



STATE OF WASHINGTON
DEPARTMENT OF HEALTH
Olympia, Washington 98504

February 20, 2018

CERTIFIED MAIL # 7016 3010 0001 0575 0990

Elaine Couture, Regional Chief Executive
Providence Health Care
101 West Eighth Avenue
Spokane, Washington 99204

RE: Certificate of Need Application #18-01

Dear Ms. Couture:

We have completed review of the Certificate of Need application submitted by Providence Health & Services proposing to add three operating rooms to Providence Surgery and Procedure Center in Spokane County. Enclosed is a written evaluation of the application.

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

Project Description:

This certificate approves the addition of three operating rooms to Providence Surgery and Procedure Center located in Spokane Valley, within Spokane County. Services provided in the three additional operating rooms are gastroenterology/endoscopy procedures, digestive health services, and pain management. Other procedures that may be provided in the three operating rooms include those that could be performed under a local anesthesia but that do not require sedation of the patient. Examples include wound closures excision of lesions, such as lipoma, sebaceous cysts and mole removal, removal of foreign bodies, urology procedures, such as cystoscopy, circumcision, urodynamics, or vasectomy, hand-trigger finger procedures, and general procedures, such as those for an umbilical hernia or breast biopsy.

At project completion, Providence Surgery and Procedure Center will have a total of seven operating rooms. Surgical types to be provided in the seven operating rooms include bariatrics, ophthalmology, ENT, gastroenterology, gynecology, general surgery, orthopedics, spine, plastics, podiatry, urology, vascular surgery, pain management, cardiovascular, oral/maxillofacial, oncology, thoracic, and neurosurgery.

The surgery center will provide care to patients of all ages who require surgical services, are not expected to require hospitalization, and can be served appropriately in an outpatient surgery setting.

Conditions:

1. Providence Health & Services agrees with the project description as stated above. Providence Health & Services further agrees that any change to the project as described in the project description above is a new project that requires a new Certificate of Need.
2. Providence Health & Services will maintain its license as an ASF under WAC 246-330 for Providence Surgery and Procedure Center.
3. Providence Health & Services will maintain Medicare and Medicaid certification for this Providence Surgery and Procedure Center., regardless of facility ownership.
4. Percutaneous Coronary Interventions (PCI) as defined in WAC 246-310-705 will not be performed at Providence Surgery and Procedure Center.
5. Providence Surgery and Procedure Center will provide charity care in compliance with its charity care policies reviewed and approved by the Department of Health. Providence Health & Services will use reasonable efforts to provide charity care at Providence Surgery and Procedure Center in an amount comparable to or exceeding the average amount of charity care provided by the four hospitals located in Spokane County, within the Eastern Washington Region. Currently, this amount is 1.05% of gross revenue. Providence Health & Services will maintain records of charity care applications received and the dollar amount of charity care discounts granted at Providence Surgery and Procedure Center. The department requires that these records be available upon request.

Approved Costs:

The approved capital expenditure for this project is \$459,500

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

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

Sincerely,

A handwritten signature in blue ink, appearing to read 'NTyson', with a long horizontal line extending to the right.

Nancy Tyson, Executive Director
Health Facilities and Certificate of Need
Office of Community Health Systems

Enclosure

EVALUATION DATED FEBRUARY 20, 2018 OF THE CERTIFICATE OF NEED APPLICATION SUBMITTED BY PROVIDENCE HEALTH & SERVICES PROPOSING TO ESTABLISH A SEVEN OPERATING ROOM AMBULATORY SURGERY CENTER IN SPOKANE COUNTY

APPLICANT DESCRIPTION

Effective July 1, 2016, Providence St. Joseph Health, a Washington nonprofit corporation, became the sole member of both Providence Health & Services, a Washington nonprofit corporation, and St. Joseph Health, a California nonprofit public benefit corporation, each of which were a multi-state health system. This action created the health care system known as Providence St. Joseph Health. [source: 2016 Providence St. Joseph Health, 2016 year-end financial statements]

Providence St. Joseph Health, through its subsidiary Providence Health & Services, operates Providence Health & Services-Washington. [source: Application, pp6-7] With 50 hospitals, 829 physician clinics, senior services, supportive housing and many other health and educational services, the health system and its partners employ more than 100,000 caregivers (employees) serving communities across seven states.¹ System offices are based in Renton, Washington and Irvine, California. [source: Providence St. Joseph Health website]

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

Providence facilities licensed by Washington State are shown below:

Hospitals

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

Ambulatory Surgery Center

Providence Surgery and Procedure Center

In-Home Service Agencies

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

Nursing Homes

Providence Marianwood
Providence Mount St. Vincent Nursing Home
Bethany at Pacific
Bethany at Silverlake
Providence St. Joseph Care Center
Providence St. Joseph Nursing Home
Providence Mother Joseph Care Center

¹ Alaska, California, Montana, New Mexico, Oregon, Texas, and Washington

PROJECT DESCRIPTION

This project focuses on the Providence Surgery and Procedure Center identified in the table above. The surgery center is located within the Providence Medical Park at 16528 Desmet Court in Spokane Valley [99216], within Spokane County. On October 31, 2014, CN #1538 was issued to Providence approving the establishment of the ambulatory surgery center with four operating rooms (ORs). The surgery center opened in February 2015 and has remained in continuous operation. [source: CN historical files] Services currently provided at Providence Surgery and Procedure Center include ear, nose, and throat (ENT); gastroenterology; gynecology; general surgery; neurology; orthopedics; plastics; podiatry; urology; and vascular services². [source: September 18, 2017, screening response, p2]

With this application, Providence proposes to add three ORs to Providence Surgery and Procedure Center, resulting in a facility total of seven ORs. The surgery center will remain at the same site and continue to provide care to patients of all ages who require surgical services, are not expected to require hospitalization, and can be served appropriately in an outpatient surgery setting. Services that would be provided in the three new ORs include. GI/endoscopy and pain management cases. Providence also provided the following clarification related to any other services provided in the three new ORs. [source: September 18, 2017, screening response, p4]

"While the primary intended use of the rooms is GI/endoscopy and pain management, other procedures may include those that could be performed under a local anesthesia but that do not require sedation of the patient. These common procedures include: (1) pain management, (2) wound closures (aka. "stitches" or sutures), (3) excision of lesions, such as lipoma, sebaceous cysts and mole removal, (4) removal of foreign bodies, (5) urology procedures, such as cystoscopy, circumcision, urodynamics, or vasectomy, (6) hand-trigger finger procedures, and (7) general procedures, such as those for an umbilical hernia or breast biopsy. In addition, by using the phrase "including but not limited to", Providence recognizes new procedures may arise in the future that are appropriate for a procedure room, as well."

The estimated capital expenditure to add the three ORs is \$459,500. It includes equipment and associated freight charges and sales taxes. [source: Application, p34]

APPLICABILITY OF CERTIFICATE OF NEED LAW

This application is subject to Certificate of Need review as the construction, establishment, or other development of a health care facility under RCW 70.38.105(4)(a) and WAC 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:

² In the October 2014 review of this project, Providence clarified that vascular surgery encompasses all operations on the cardiovascular system that can be performed in an outpatient setting. Examples of vascular surgery in an outpatient setting include repair of blood vessel lesions, removal of clots in grafts, insertion, revision, or removal of infusion pumps. [source: DOH October 20, 2014, evaluation, p1]

- (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 ASC 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	Providence Health & Services
Letter of Intent Submitted	April 12, 2017
Application Submitted	July 13, 2017
Department's pre-review activities: <ul style="list-style-type: none">• DOH 1st Screening Letter• Applicant's Responses Received	August 3, 2017 September 18, 2017
<ul style="list-style-type: none">• DOH 2nd Screening Letter• Applicant's Responses Received	October 10, 2017 November 3, 2017
Beginning of Review	November 13, 2017
End of Public Comment <ul style="list-style-type: none">• Public comments accepted through the end of public comment• No public hearing requested or conducted	December 18, 2017
Rebuttal Comments Submitted	January 4, 2018
Department's Anticipated Decision Date	February 20, 2018
Department's Actual Decision Date	February 20, 2018

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.*

For this project, no entities requested interested or affected person status.

SOURCE INFORMATION REVIEWED

- Providence Health & Services Certificate of Need application received July 13, 2017
- Providence Health & Services first screening responses received September 18, 2017
- Providence Health & Services second screening responses received November 3, 2017
- Compliance history for credentialed or licensed staff from the Medical Quality Assurance Commission and Nursing Quality Assurance Commission
- Compliance history for facilities and services from the Washington State Department of Health – Office of Investigation and Inspection
- Compliance history for facilities and services from the Washington State Department of Social and Health Services
- DOH Provider Credential Search website: <http://www.doh.wa.gov/pcs>
- Year 2017 Annual Ambulatory Surgery Provider Survey for Surgical Procedures performed during calendar year 2016 for hospitals, ambulatory surgery centers, or ambulatory surgical facilities located in Spokane County
- Year 2016 Annual Ambulatory Surgery Provider Survey for Surgical Procedures performed during calendar year 2015 for hospital, ambulatory surgery centers, or ambulatory surgical facilities locate in Spokane County
- Year 2015 Annual Ambulatory Surgery Provider Survey for Surgical Procedures performed during calendar year 2014 for MHS Deaconess Medical Center and MHS Valley Hospital and Medical Center
- Office of Financial Management population data obtained August 2015
- Department of Health’s Charity Care Program historical charity care data for years 2014, 2015, and 2016
- Department of Health internal database – Integrated Licensing & Regulatory Systems (ILRS)
- Joint Commission website: <http://www.qualitycheck.org>
- Providence St. Joseph Health website: www.psjhealth.org
- Providence Health & Services website: www.providence.org
- Certificate of Need historical files

CONCLUSIONS

For the reasons stated in this evaluation, the application submitted by Providence Health & Services proposing to add three operating rooms to Providence Surgery and Procedure Center in Spokane County is consistent with the applicable criteria of the Certificate of Need Program, provided Providence Health & Services agrees to the project description, conditions, and approved costs listed below.

