery Endoscopy Centers	ASF.FS.60100082	No	98122	7	0	0	0				#DIV/0!			2017 survey for 2016 data
Seattle Facial Plastic Surgery Center	ASF.FS.60100192	No	98104	0	0	1	0				85.51	297	25,395	2017 survey for 2016 data
Seattle Hand Surgery Group PC	ASF.FS.60100927	No	98122	0	0	1	0				32.55	1,788	58,200	2017 survey for 2016 data
Seattle Surgery Center	**ASF.FS.60101072**	**Yes**	**98104**	**1**	**0**	**7**	**0**				42.35	**8,755**	**370,804**	2017 survey for 2016 data
Seattle Plastic Surgery Center	ASF.FS.60101123	No	98122	0	0	1	0				50.00	150	7,500	2017 survey for 2016 data
Seattle Spine Institute	ASF.FS.60102756	No	98122	0	0	1	0				283.66	35	9,928	2017 survey for 2016 data
Pacific Northwest Center for Facial Plastic Surgery	ASF.FS.60103273	No	98122	0	0	1	0				98.11	333	32,670	2017 survey for 2016 data
Seattle Reproductive Surgery Center	ASF.FS.60116732	No	98109	2	0	1	0				35.62	3,711	132,180	2017 survey for 2016 data
The Polyclinic - Plastic Surgery Center	ASF.FS.60452365	No	98104	0	0	4	0				127.89	1,683	215,240	2017 survey for 2016 data
Kaiser Permanente Capitol Hill Procedure Cente	**ASF.FS.60627140**	**Yes**	**98112**	HMO, not counted										
Minor and James Surgery Center	ASF.FS.60639476	No	98104	0	0	2	0				50.00	1,100	55,000	ILRS
Minor and James Endoscopy Center	ASF.FS.60639491	No	98104	4	0	4	0				#DIV/0!			
First Hill Surgery Center	**ASF.FS.60641959**	**Yes**	**98104**	**0**	**0**	**12**	**0**				49.81	**991**	**49,360**	2017 survey for 2016 data
Northwest Glaucoma and Cataract	ASF.FS.60685668	No	98104	0	0	2	0				50.00	400	20,000	ILRS
Totals				**34**	**0**	**7**	**99**	**562.6**	**65,135**	**8,631,587**	50.92	**20,153**	**1,026,277**	
								Avg min/case inpatient		**132.52**	Avg min/case outpatient		**50.92**	
ORs counted in numeric methodology						**21**								
ILRS: Integrated Licensing & Regulatory System														
Population data source: Claritas 2016														
Total Surgeries				85,288			**Total Surgeries**				**85,288**			
Area population 2016 [18+]				275,657			**Area population 2016 [18+]**				**275,657**			
Use Rate				309.399			**Use Rate**				**309.399**			
Planning Area projected 18+ population Year: 2021				296,952			**Planning Area projected 18+ population Year: 2021**				**296,952**			
% Outpatient of total surgeries				23.63%										
% Inpatient of total surgeries				76.37%										

Washington State Department of Health

APPENDIX A
ASC Need Methodology
Central King

Service Area Population: 2019		296,952	Claritas	18+								
Surgeries @ 309.399/1,000:		91,877										
a.i.	94,250	minutes/year/mixed-use OR										
a.ii.	68,850	minutes/year/dedicated outpatient OR										
a.iii.	21	dedicated outpatient OR's x 68,850 minutes =				1,445,850	minutes dedicated OR capacity			28,392	Outpatient surgeries	
a.iv.	99	mixed-use OR's x 94,250 minutes =				9,330,750	minutes mixed-use OR capacity			70,411	Mixed-use surgeries	
b.i.	projected inpatient surgeries =			70,167	=	9,298,393	minutes inpatient surgeries					
	projected outpatient surgeries =			21,710	=	1,105,473	minutes outpatient surgeries					
b.ii.	Forecast # of outpatient surgeries - capacity of dedicated outpatient OR's											
		21,710	-	28,392	=	-5,330	outpatient surgeries					
b.iii.	average time of inpatient surgeries				=	132.52	minutes					
	average time of outpatient surgeries				=	50.92	minutes					
b.iv.	inpatient surgeries*average time				=	9,298,393	minutes					
	remaining outpatient surgeries(b.ii.)*ave time				=	-271,404	minutes					
						9,026,989	minutes					
c.i.	if b.iv. < a.iv. , divide (a.iv.-b.iv.) by 94,250 to determine surplus of mixed-use OR's											
	USE THIS VALUE											
		9,330,750										
	-	9,026,989										
		303,761	/	94,250	=	**3.22**						
c.ii.	if b.iv. > a.iv., divide (inpatient part of b.iv - a.iv.) by 94,250 to determine shortage of inpatient OR's											
	Not Applicable - Ignore the following values and use results of c.i.											
		9,298,393										
	-	9,330,750										
		(32,357)	/	94,250	=	**-0.34**						
	divide outpatient part of b.iv. By 68,850 to determine shortage of dedicated outpatient OR's											
		-271,404	/	68,850	=	**-3.94**						