Project Description

This certificate approves the addition of three operating rooms to Providence Surgery and Procedure Center located in Spokane Valley, within Spokane County. Services provided in the three additional operating rooms are gastroenterology/endoscopy procedures, digestive health services, and pain management. Other procedures that may be provided in the three operating rooms include those that could be performed under a local anesthesia but that do not require sedation of the patient. Examples include wound closures excision of lesions, such as lipoma, sebaceous cysts and mole removal, removal of foreign bodies, urology procedures, such as cystoscopy, circumcision, urodynamics, or vasectomy, hand-trigger finger procedures, and general procedures, such as those for an umbilical hernia or breast biopsy.

At project completion, Providence Surgery and Procedure Center will have a total of seven operating rooms. Surgical types to be provided in the seven operating rooms include bariatrics, ophthalmology, ENT, gastroenterology, gynecology, general surgery, orthopedics, spine, plastics, podiatry, urology, vascular surgery, pain management, cardiovascular, oral/maxillofacial, oncology, thoracic, and neurosurgery.

The surgery center will provide care to patients of all ages who require surgical services, are not expected to require hospitalization, and can be served appropriately in an outpatient surgery setting.

Conditions

1. Providence Health & Services agrees with the project description as stated above. Providence Health & Services further agrees that any change to the project as described in the project description above is a new project that requires a new Certificate of Need.
2. Providence Health & Services will maintain its license as an ASF under WAC 246-330 for Providence Surgery and Procedure Center.
3. Providence Health & Services will maintain Medicare and Medicaid certification for this Providence Surgery and Procedure Center., regardless of facility ownership.
4. Percutaneous Coronary Interventions (PCI) as defined in WAC 246-310-705 will not be performed at Providence Surgery and Procedure Center.
5. Providence Surgery and Procedure Center will provide charity care in compliance with its charity care policies reviewed and approved by the Department of Health. Providence Health & Services will use reasonable efforts to provide charity care at Providence Surgery and Procedure Center in an amount comparable to or exceeding the average amount of charity care provided by the four hospitals located in Spokane County, within the Eastern Washington Region. Currently, this amount is 1.05% of gross revenue. Providence Health & Services will maintain records of charity care applications received and the dollar amount of charity care discounts granted at Providence Surgery and Procedure Center. The department requires that these records be available upon request.

Approved Capital Expenditure

The approved capital expenditure for this project is \$459,500

CRITERIA DETERMINATIONS

A. Need (WAC 246-310-210)

Based on the source information reviewed and agreement to the conditions identified in the conclusion section of this evaluation, the department concludes that Providence Health & Services has met the applicable need criteria in WAC 246-310-210 and has met the applicable ambulatory surgery facility criteria in WAC 246-310-270.

- (1) *The population served or to be served has need for the project and other services and facilities of the type proposed are not or will not be sufficiently available or accessible to meet that need.* To evaluate this sub-criterion, the department uses facility-specific criteria found in WAC 246-310-270.

WAC 246-310-270(6)

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

Providence Health & Services

In response to this sub-criterion, Providence provided the following information. [source: Application, p4]

“... through this CN Application, Providence requests certificate of need (“CN”) approval to equip and operate three (3) procedure rooms in the existing CN approved Providence Medical Park Spokane Valley ambulatory surgery facility (“ASF”) in the Spokane County secondary health services planning area (“Spokane County Planning Area”). Once approved, these three procedure rooms will be open to all physicians in the community who are credentialed and privileged as a member of a Providence medical staff.

The three procedure rooms are fully built-out and located in the ASF. The procedure rooms are expected to open as soon as possible after CN approval and equipment acquisition. In the interest of conservatism, this application uses April 1, 2018 as the operational start date; however, the three procedure rooms are anticipated to be functional and equipped within the first month after CN approval. The three procedure rooms will operate in addition to the four-operating room ASF that was previously approved and completed (CN #1538, CN App #14-16).

Public Comments

None

Rebuttal Comments

None

Department Evaluation

The application includes verifiable documentation and statements to demonstrate the surgery center currently operates with four ORs and this application would increase the total ORs to seven. **This sub-criterion is met.**

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

WAC 246-310-270(9) provides step-by-step instructions for calculating numeric need in a planning area.

Providence Health & Services

Providence provided the following information regarding the calculation of the numeric need methodology for Spokane County. [source: Application, pp18-24]

*“The model shows a projected net surplus of 8.99 mixed use ORs in the Spokane Planning Area in 2020. **However, as stated above, the Department excludes GI/endoscopy procedures and associated procedure rooms from its ASF need methodology. Therefore, the proposed project can still be approved despite the formal need methodology calculating net surplus of ORs in the Spokane Planning Area.** 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. Also, there is growing demand by payers and other stakeholders to move care delivery to lower cost care settings, as appropriate. Providence’s proposed project meets these needs.”* [emphasis in original]

Public Comments

None

Rebuttal Comments

None

Department Numeric Need Methodology and Evaluation

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

The methodology estimates OR need in a planning area using multi-steps as defined in WAC 246-310-270(9). This methodology relies on a variety of assumptions and initially determines existing capacity of dedicated outpatient and mixed-use operating 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 endoscopy rooms and procedures.

According to the department’s records, there is a total of 28 planning area providers with OR capacity. Of these 28 providers, 5 are hospitals and 23 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, the most recent utilization survey data available was for year 2015. As of the writing of this evaluation 2016 utilization data has been collected through the annual surveys. If available, 2016 data will be used in this evaluation.

Table 1 shows a listing of the five hospitals with OR capacity.³ [source: CN historic files, ILRS]

Table 1
Spokane County Hospital ORs

Facility
MultiCare Health System-Deaconess Hospital
MultiCare Health System-Valley Hospital and Medical Center
Providence Holy Family Hospital
Providence Sacred Heart Medical Center and Children's Hospital
Shriners Hospital for Children-Spokane

For the five hospitals, all known OR capacity and procedures are included in the methodology calculations for the planning area.

Table 2 contains a listing of the 23 ASFs in the planning area. [source: CN historic files, ILRS]

Table 2
Spokane County Ambulatory Surgical Facilities (ASFs)

Facility Name	CN Approved
Chesnut Institute of Cosmetic & Reconstructive Surgery	Yes
Providence Surgery and Procedure Center (Applicant)	Yes
Rockwood Eye Surgery	Yes
Facility Name	CN Exempt
South Perry Endoscopy [Endoscopy Only]	Yes
Spokane Digestive Disease [Endoscopy/Pain Management Only]	Yes
Facility Name	CN Exempt
Advanced Dermatology & Skin Surgery	Yes
Aesthetic Plastic Surgical Center	Yes
Carol Hathaway, MD PS	Yes
Columbia Surgery Center	Yes
Empire Eye Surgery Center	Yes
Inland Northwest Surgery Center	Yes
Liberty Oral and Maxillofacial Center	Yes
NEOS Surgery Center	Yes
Northwest Orthopedic Specialists-	Yes
Northwest Surgery Center Inc.	Yes
Pacific Cataract & Laser Institute	Yes
Spokane Plastic Surgeons	Yes
Spokane Surgery Center	Yes

³ St. Luke Rehabilitation Institute is also located in Spokane County; however the hospital does not have ORs and does not provide surgical services.

Facility Name	CN Exempt
Spokane Valley ASC	Yes
SRM Spokane	Yes
The Plastic Surgicenter	Yes
The Spokane Eye Surgery Center	Yes
Women's Health Connection	Yes

Shown in Table 2 above, out of the 23 ASFs listed above, three are CN approved ASFs, and the number of surgeries and the number of ORs will be counted in the numeric methodology.

Of the 20 remaining ASFs, two provide endoscopy or endoscopy/pain management only. The numeric methodology excludes these special purpose rooms and cases from the calculations.

This exclusion leaves 18 ASFs remaining. All 18 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 18 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 methodology for the planning area.

In summary, surgical cases and ORs for the 5 hospitals and 3 CN approved surgery centers will be counted in the numeric methodology. Surgical cases, but not ORs, for the 18 CN exempt surgery centers will be counted in the numeric methodology.

The data points used in the department's numeric methodology are identified in Table 3. The methodology and supporting data used by the department is provided in Appendix A attached to this evaluation.

**Table 3
Department's Methodology Assumptions and Data**

Assumption	Data Used
Planning Area	Spokane County
Population Estimates and Forecasts	Office of Financial Management data released August 2015 Age Group: 0-85+ Year 2017 – 499,259 Year 2020 – 513,910
Use Rate	Divide total calculated surgical cases by 2017 population results in the service area use rate of 190.759/1,000 population
Year 2015 Total Number of Surgical Cases	34,898 – Inpatient or Mixed-Use; 60,340 – Outpatient 95,238 – Total Cases
Percent of surgery: outpatient vs. inpatient	Based on DOH survey and ILRS: 36.64% outpatient; 63.36% inpatient

**Table 3 (continued)
Department's Methodology Assumptions and Data**

Assumption	Data Used
Average minutes per case	Based on DOH survey and ILRS: Outpatient cases: 37.89 minutes Inpatient cases: 89.33 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 Spokane Providers: 8 dedicated outpatient ORs 82 mixed use ORs
Department's Methodology Results	Surplus of 14.53 mixed-use ORs

Based on the assumptions described in Table 3 above, the department's application of the numeric methodology shows a surplus of mixed use ORs in Spokane County, resulting in no numeric need for additional outpatient ORs in projection year 2020.

When comparing the applicant's and department's methodology, there are slight differences in the data points used; however, the outcome of both methodologies is a surplus of ORs in Spokane County.

In conclusion, based solely on the results of numeric methodology, there is no numeric need for additional outpatient ORs in Spokane County.

WAC 246-310-210

In addition to providing the numeric methodology as described above, Providence must demonstrate that existing services are not sufficiently available and accessible to meet projected need.

Providence Health & Services

WAC 246-310-270(4)

WAC 246-310-270(4) provides the following guidance related to the numeric methodology.

"Outpatient operating rooms should ordinarily not be approved in planning areas where the total number of operating rooms available for both inpatient and outpatient surgery exceeds the area need."

Within its application, Providence acknowledged that the numeric methodology does not show need for additional ORs in the planning area. Under the sub-criterion of WAC 246-310-270(4), Providence provided the following statements intended to demonstrate that this project should be approved absent numeric need.

"With a growing aging population and a corresponding increased need for Digestive Health services, access problems for GI services, and pain management services will continue if additional capacity is not added to the community, something not reflected in the Department's need methodology because it specifically excludes special-purpose procedure rooms and utilization. Additionally, insurance providers are requesting that procedures move from more expensive hospital based locations to more cost-effective locations such as ASC's. This has increased the demand for lower cost services such as those provide in ASC settings. The additional three procedure rooms and the ASF are an integral part of Providence's desire to

offer local, affordable ambulatory care options that meet the current and future clinical needs of Spokane Planning Area residents.” [source: Application, pp24-25]

“In the CN application, we have requested three procedure rooms, which will not add to the OR supply in the planning area. With a growing aging population and corresponding increased need for digestive health services, access problems for GI and pain management services will continue if additional capacity is not added to the community, something not reflected in the Department's need methodology because it specifically excludes special-purpose procedure rooms and utilization. While procedure rooms can be approved in absence of numeric need, there are numerous qualitative arguments that contribute to the urgency with which the Certificate of Need should be granted.

As noted in the application, there is a growing shortage of access to procedure rooms and a decline in gastroenterology services due to the retirement of five gastroenterologists. These retirements have resulted in approximately a 12.5% net loss of GI providers in the planning area. Specifically, Inland Empire Gastroenterology has closed its office and ambulatory surgery center, following the retirement of its two gastroenterologists. The availability of gastroenterology services is anticipated to continue declining as more physicians in the community approach retirement.

At the same time, as the shortage of providers grows and the number of available procedure rooms decreases, demand for GI-related services continues to see a steady increase. Currently, the average wait time for GI/endoscopy screening appointment with a Providence gastroenterologist in the Spokane County Planning Area is as long as 3-4 months. With a growing aging population and a corresponding increased need for digestive health services, access to services issues will continue if additional capacity in the community is not added.

The use of the additional three procedure rooms in the CN-approved ASC also is an integral part of Providence's desire to offer local, affordable ambulatory care options to Spokane County Planning Area residents. The overall cost structure to perform outpatient services in an ASC is lower than providing these same services in a hospital outpatient department, which allows Providence and its payers to pass along cost savings to consumers.

Additionally, insurance providers are requesting that procedures move from more expensive hospital-based locations to more cost effective locations such as ASCs. This has increased demand for lower cost services such as those provided in ASC settings.

This project is an integral part of Providence's commitment to increasing quality of care by creating an environment that is more conducive to care coordination and improving patient satisfaction by creating access when and where people need it. There is an increasing desire and need for readily accessible outpatient services in the local community. Many of today's ambulatory services, including GI/endoscopy and pain management procedures, do not necessitate a trip to the hospital. This alone lowers costs and improves patient satisfaction.

Finally, patient satisfaction increases when patients are able to meet all of their needs within the same building without having to make multiple trips to different locations. This type of care delivery also is more efficient. Improving access within Spokane allows more Planning Area residents to receive care closer to home in a convenient outpatient setting without travelling unnecessarily long distances and spending extra resources. By improving access, the project

can positively impact patient care by avoiding delayed screening and treatment.” [source: September 18, 2017, screening response, pp3-4]

Public Comments

None

Rebuttal Comments

None

Department Evaluation

In addition to the need methodology discussed above, Providence provided its rationale to support its position that the three additional ORs at Providence Surgery and Procedure Center should be approved absent numeric need. The rationale focuses on four main factors:

- Aging population in Spokane County
- Dedicated GI rooms do not increase OR capacity in the planning area
- GI services on site are an integral part of the Providence continuum of care
- Increased patient satisfaction.

Spokane County’s population growth has historically been steady for years. Focusing on projected years 2015 through 2025, the 65+ age group, which is the most frequent users of health care services, is projected to have the largest percentage of growth in the county.

Spokane County continues to show a significant shift of surgeries from inpatient to outpatient settings. In 2014, when Providence submitted its application to establish the surgery center with 4 ORs, the department calculated a use rate of 159.075/1,000 population. The use rate is based on historical procedures in the county. Since Providence has been operating its 4 ORs, a large number of surgeries are shifting from the inpatient to the outpatient setting. For this application submitted in 2017, the calculated use rate increased to 190.759/1,000 population.

Providence is correct in its statement that dedicated GI rooms do not increase OR capacity in the planning area. The numeric methodology does not count dedicated GI or pain management ORs in the currently supply. This approach allows a facility or hospital to have dedicated ORs that are not a barrier to OR growth in a planning area for general outpatient services, such as orthopedic, plastic surgery, ENT, or ophthalmology. However, Providence clarified in its application that while the intended use of the rooms is GI/endoscopy and pain management, other procedures may include those that could be performed under a local anesthesia but that do not require sedation of the patient. Providence provided examples of procedures that may be performed in the three new ORs, such as, wound closures excision of lesions, such as lipoma, sebaceous cysts and mole removal, removal of foreign bodies, urology procedures, such as cystoscopy, circumcision, urodynamics, or vasectomy, hand-trigger finger procedures, and general procedures, such as those for an umbilical hernia or breast biopsy. For this reason, these three new ORs would be counted in any future numeric methodology for Spokane County.

While ‘patient satisfaction’ is difficult for the department to measure, it is common knowledge that outpatient services in an ambulatory setting are more cost effective for patients, providers, and insurers than the same services received in a hospital setting. For these reasons, the department concurs that approval of this project could result in patient satisfaction.

The department also notes that none of the existing providers, including the two non-Providence, CN approved ASFs, provided comments in opposition to this project. This further indicates that approval of the three dedicated GI/endoscopy and pain management ORs requested in this application would not negatively impact the existing providers.

Of the 23 ASFs currently operating in Spokane County, 18 ASFs do not meet the ASF definition in WAC 246-310-010. These ASFs are under no obligation to provide charity care, or to serve Medicare and Medicaid patients. Therefore, these ASFs may not be sufficiently available and accessible to all residents of the planning area.

In summary, based solely on the department's numeric need methodology, need for three ORs in Spokane County has not been demonstrated. Based on additional documentation provided by Providence, need for the three ORs has been demonstrated, provided that Providence would agree to a condition to limit the services provided in the three ORs to GI/endoscopy and pain management as described in the application.

Further, the applicant meets the standard under WAC 246-310-270(6). **This sub-criterion is met.**

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

To evaluate this sub-criterion, the department evaluates an applicant's admission policies, willingness to serve Medicare and Medicaid patients, and to serve patients that cannot afford to pay for services. The admission policy provides the overall guiding principles of the facility as to the types of patients that are appropriate candidates to use the facility and assurances regarding access to treatment.

The admission policy must also include language to ensure all residents of the planning area would have access to the proposed services. This is accomplished by providing an admission policy that states patients would be admitted without regard to race, ethnicity, national origin, age, sex, pre-existing condition, physical, or mental status.

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

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

Charity care shows a willingness of a provider to provide services to individuals who do not have private insurance, do not qualify for Medicare, do not qualify for Medicaid, or are under insured. With the passage of the Affordable Care Act 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 ASCs, WAC 246-310-270(7) requires that ASCs shall implement policies to provide access to individuals unable to pay consistent with charity care levels reported by the hospitals affected by the proposed project.

Providence Health & Services

Providence provided copies of the following policies, which are currently in use at its hospitals and Providence Surgery and Procedure Center. [source: Application, Exhibit 14 and September 18, 2017, screening response, p9]

- Non Discrimination Admission Policy – Revised March 2014
- Patient Rights and Responsibilities Policy – August 2014
- Charity Care Policy – Revised January 2016

In addition to the policies listed above, Providence provided the following statements. [source: Application, p31]

“Providence has provided a full continuum of care in the Spokane community for more than a century. Patients are treated and cared for regardless of gender, ethnicity, disabilities or their ability to pay. Providence shares the 150-year mission of the Sisters of Providence: to reveal God’s love for all, especially the poor and vulnerable, through our compassionate service. That mission has not changed.

As a not-for-profit health care organization, Providence embraces its responsibility to provide for the needs of the communities it serves. In addition to charity care provided, Providence provides a multitude of services and benefits in the community, many of which would not otherwise be available.

Providence’s commitment to its communities is evidenced by its community benefit activities. In 2016, Providence provided more than \$91 million to address unmet health needs in Eastern Washington. These dollars covered hospital charges for patients who lacked insurance or the ability to pay, provided access to primary care physicians and needed prescription medications, and helped the mentally ill obtain needed treatment. Housing was provided to the homeless, meals given to the hungry, and education and support helped families in need.”

Providence provided its current sources of revenue by payer at the surgery center. A breakdown is shown below. [source: Application, p14]

**Table 4
Providence Surgery and Procedure Center
Current and Projected Payer Mix**

Payer	Historical and Projected
Medicare	14.3%
Medicaid	39.2%
Commercial	28.8%
Other Government/L&I	16.7%
Self-pay	1.2%
Total	100.0%

Providence expects the surgery center will continue to have the same payer mix with the increase of three endoscopy/pain management ORs. [source: Application, p35]

Public Comments

None

Rebuttal Comments

None

Department Evaluation

Providence provided the hospital’s policies currently used at its hospitals and the operational surgery center in Spokane County. The policies are the same policies posted to the department’s website as required under WAC 246-320-141(6).

The financial data provided in the application shows Medicare and Medicaid revenues consistent with Table 4 above. The department concluded that the surgery center would continue to be accessible and available to Medicare and Medicaid patients with three additional ORs.

WAC 246-310-270(7) – Charity Care Requirement

WAC 246-310-270(7) requires that ASCs shall implement policies to provide access to individuals unable to pay consistent with charity care levels reported by the hospitals affected by the proposed ASC.

Providence Health & Services

“As demonstrated in Table 15, Providence facilities exceed the Eastern Washington Regional average charity care expenditure percentages the Department uses to evaluate organizational performance regarding its provision of care to financially underserved persons. In addition, as detailed below, Providence’s Non-Discrimination Admissions Policy, Patient Rights and Responsibilities Policy, and Charity Care Policy demonstrate our commitment to underserved persons.

In accordance with its mission, Providence is committed to meeting community and regional health needs. Providence will extend its existing charity care policies and community benefit activities to include the three procedure rooms. Please refer to Exhibit 15 for a copy of Providence Health & Services – Washington Charity Care Policy. These policies are in use for the current ASF and will apply to the three proposed procedure rooms.”

[source: Application, pp31-32]

Providence also provided the following table to show its commitment to provide free or reduced-cost services to Spokane County residents. [source: Application, Table 14, p31]

Applicant’s Table 14 Recreated

	<i>Free Medical Care for Patient in Need</i>	<i>Education and Research Programs</i>	<i>Community Health, Grants, Donations</i>	<i>Unreimbursed Cost of Government Programs</i>	<i>Total Community Benefit</i>
<i>Providence Sacred Heart Medical Center & Children’s Hospital</i>	\$4,909,502	\$14,431,230	\$2,570,554	\$49,611,790	\$71,523,076
<i>Providence Holy Family Hospital</i>	\$1,950,624	\$9,453	\$384,933	\$15,519,590	\$17,864,600
<i>Providence Mount Carmel Hospital</i>	\$378,180	\$385,566	\$158,495	\$1,015,962	\$1,938,203
<i>Providence St. Joseph Hospital</i>	\$167,425	\$400	\$64,903	\$257,568	\$490,296
Total	\$7,405,731	\$14,826,649	\$3,178,885	\$66,404,910	\$91,816,175

Providence provided an explanation of the community benefits included in the table above. [source: September 18, 2017, screening response, p6]

“Providence's community benefit investments reach out beyond the walls of care settings to touch lives in the places where relief, comfort and care are needed. Through program and donations, health education, free care ("charity care"), medical research and more, we give back to our communities. Providence's community benefit investments not only support the health and wellbeing of each person we serve, but the whole community. The definitions for the Table 14 column headers are listed below.

- **Free Medical Care for Patients in Need:** *Financial assistance for those who are uninsured, underinsured, or otherwise unable to pay for their health care. This category is often termed charity care.*
- **Education and Research Programs:** *Subsidies for medical residency programs, education for nursing and other health professions, and medical research.*
- **Community Health, Grants, Donations:** *Free services such as patient education, health screenings, immunizations and support groups, as well as grants and donations to support community partners.*
- **Unreimbursed Cost of Government Programs:** *This includes shortfalls in Medicaid – the difference between the cost of care and what is paid by state and federal government.”*

Providence also provided the amount of charity care proposed for Providence Surgery and Procedure Center with seven operational ORs. [source: September 18, 2017, screening response, Application, Exhibit 18]

**Table 5
Providence Surgery and Procedure Center Proposed Charity Care**

	Partial Year 2018	Full Year 2019	Full Year 2020	Full Year 2021
Projected Gross Revenue	\$21,652,077	\$25,383,248	\$27,080,114	\$27,689,237
Projected Charity Care	\$394,731	\$464,513	\$495,566	\$506,713
Percentage of Charity Care w/ Gross Revenue	1.82%	1.83%	1.83%	1.83%

Public Comments

None

Rebuttal Comments

None

Department Evaluation – Charity Care Requirement

For charity care reporting purposes, Washington State is divided into five regions: King County, Puget Sound (less King County), Southwest, Central, and Eastern. Providence Surgery and Procedure Center is located in Spokane County, within the Eastern Washington Region.

Currently there are 21 hospitals operating within the region. Of the 21 hospitals, some did not report charity care data for the years reviewed.⁴ There are six hospitals operating in Spokane County, and of those, four could be affected by this project.⁵

Table 6 below compares the three-year historical average of charity care provided by the hospitals operating in the Eastern Washington Region (with the exception of those that did not report) and the four hospitals operating in Spokane County that could be affected by this project. The table also shows the historical and projected charity care for Providence Surgery and Procedure Center. [source: Application, Exhibit 4; September 18, 2017, screening response, p10; and DOH Charity Care Program historical data for years 2014-2016]

Table 6
Charity Care – Three Year Average

	Percentage of Total Revenue	Percentage of Adjusted Revenue
3-year Eastern Washington Region	1.12%	3.26%
3-year Four Spokane County Hospitals	1.05%	3.11%
Providence Surgery and Procedure Center – Historical	0.94%	2.57%
Providence Surgery and Procedure Center – Projected	1.83%	3.93%

As shown above, the historical percentage of charity care provided at Providence Surgery and Procedure Center is lower than the combined percentages provided at the four hospitals for the same years. In response to the department’s inquiry regarding its historical percentage of charity care, Providence provided the following information. [source: September 18, 2017, screening response, pp10-11]

“Providence is guided by a strong commitment to its Mission and Core Values, especially care for the poor and vulnerable. It remains Providence's philosophy and practice that medically necessary health care services are available to community members and those in emergent medical need, without delay, regardless of their ability to pay. Providence does not turn away cases based on the ability to pay, and this remains a tenant of our Mission.

Since opening in 2015, Providence Medical Park has had charity care policies in place, which have been included in the current CN application for the three procedure rooms (Exhibit 15) and which were included as a condition in the earlier CN application for the ambulatory surgery center (CN #1538, CN App #14-16). We continue to fulfill the conditions of CN #1538 by providing charity care in compliance with the charity care policy and have used reasonable efforts to provide charity care at the ambulatory surgery center in an amount comparable to or exceeding the average amount of charity care provided by the four hospitals in the Eastern Washington Region.

⁴ For year 2014, the following five hospitals did not report data: Dayton General Hospital, East Adams Rural Hospital, Ferry County Memorial Hospital, Garfield County Memorial Hospital, and Othello Community Hospital. For year 2015, the following two hospitals did not report data: Garfield County Memorial Hospital and Othello Community Hospital. For year 2016, the following five hospitals did not report data: Adventist West/Walla Walla General Hospital, Ferry County Memorial Hospital, Garfield County Memorial Hospital, Othello Community Hospital, and Whitman Medical Center.

⁵ The four hospitals are: MHS Deaconess Hospital, MHS Valley Hospital, Providence Holy Family Hospital, and Providence Sacred Heart Medical Center and Children’s Hospital.

When the ambulatory surgery center in the Providence Medical Park Spokane Valley was opening and beginning to grow its volumes, the ASC provided less charity care as a percent of gross revenue and adjusted revenue than the three-year averages that were listed at the time that CN #1538 was approved. However, it is important to note that the overall need and volume of charity care has declined within the region. As noted in Table 15 in the CN application, charity care as a percent of total revenue and a percent of adjusted revenue has declined year-over-year within the Eastern Washington Region.

In large measure, the decline in charity care is related to growth in the number of patients who have gained insurance coverage as a result of the Affordable Care Act, such as through the Medicaid expansion. As Providence has seen a decreasing need for charity care, it has experienced a significant increase within its facilities for the amount of the unreimbursed cost of government programs (e.g. Medicaid shortfalls). As noted in Table 14 in the CN application, Providence Health Care provided more than \$7.4 million in charity care, as well as millions of dollars more toward education and research programs, community health grants and donations, and the unreimbursed cost from government programs totaling more than \$84 million in 2016. While the regional rates have been falling, Providence's four hospitals in the planning area have maintained rates above the regional totals.”

The department concurs that charity care levels have been decreasing since the passage of the Affordable Care Act (ACA) in 2010. As previously stated, with recent federal legislative changes affecting the ACA, it is uncertain whether this trend will continue.

To substantiate Providence’s claim that its four hospitals in the planning area have “*maintained rates above the regional totals,*” the department again reviewed historical charity care data. Providence operates five, not four, hospitals in the Eastern Washington Region. The five Providence hospitals and their historical charity care data is shown in Table 7 below.

**Table 7
Charity Care – Three Year Average**

	Percentage of Total Revenue	Percentage of Adjusted Revenue
3-year Eastern Washington Region	1.12%	3.26%
Providence Holy Family Hospital, Spokane	1.99%	6.73%
Providence Mount Carmel Hospital, Colville	1.52%	5.52%
Providence Sacred Heart Medical Center, Spokane	1.16%	3.46%
Providence St. Joseph Hospital, Chewelah	1.85%	9.07%
Providence St. Mary Medical Center, Walla Walla	1.60%	4.79%

As shown in the table above, all five Providence hospitals operating in the Eastern Washington Region show a three year average of charity care higher than the regional average. This information supports Providence’s claim that it uses reasonable efforts to ensure charity care is available to residents at its facilities.

Based on the above analysis, if this project is approved, the department would attach a condition requiring Providence to make reasonable efforts to provide charity care at the planning area average at Providence Surgery and Procedure Center. This condition would also require Providence to maintain records of charity care applications received and the dollar

amount of charity care discounts granted at Providence Surgery and Procedure Center. The department would require that these records be available upon request.

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

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

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

Department Evaluation

This sub-criterion is not applicable to this application

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

Department Evaluation

This sub-criterion is not applicable to this application

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

Department Evaluation

This sub-criterion is not applicable to this application

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

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

Department Evaluation

This sub-criterion is not applicable to this application

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

Department Evaluation

This sub-criterion is not applicable to this application

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

Department Evaluation

This sub-criterion is not applicable to this application

B. FINANCIAL FEASIBILITY (WAC 246-310-220)

Based on the source information reviewed and agreement to the conditions identified in the conclusion section of this evaluation, the department concludes that Providence Health & Services met the applicable financial feasibility criteria in WAC 246-310-220.

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

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

Providence Health & Services

Providence provided the following assumptions to determine the projected number of cases by type for the three additional ORs. [source: Application, pp26-28]

“The forecast model uses the following assumptions and methodologies:

- 1. Surgical use rates for applicable services 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.” (See Exhibit 12) The report analyzed and presented summaries of data from the 2006 National Survey of Ambulatory Surgery (“NSAS”).*

Applicant’s Table 9 Recreated
National Center for Health Statistics.
Ambulatory Surgery Utilization Estimates

<i>Category</i>	<i>Procedures</i>	<i>Utilization Rate/10,000</i>
<i>Operations on the Nervous System</i>	<i>Includes: Injection of agent into spinal canal</i>	<i>66.8</i>
<i>Operations on the Digestive System</i>	<i>Includes: dilation of esophagus; endoscopy of small intestine with or w/o biopsy; endoscopy of large intestine with or w/o biopsy; endoscopy polypectomy of large intestine</i>	<i>367.1</i>

Source: “Ambulatory Surgery in the United States, 2006,”US Department of Health and Human Services, National Center for Health Statistics, National Health Statistics Reports, Number 11, January 28, 2009, revised September 4, 2009. Table 7, page 18. (See Exhibit 12 for copy of the full report).

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. Please see Table 10 for the NCHS utilization rates used in the forecast methodology.

2. The NCHS use rates in Table 10 were multiplied by the 2018-2023 planning area population (see Table 5), and then divided by 10,000 to forecast Planning Area resident ambulatory surgeries by procedure type, by year. Table 10 below includes these procedure estimates for the planning area.

**Applicant's Table 10 Recreated
Spokane County Planning Area
Ambulatory Surgery Forecasts, 2018-2023**

Procedure (ICD-9-CM Code)	Utilization Rate/10,000	Total Number of Procedures, Spokane Planning Area					
		2018	2019	2020	2021	2022	2023
All Operations (01-86)	1788.3	92,928	93,699	94,493	95,276	96,067	96,864
Operations on the Nervous System (01-05)	66.8	3,471	3,500	3,530	3,559	3,588	3,618
Operations on the Digestive System (42-54)	367.1	19,076	19,234	19,397	19,558	19,720	19,884

3. A market share figure was applied to the two procedure code groups based on current and planned surgeries. These market share figures are based on physician recruitment actions and the expressed interest from other area physicians who would utilize the ASF, if available. Please see the discussion above with respect to Spokane County's shortage of gastroenterologists and Digestive Health Services. These findings indicate the projected market share assumptions are well supported by local market conditions.

**Applicant's Table 11 Recreated
Providence Medical Park Spokane Valley, Incremental Procedure Rooms
Market Share Assumptions, 2018-2023**

Providence Medical Park-Market Share Assumptions	2018	2019	2020	2021	2022	2023
Market Share Growth		10.0%	10.0%	9.0%	2%	0%
Operations on the Nervous System	8.0%	8.8%	9.7%	10.6%	10.8%	10.8%
Operations on the Digestive System	16.0%	17.6%	19.4%	21.1%	21.5%	21.5%

4. Estimated planning area surgeries were then multiplied by the presumed market share figures for the Providence Medical Park ASF, yielding forecasted number of procedures, by year. These projections are included in Table 12.

**Applicant's Table 12 Recreated
Providence Medical Park Spokane Valley Incremental Procedure Rooms
Projected Number of Procedures, by Type, 2018-2023**

Cases Based on Market Share	2018-9 mo Operation	2019	2020	2021	2022	2023
Operations on the Nervous System	208	308	342	376	386	389
Operations on the Digestive System	2,289	3,385	3,755	4,127	4,245	4,280
Cases-Nervous/Digestive System Subtotal	2,497	3,693	4,097	4,503	4,631	4,669
Planning Area Cases-Nervous/Digestive Systems Subtotal	22,547	22,734	22,927	23,117	23,309	23,502
Market Share, Planning Area-Nervous/Digestive Systems Subtotal	11.1%	16.2%	17.9%	19.5%	19.9%	19.9%

5. Based on the forecasted number of procedures at the ASF, there would be demand for 3.1 ORs by the third full year of operation (2021). This assumes ASF utilization 240 days per year and operating efficiency of the ORs consistent with WAC 246-310-270(8) (ii). Please refer to Table 13 below.

Applicant's Table 13 Recreated
Providence Medical Park Spokane Valley
Projected Demand for Incremental Procedure Rooms, 2018-2023

<i>Cases</i>	<i>2018-9 mo Operation</i>	<i>2019 Year 1</i>	<i>2020 Year 2</i>	<i>2021 Year 3</i>	<i>2022 Year 4</i>	<i>2023 Year 5</i>
<i>Total Cases (Includes Pain Management and GI/Endoscopy)</i>	2,497	3,693	4,097	4,503	4,631	4,669
<i>Cases Per Day (assumes 240 days of operation)</i>	10.41	15.39	17.07	18.76	19.30	19.46
<i>Surgery Minutes per Year (Assumes 47 minutes/case)</i>	117,378	173,583	192,559	211,630	217,654	219,459
<i>Estimated Number of Operating Rooms Needed (WAC 246-310-270 (9) (ii) (Assumes 37.5 hours per week, 51 weeks per year, 25% loss for prep/clean-up and 15% loss for scheduling flexibility--results in 60% capacity) Results are the same if minutes are divided by 68,850</i>	2.3	2.5	2.8	3.1	3.2	3.2

Note: outpatient surgery minutes per case are 47.00 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 NCHS use rates in the utilization forecast are based on national data sets and are national estimates. It is possible that local patterns could vary from the survey figures. However, there is no better statistical approach to estimate expected future volumes with procedural specificity.”

Providence also provided the following assumptions used to project the revenues and expenses for the three additional ORs at Providence Surgery and Procedure Center. [source: Application, p35-36]

Revenues for Three Procedure Rooms:

- 1. Inflation of gross and net revenues was excluded from the model.*
- 2. The gross and net revenues by type of procedure code groups were based on actual revenues of the existing ASF.*
- 3. Incremental revenues were calculated on a per case basis, based on actual reimbursement from 2016 cases that would transfer to the procedures rooms, i.e., pain procedures and GI/endoscopy procedures.*
- 4. Payer mix for both cases and gross revenues was held constant at current figures (Table 5).*
- 5. Deductions from revenues were calculated based on ASF actuals. Contractual allowances by payer were included in Exhibit 18.*
- 6. Bad debt is assumed constant at 0.1% of gross revenues.*

7. Charity care is assumed constant at 1.8% of gross revenues. It should be noted this is consistent with the Eastern Washington regional average of 1.82% (2013-2015).

Expenses for Three Procedure Rooms:

1. There was specific modeling of expected growth of the proposed ASF staffing, where FTEs by type, by year, were modeled based on forecast incremental case volumes and number of additional procedure rooms utilized.
2. Wages, salaries, and benefits are specific to each group of FTEs, and are calculated on an hourly basis, based on Providence actuals. It is assumed an FTE works 2,080 hours per year.
3. Non-productive hours are found by multiplying productive hours by 1.12; the non-productive factor is, thus 12% of productive hours.
4. Benefits as a percentage of wages and salaries is estimated at 22%.
5. Repair & maintenance for incremental equipment was estimated a 7.5% of equipment cost.
6. B&O taxes were calculated at 1.5% of net revenue.
7. Lease expense was calculated on a base rate based on square footage and an allocation maintenance rate of 24.6%.
8. Annual depreciation expenses included approximately \$65,000 for incremental equipment.
9. Supplies, were calculated on a per case basis, and based on a percentage of net revenues, based on ASF actuals (2016).
10. Purchased services were on a per case basis, based on 2016 actuals.
11. Pharmacy and drugs were on a per case basis, based on net revenues (2016 actuals).
12. Expense allocations were 11.0% of net revenues. These reflect management costs, such as executive management, finance, HR, IT, billing support, marketing, etc.

Based on the assumptions above, Providence provided its projected revenue, expenses, and net income for the three additional ORs at Providence Surgery and Procedure Center. The projections for years 2018 through 2021 are shown in Table 8 below.

**Table 8
Projected Revenue and Expenses Years 2018 through 2021**

	CY2018 (9 months)	CY2019 (year 1)	CY2020 (year 2)	CY2021 (year 3)
GI/Endoscopy & Pain Management Cases	2,497	3,693	4,097	4,503
Net Revenue	\$1,922,198	\$2,836,282	\$3,148,263	\$3,460,494
Total Expenses	\$1,819,771	\$2,570,822	\$2,997,194	\$3,144,413
Net Profit/(Loss)	\$102,427	\$265,460	\$151,069	\$316,081
Net Profit/(Loss) per Procedure	\$41.02	\$71.88	\$36.87	\$70.19

Given that Providence Surgery and Procedure Center is currently operating with four ORs, in this review, the department requested Providence provide its assumptions and projections for the surgery center with seven ORs. In response, Providence provided the following information. [source: September 18, 2017, screening response, pp12-14]

Forecast Methodology

Utilization:

- *The methodology used to estimate the ASC utilization projections, grouped into NCHS ICD-9 procedure code groups, have been explained above (see Project Rationale, tables 4-13).*

Revenues

- *Revenues were calculated using quantity-weighted average revenue figures from ASC eligible cases at Providence Sacred Heart Medical Center & Children's Hospital and Providence Holy Family Hospital for residents residing in planning area zip codes and for the same ICD-9 procedure code groups as included in the NCHS survey. From these ICD-9 procedures, a single procedure was selected as representative for each of the groups. For example, for ICD-9 procedure group "operations on the nervous system," ICD-9 procedure codes 01-05, "carpal tunnel release" was selected as representative of this group. The specific ASC-eligible procedures and ICD-9 procedure codes selected from the Providence Sacred Heart Medical Center & Children's Hospital and Providence Holy Family Hospital data included the following:*

Applicant's Table 27 Recreated
Providence Medical Park Spokane Valley ASC
Proxy Procedures and ICD-9 Procedure Codes

Procedural Group	Procedure Name	ICD-9 Proc. Code
Operations on the Nervous System	Carpal Tunnel Release	4.43
Operations on the Endocrine System	Thyroid Field Aspiration	6.20
Operations on the Eye	Linear Lid Replacement	13.41
Operations on the Ear	Myringotomy w/intubation	20.01
Operations on the Nose, Mouth, and Pharynx	Tonsillectomy	28.02
Operations on the Respiratory System	Closed Lung Biopsy	33.24
Operations on the Cardiovascular System	Replace Cardiofib Generator	38.93
Operations on the Digestive System	Laparoscopic Cholecystectomy	51.23
Operations on the Urinary System	Transurethral Destruction of Bladder Lesion	57.49
Operations on the Male Genital Organs	Prostatic Operation NEC	64.00
Operations on the Female Genital Organs	Endocervical Biopsy	67.11
Operations on the Musculoskeletal System	Excision Knee Semilunar Cartilage	80.60
Operations on the Integumentary System	Other Local Destruction of Skin	86.30
Miscellaneous diagnostic and therapeutic procedures and new technologies	Contrast Arthrogram	98.51

- *The payer percentages for each of these sample procedures were multiplied by the ASC volumes for each of the procedure groups to estimate forecast volumes by payer.*
- *The actual data specific to each of these procedures, such as carpal tunnel release, was obtained for payer-specific volume, gross revenues, and net revenues.*
- *Operating Room gross and net revenue figures for each of the sample procedures from the ASC-eligible data from Providence Sacred Heart Medical Center & Children's Hospital and Providence Holy Family Hospital were converted to freestanding revenues by adjusting the rates down by 40 percent, based on the Intellimarker ASC Financial and Operational Benchmark study from VMG Health.*

- *Adjusted gross and net revenue figures were converted to a per procedure basis, by payer. These revenue figures were then multiplied by procedure volumes, by payer, for each year of the forecast for total and net revenue projections.*
- *The Procedure room gross and net revenues by type of procedure code groups were based on actual revenues of the existing ASF.*
- *Incremental revenues were calculated on a per case basis, based on actual reimbursement from 2016 cases that would transfer to the procedures rooms, i.e., pain procedures and GI/endoscopy procedures.*
- *Payer mix for both cases and gross revenues was held constant at current figures (Table 5).*
- *Deductions from revenues were calculated based on ASF actuals. Contractual allowances by payer were included in Exhibit 21.*
- *Bad debt is assumed constant at 0.1 % of gross revenues.*
- *Charity care is assumed constant at 1.8% of gross revenues. It should be noted this is consistent with the Eastern Washington regional average of 1.82% (2013-2015).*
- *Inflation of gross and net revenues was excluded from the models.*

Expenses

- *In general, expenses were estimated as a percent of Net Revenue using Providence YTD 2017 (January 1, 2017 -April 30, 2017) actual outpatient data for ASC.*
- *There was specific modeling of expected growth of the proposed ASC staffing, where FTEs by type, by year, were modeled based on forecast case volumes and number of operating rooms and additional procedure rooms utilized.*
- *Wages, salaries, and benefits were modeled based on Providence YTD 2017 (January 1, 2017-April 30, 2017) actual data for comparable FTE positions, using the median of each position's pay range. Please note the procedure rooms begins operations April 1, 2018, thus 2018 wages, salaries, and benefits are adjusted accordingly.*
- *It is assumed an FTE works 2,080 hours per year.*
- *Non-productive hours are found by multiplying productive hours by 1.12; the non-productive factor is, thus 12% of productive hours.*
- *Inflation was excluded in wages and salaries.*
- *Benefits as a percentage of wages and salaries is estimated at 22%.*
- *Supplies were calculated on a per case basis and based on a percentage of net revenues, based on ASF actuals (2016).*
- *Pharmacy and drugs were calculated on a per case basis, based on net revenues (2016 actuals).*
- *Purchased services were calculated on a per case basis, based on 2016 actuals.*
- *Repair & maintenance was estimated at 7.5 percent cost of equipment.*
- *Annual depreciation expenses included approximately \$65,643 in incremental cost related to the 3 procedure rooms for plant and equipment.*
- *B&O taxes were calculated at 1.5% of net revenue.*
- *Lease expense was calculated on a base rate based on square footage and an allocation maintenance rate of 24.6%.*
- *There were allocated expenses of \$1,054,469 in year one, increasing to \$1.2 million through year five. These costs were modeled based on System and Regional standards within Providence and reflect an 11 percent allocation (as a percentage of Net Revenue) for IT, Finance, Revenue Cycle Management, Purchasing, Human Resources, and local and regional management.*

Based on the assumptions above, Providence provided its projected revenue, expenses, and net income for Providence Surgery and Procedure Center operating with 7 ORs. The projections for years 2018 through 2021 are shown in Table 9 below.

**Table 9
Projected Revenue and Expenses Years 2018 through 2021**

	CY2018 (9 months)	CY2019 (year 1)	CY2020 (year 2)	CY2021 (year 3)
All Cases	6,525	8,043	8,662	8,960
Net Revenue	\$8,171,498	\$9,586,082	\$10,231,075	\$10,471,893
Total Expenses	\$6,697,232	\$7,644,044	\$8,253,102	\$8,432,084
Net Profit/(Loss)	\$1,474,266	\$1,942,038	\$1,977,973	\$2,039,809
Net Profit/(Loss) per Procedure	\$225.94	\$241.46	\$228.35	\$227.66

Public Comments

None

Rebuttal Comments

None

Department Evaluation

To evaluate this sub-criterion, the department first reviewed the assumptions used by Providence to determine:

- the projected number of procedures for the three additional ORs; and
- the projected number of procedures for the seven OR surgery center.

The NCHS report used by Providence 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 Providence’s utilization assumptions, the department concludes they are reasonable.

The department also reviewed the assumptions used by Providence to determine:

- the projected revenue and expenses for the three additional ORs; and
- the projected revenue and expenses for the seven OR surgery center.

Both assumptions are based on actual reimbursement from 2016 cases. Specifically, the assumptions for the three ORs are based on the cases that are expected to transfer to the three new ORs. The expenses are based on actual expenses for the cases.

The assumptions used for the seven OR surgery center is also based on actual reimbursement from 2016 cases. With the addition of three ORs dedicated to GI/endoscopy and pain management, the cases in the existing four ORs can increase as necessary. Expenses are also based on actual expenses for the cases. Both expense projections include all expenses for the surgery center, such as lease/rent expenses; FTE wages and benefits, including the medical director; supplies; and allocated costs.

The department concludes that the assumptions used for projecting cases, revenues, and expenses is reasonable.

The pro forma Revenue and Expense statements show revenues exceeding expenses in the first partial year of operation. The revenues continue to cover expenses through the third full year of operation (2021) with seven ORs.

Under the department's evaluation of WAC 246-310-210(2) and WAC 246-310-270(7), the department attached a condition related to the amount of charity care to be provided at the Providence Surgery and Procedure Center with seven ORs. The condition does not require Providence to provide more than the amounts projected in its revenue and expense statements.

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

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

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

Providence Health & Services

The capital expenditure for this project \$459,500 and the costs are solely related to the additional equipment necessary for the three ORs. Providence provided the following rationale for its assertion that there will be no impact on costs and charges if this project is approved. [source: September 17, 2017, screening response, pp2-3]

“The three additional procedure rooms will be operated as part of the existing CN-approved ASC that includes four ORs (CN#1538) and will be included within the existing ASC license.”

Public Comments

None

Rebuttal Comments

None

Department Evaluation

Providence's estimated capital costs of \$459,500 are solely related to the additional equipment necessary to make the three ORs operational. Providence's rationale for determining its capital costs is reasonable.

Based on the information above, the department concludes that approval of Providence's application would not have an unreasonable impact on costs and charges for healthcare services in Spokane County. **This sub-criterion is met.**

- (3) *The project can be appropriately financed.*

WAC 246-310 does not contain specific source of financing criteria as identified in WAC 246-310-200(2)(a)(i). There are also no known recognized standards as identified in WAC 246-310-200(2)(a)(ii) and (b) that directs how a project of this type and size should be financed.

Therefore, using its experience and expertise the department compared the proposed project's source of financing to those previously considered by the department.

Providence Health & Services

Providence provided the following capital expenditure breakdown for add three ORs to Providence Surgery and Procedure Center. [source: Application, p34]

Item	Cost
Moveable Equipment	\$419,623
Sales Tax: Building Construction	\$36,777
Freight Charges	\$3,100
Total Costs	\$459,500

Providence also provided the following statements related to the costs above. [source: September 18, 2017, screening response, p6]

“The capital expenditures costs will not be repaid by the surgery center, as this is not a loan or other form of financial arrangement that must be repaid. Providence Health & Services - Washington, dba Providence Health Care (Providence) owns and operates the ASC. As noted in Exhibit 7 of the CN application, Providence will commit from its corporate reserves funding for the estimated capital expenditures to equip and operate the three procedure rooms.”

Providence also provided a letter from its Assistant Vice President of Financial Operations in Spokane declaring financial commitment for the project. To demonstrate funds to complete the project, Providence provided its audited financial statements for years 2014, 2015, and 2016. [source: Application, Exhibit 7 and Exhibit 19]

Public Comments

None

Rebuttal Comments

None

Department Evaluation

The costs for the project are minimal. A review of the letter of financial commitment and audited financial statements show that there are adequate cash reserves to fund this project with little impact to Providence's financial health.

The department concludes that the financing source is appropriate. **This sub-criterion is met.**

C. STRUCTURE AND PROCESS (QUALITY) OF CARE (WAC 246-310-230)

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

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

WAC 246-310 does not contain specific WAC 246-310-230(1) criteria as identified in WAC 246-310-200(2)(a)(i). There are also no known recognized standards as identified in WAC

246-310- 200(2)(a)(ii) and (b) that directs what specific staffing patterns or numbers of FTEs [full time equivalents] that should be employed for projects of this type or size. Therefore, using its experience and expertise the department concludes that the planning would allow for the required coverage.

Providence Health & Services

“Providence employs a very large number of general and specialty care providers. We have the ability to float selected administrative, clinical, and technical staff to the three procedure rooms, as needed. The current Providence Medical Park Spokane Valley and CN-approved ASF offer an attractive work environment and hours, thus attracting local area residents who are qualified. We do not expect any staffing challenges that would disrupt Providence’s ability to achieve its goals and objectives relative to use of the three proposed procedure rooms.”

[source: Application, p39]

Providence provided its projected staffing for Providence Surgery and Procedure Center with seven ORs operational. Table 10 below shows the FTEs. [source: September 18, 2017, p7]

**Table 10
Current and Projected FTEs for
Providence Surgery and Procedure Center**

	CY2017 Current	CY2018 Increase	CY2019 Increase	CY2020 Increase	CY2021 Increase	CY 2021 Totals
Scheduler	1.00	0.80	0.30	0.00	0.00	2.10
Room Prep/Clean	4.00	(1.00)	0.00	0.00	0.00	3.00
Registered Nurse	10.40	6.90	2.10	2.20	0.00	21.60
Operating Room Techs	4.70	2.00	0.50	1.20	0.00	8.40
Manager	1.00	0.00	0.00	0.00	0.00	1.00
Total FTEs	21.10	8.70	2.90	3.40	0.00	36.10

Public Comments

None

Rebuttal Comments

None

Department Evaluation

As shown above, Providence expects to add 15 FTEs to the existing surgery center to cover the increase procedures for years 2018 through 2021. Providence is a large employer in Spokane County and does not anticipate any difficulty recruiting or retaining the staff necessary to continue operations at the surgery center.

Given that Providence Surgery and Procedure Center is currently operational, Providence provided the names and professional license numbers for key staff already in place. Key staff include the medical director, director of nursing, and the surgery center manager.

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

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

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

Providence Health & Services

“The proposed procedure rooms are located on the second floor of the Providence Medical Park in an existing CN-approved ASF. As part of a larger ambulatory medical complex, patients have immediate access to an urgent care center, primary and specialty care physician offices, an imaging center – including MR/CT –, a laboratory, educational services, and an outpatient pharmacy. It should be noted that laboratory services and medical imaging services are provided within the building in which the ASF is located, but not within the ASF itself. Other on-site ancillary and support services include scheduling, security, housekeeping, snow removal/landscaping, parking attendants, and materials management.” [source: Application p39]

“Providence utilizes ancillary and support service vendors for building/facilities maintenance, cable services, imaging services, maintenance of autoclave/ washers, maintenance of X-ray services, and laundry services. The ancillary or support agreements are not expected to change as a result of this project. There are no additional ancillary or support services from vendors that are needed in order to operate the three procedure rooms.” [source: September 18, 2017, screening response, p8]

“The Providence Surgery & Procedure Center has a wide variety of working relationships with a number of health care facilities including, Providence Medical Group clinics, Providence Sacred Heart Medical Center, Providence Holy Family Hospital, physical therapy offices and non-Providence clinics (i.e. Columbia Surgical, Spokane ENT, independent physicians, and other health care providers in the planning area). The existing working relationships would not change as a result of this project.” [source: September 18, 2017, screening response, p8]

Public Comments

None

Rebuttal Comments

None

Department Evaluation

Providence has been providing healthcare services in Spokane County for many years through its hospitals, nursing homes, and other healthcare services. Providence Surgery and Procedure Center has been operational since 2015 and all necessary ancillary and support services for the surgery center were established when the facility first opened. This project requests additional ORs at a currently operational surgery center. Providence states that no additional ancillary or support services are required to operate the three new ORs.

Based on the information reviewed in the application, the department concludes that there is reasonable assurance that Providence Surgery and Procedure Center has established the necessary relationships with ancillary and support services. **This sub-criterion is met.**

- (3) *There is reasonable assurance that the project will be in conformance with applicable state licensing requirements and, if the applicant is or plans to be certified under the Medicaid or Medicare program, with the applicable conditions of participation related to those programs.* WAC 246-310 does not contain specific WAC 246-310-230(3) criteria as identified in WAC 246-310-200(2)(a)(i). There are known recognized standards as identified in WAC 246-310-200(2)(a)(ii) and (b) that a facility must meet when it is to be Medicare certified and Medicaid eligible. Therefore, using its experience and expertise the department assessed the applicant's history in meeting these standards at other facilities owned or operated by the applicant.

Providence Health & Services

Providence provided the following statements in response to this sub-criterion. [source: Application, p40]

"Providence has no such convictions as defined in WAC 246-310-230(5)(a)"

"The existing CN-approved ASF is part of the licensing and accreditation held by Providence Health & Services – Washington dba Providence Health Care (PHC). All PHC facilities meet all relevant State and Federal rules and regulations. All current laws, rules and regulations will be applied to proposed procedure rooms in the existing CN-approved ASF."

Public Comments

None

Rebuttal Comments

None

Department Evaluation

As part of this review, the department must conclude that the proposed services provided by an applicant would be provided in a manner that ensures safe and adequate care to the public.⁶ To accomplish this task, the department reviewed the quality of care compliance history for all healthcare facilities owned, operated, or managed by Providence or its subsidiaries. The department also reviewed the compliance history of a random selection of facilities and agencies owned, operated by, or affiliated with Providence outside of Washington State.⁷

Providence Health and Services – Washington is part of Providence St. Joseph Health, which is one of the largest not-for-profit healthcare systems in the United States. Providence operates several healthcare facilities and services nationwide through a number of subsidiaries. Its Washington facilities are operated under the Providence Health and Services – Washington subsidiary. [source: Application, pp5-8; Exhibit 1; and Exhibit 2]

⁶ WAC 246-310-230(5)

⁷ Affiliates outside of Washington State include all St Joseph Health facilities and agencies. Providence and St Joseph Health – a California-based nonprofit healthcare system – announced their affiliation on July 6, 2016. [source: www.stjhs.org/newsroom.aspx]

Washington State Facilities

Using the department’s internal database, the department reviewed survey data for the 25 licensed facilities and agencies owned by, affiliated with, or operated by Providence in Washington State. This includes 13 hospitals⁸, one ambulatory surgery center, and eleven in-home services agencies – shown below in Table 11. [source: Department of Health Office of Investigation and Inspection]

**Table 11
Providence Facilities and License Status**

Licensee	License Number	Surveys since 2014	Substantially Compliant?
Hospitals			
Providence Centralia Hospital	HAC.FS.00000191	1	yes
Providence Holy Family Hospital	HAC.FS.00000139	2	yes
Providence Mount Carmel Hospital	HAC.FS.00000030	1	yes
Providence Regional Medical Center Everett	HAC.FS.00000084	1	yes
Providence Sacred Heart Medical Center and Children's Hospital	HAC.FS.00000162	0	yes
Providence St Joseph’s Hospital	HAC.FS.00000194	1	yes
Providence St Mary Medical Center	HAC.FS.00000050	1	yes
Providence St Peter Hospital	HAC.FS.00000159	1	yes
Kadlec Regional Medical Center	HAC.FS.00000161	2	yes
Swedish Edmonds	HAC.FS.60183546	2	yes
Swedish Medical Center - Cherry Hill	HAC.FS.60329940	1	yes
Swedish Medical Center - First Hill	HAC.FS.00000001	1	yes
Swedish Medical Center - Issaquah Campus	HAC.FS.60256001	1	yes
Ambulatory Surgery Center			
Providence Surgery and Procedure Center (Spokane)	ASF.FS.60475161	1	yes
In-Home Service Agencies			
Providence DominiCare	IHS.FS.60259664	1	yes
Providence Elder Place	IHS.FS.00000415	1	yes
Providence Home Services	IHS.FS.00000419	1	yes
Providence Hospice*	IHS.FS.60201476	2	yes
Providence Hospice and Home Care of Snohomish County*	IHS.FS.00000418	3	yes
Providence Hospice of Seattle*	IHS.FS.00000336	2	yes
Providence Infusion and Pharmacy Services	IHS.FS.00000417	1	yes
Providence Infusion and Pharmacy Services	IHS.FS.60344780	1	yes

⁸ Providence directly owns and operates eight hospitals in Washington State. The five additional hospitals listed include Kadlec Regional Medical Center and four Swedish hospitals. Swedish and Providence affiliated in 2012. Kadlec and Providence affiliated in 2014. [source: Certificate of Need historical files]

Licensee	License Number	Surveys since 2014	Substantially Compliant?
Providence SoundHomeCare and Hospice	IHS.FS.00000420	2	yes
Providence St Mary Home Health	IHS.FS.00000446	2	yes
Providence VNA Home Health	IHS.FS.00000467	2	yes

* indicates a Medicare/Medicaid certified hospice agency

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

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

**Table 12
Providence and Affiliated Facilities Outside of Washington**

Facility Name	State	Joint Commission?	State Enforcement Action since 2014?
Providence			
St Patrick Hospital	MT	yes	no
Providence St Joseph Medical Center	MT	yes	no
St Joseph Assisted Living Center	MT	n/a ⁹	no
Providence Holy Cross Medical Center	CA	yes	no
Providence Little Company of Mary Medical Center San Pedro	CA	yes	no
Providence Little Company of Mary Medical Center Torrance	CA	yes	no
Providence Saint John's Health Center	CA	yes	no
Providence Saint Joseph Medical Center	CA	yes	no
Providence Tarzana Medical Center	CA	yes	no

⁹ The Joint Commission does not accredit or certify assisted living centers.

**Table 12 (continued)
Providence and Affiliated Facilities Outside of Washington**

Facility Name	State	Joint Commission?	State Enforcement Action since 2014?
Providence Affiliate – St Joseph Health			
Santa Rosa Memorial Hospital	CA	yes	yes ¹⁰
Queen of the Valley Medical Center	CA	yes	no
St Joseph Hospital, Eureka	CA	yes	no
Petaluma Valley Hospital	CA	yes	no
Hoag Hospital Irvine	CA	no – DNV ¹¹	no
Mission Hospital Laguna Beach	CA	yes	no
Mission Hospital Mission Viejo	CA	yes	yes ¹²
St Joseph Hospital Orange	CA	yes	yes ¹³
St Jude Medical Center	CA	yes	yes ¹⁴
St Mary Medical Center	CA	yes	no
Hoag Hospital Newport Beach	CA	no – DNV	no
St Joseph Home Care	CA	yes	no
Covenant Medical Center	TX	yes	no
Covenant Children’s Hospital	TX	yes	no
Covenant Health Levelland	TX	no	no
Covenant Health Plainview	TX	no	no

As shown above, out-of-state Providence facilities have demonstrated compliance with applicable state and federal regulations. Aside from one action noted above at St Jude Medical Center, all citations against Providence-affiliated facilities happened prior to the affiliation of the two healthcare networks. No evidence on any of the state licensing websites indicated that any of the above facilities have ever been closed or decertified from participation in Medicare or Medicaid as a result of compliance issues.

Since Providence Surgery and Procedure Center is currently operational, Providence provided a listing of its current staff. The department reviewed the credential history of each of the following staff which is shown in the table on the following page. [source: September 18, 2017, screening response, Exhibit 22]

¹⁰ Seven enforcement actions related to the facility’s failure to report breach of information. Fines paid in full for all closed cases.

¹¹ “DNV” = Det Norske Veritas – an accrediting agency with CMS deeming authority, similar to the Joint Commission. [source: <http://dnvglhealthcare.com>]

¹² Three enforcement actions related to patient care and a “Breach to person/entity outside facility/hc system.” Fines paid in full.

¹³ Two enforcement actions related to patient care. Fines paid in full.

¹⁴ One enforcement action related to “retention of a foreign object in a patient.” Fine paid in full.

**Table 13
Providence Surgery and Procedure Center Current Staff**

Last Name	First Name/MI	Position	Credential #
Bergin	LaKay L,	RN, ENDC	RN00169255
Berthoff	Tamara R.	Certified Surgical Technician	ST00003675
Brazzle	Carey M.	RN Pre-op/PACU	RN00148096
Crowley	Kelli M.	RN Pre-op/PACU	RN00146690
Duff	Rocky J.	RN Operating Room	RN00144075
Fredekind	Nicole L	RN Pre-op/PACU	RN00134071
Hulquist	Kimberly J.	Certified Surgical Tech	ST00000401
Knapp	Samantha K.	RN Pre-op/PACU	RN60125141
Kuhlmann	Katie S.	RN Pre-op/PACU	RN60097903
Lux	Amidi A.	RN Pre-op/PACU	RN00120350
*Osler	Judi L.	Sterile Processing Tech	ST00000434
Pickard	Karyl L.	RN Nurse Manger	RN00149872
Pielop	Aaron C.	Certified Surgical Tech	ST00003184
Pisk	Jimmi Babe	Certified Surgical Tech	ST00000433
*Reyes	Frank	Sterile Processing Tech	NA60254802
Ridgely	Jenny D.	RN Operating Room	RN00124172
Ryckman	Lauri L.	RN Pre-op/PACU	RN00155034
Swanstrom	Amy K.	RN Operating Room	RN60481821
Tabish	April D.	RN Operating Room	RN00140276
Thompson	Mark H.	RN Pre-op/PACU	RN00127203
Turner	Jacob H.	RN Pre-op/PACU	RN60737540
Wargo	Robb L.	Certified Surgical Tech	ST00001290
White	Cathy A.	CNA Perioperative / OR	NC10035410
White	Gregory M.	RN Operating Room	RN00157490

*State license not required, however employee is certified and registered Central Service Technician

All staff listed above have an active credential in good standing.

In addition to the staff identified above, Providence provided a job description for its current medical director, Bryan S. Mitchell, MD. Since Dr. Mitchell is employee of Providence, a medical director contract was not created for this position. Further, the medical director is not provided additional compensation for the services. [source: September 18, 2017, screening response, Exhibit 21 and Exhibit 23]

Since Providence Surgery and Procedure Center is currently operational, Providence provided a listing of its medical staff with privileges at the surgery center. The department reviewed the credential history of each of the following staff in the table below. [source: September 18, 2017, screening response, Exhibit 23]

**Table 14
Providence Surgery and Procedure Center – Physician Listing**

Provider Name	Specialty	Credential
Ahmad, Rana N	General Surgery	MD00034424
Anderson, John D.	CRNA	AP60304094
Bachmeier, Brad J.	Orthopedics	PA60320463
Barrow, Craig R.	Orthopedics	MD00042406
Bax, Timothy	General Surgery	MD00036060
Bell, Micheal P.	Orthopedics	PA10005196
Bird, Preston	CRNA	AP60404208
Bouge, Diana M.	CRNA	AP60338368
Bowton, Eric J.	Orthopedics	MD00032121
Brenner, Robert A.	Gastroenterology	MD60625350
Brown, David M.	General Surgery	MD60637692
Brown, Debra A.	Orthopedics	PA60619751
Burns, Erica	Orthopedics	MD60081844
Christante, Dara H.	Colorectal Surgery	MD60552600
Clinton, Jeremiah M.	Orthopedics	MD00047792
Clyde, Jon C.	General Surgery	MD00027478
Drumm, Joshua E.	Orthopedics	OP60349600
Eckert, Kristine A.	CRNA	AP30007177
Gaskari, Seyed A.	Gastroenterology	MD60538102
Gavelin, Robin J.	Anesthesiology	MD00026451
Gray, Katheryn M.	CRNA	AP60302464
Hall, Aaron D.	CRNA	AP60634597
Halpern, Lloyd M.	Anesthesiology	MD00028485
Hay, John M.	Anesthesiology	MD60646820
Hoopes, Matthew W.	Anesthesiology	MD00049439
Jackson, Norman S.	Orthopedics	PA10004458
Kellogg, Kevin R.	Orthopedics	PA10005240
Khosravi, Mehran J.	CRNA	AP30004721
Kozak, Kathleen	CRNA	AP30007399
Ling, Benjamin c.	Neurosurgery	MD00043469
Lute, Joshua M.	Orthopedics	PA60681685
Madrian, James R.	Anesthesiology	MD60071527
McNevin, Michael S.	Colorectal Surgery	MD00040993
Minnick, Matthew J.	CRNA	AP60025710
Mitchell, Brian S.	Orthopedics/Sports Medicine	MD60211414
Moore, Michael R.	General Surgery	MD00027465
Page, William T.	Orthopedics	MD60112464
Pierce, Trenton L.	Anesthesiology	MD00043220
Pokomy, Alan T.	Otolaryngology	MD00043413
Rademacher, Thomas L.	Anesthesiology	OP00002350
Rietze, Stacey A.	Anesthesiology	MD00042358

**Table 14 (continued)
Providence Surgery and Procedure Center – Physician Listing**

Provider Name	Specialty	Credential
Seltman, Ann K.	Colorectal Surgery/General Surgery	MD60540308
Seth, Abhishek	Gastroenterology	MD60685337
Shah, Kunal	Neurosurgery	MD60541370
Sharma, Ashish	Gastroenterology	MD60696323
Taylor, Jordan M.	Anesthesiology	MD60650813
Thornton, Donald A.	Anesthesiology	MD00048292
Turner, Andrea	CRNA	AP60416712
Turner, Chad M.	Orthopedics	MD60531594
Wagner, Kerri D.	CRNA	AP60097099
Wendell, John S.	CRNA	AP30006918
Whitson, Brian L.	CRNA	AP60451873

All physicians listed above have an active credential in good standing.

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

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

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

Providence Health & Services

“The three proposed procedure rooms in the existing CN-approved ASF project fosters continuity of care in a number of ways. The three procedure rooms and ASF are key components of the Providence Medical Park (PMP), which also includes urgent care, primary and specialty care physician offices, an imaging center, a laboratory, rehabilitation services, and an outpatient pharmacy. Within the PMP, Providence is able to offer planning area residents comprehensive ambulatory care. Having a local ambulatory care center not only reduces travel time and costs, but also inconvenience and anxiety when patients have both office care and surgical care in the same facility.

In addition, a copy of the transfer policy can be found in Exhibit 17 Providence currently provides 62.2% of all inpatient care to Spokane Planning Area residents based on total patient days.¹⁴ The proposed project to equip and operate the three procedure rooms is an extension of the continuum of care to patients who already chose Providence for their inpatient needs.

Finally, Providence is committed to coordinating care through its electronic health record systems. All Providence facilities, inclusive of acute care hospitals, clinics, and ASFs, share a common electronic health record platform. The electronic medical record system allows for expedient communication of relevant medical information among providers, thus allowing for best-practice coordination of care and clinical outcomes.” [source: Application, pp40-41]

“Providence utilizes ancillary and support service vendors for building/ facilities maintenance, cable services, imaging services, maintenance of autoclave/ washers, maintenance of X-ray services, and laundry services. The ancillary or support agreements are not expected to change as a result of this project. There are no additional ancillary or support services from vendors that are needed in order to operate the three procedure rooms.” [source: September 18, 2017, screening response, p8]

“The Providence Surgery & Procedure Center has a wide variety of working relationships with a number of health care facilities including, Providence Medical Group clinics, Providence Sacred Heart Medical Center, Providence Holy Family Hospital, physical therapy offices and non-Providence clinics (i.e. Columbia Surgical, Spokane ENT, independent physicians, and other health care providers in the planning area). The existing working relationships would not change as a result of this project.” [source: September 18, 2017, screening response, p8]

Public Comments

None

Rebuttal Comments

None

Department Evaluation

Information in the application demonstrates that Providence is a long-time provider of outpatient surgical services through its existing hospitals. Additionally Providence Surgery and Procedure Center has been operating with four ORs since February 2015.

Providence provided information within the application to demonstrate it intends to maintain current ancillary and support agreements if these three ORs are approved. Based on the information provided in the application, the department concludes there is reasonable assurance that approval of this project has the potential to promote continuity in the provision of health care services in the community. **This sub-criterion is met.**

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

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

D. COST CONTAINMENT (WAC 246-310-240)

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

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

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

If the project has met the applicable criteria in WAC 246-310-210 through 230 criteria, in step two, the department 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 in Step three. The 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 use WAC 246-310-240(2)(a)(ii) and (b) for criteria to make the assessment of the competing proposals. If there are no known recognized standards as identified in WAC 246-310-200(2)(a)(ii) and (b), then using its experience and expertise, the department would assess the competing projects and determine which project should be approved.

Step One

Providence met the applicable review criteria under WAC 246-310-210 through 230. This application will be evaluated further under Steps Two and Three.

Step Two

Providence Health & Services

“Providence is requesting a certificate of need for it to equip and operate three procedure rooms in an existing CN-approved ASF. Our project will help address a current shortage of GI related services in the Spokane County Planning Area.

As part of its due diligence and in deciding to submit this application, Providence explored the following options: (1) “do nothing”, (2) the requested project – seeking CN approval for three procedure rooms in an existing CN approved ASF, and (3) expand Providence procedure room capacity in another location. The three options are evaluated below using the following decision criteria: improving access; improving quality of care; capital and operating costs (efficiency); staffing; and legal restrictions. [source: Application, p41]

Below is the rationale for rejecting options one and three above.

Do Nothing

“There is no advantage to continuing as-is in terms of improving access. The principle disadvantage is this option does nothing to address the current shortage of GI procedure services in the Planning Area.”

There is no advantage from a quality of care perspective. However there are no current quality of care issues. The principal disadvantage is that it maintains the current situation where there are current shortages of GI procedure services in the Planning Area. If access continues to be constrained, there will be adverse impacts on quality of care if planning area physicians and their patients either have to wait for GI procedures or travel to locations outside of the Planning Area.

Under this option while there would be no impacts on direct costs, indirect costs would increase as patients seek care outside of the region. The principle disadvantage is that the no project option will reduce efficiency and cost effectiveness at the ASF below what it could otherwise be.

Do nothing option would contribute to higher costs as procedures would be conducted using a more expensive hospital setting or having to use the ASC ORs for procedures that could be more effectively provided in the three procedure rooms.”

[source: Application, pp41-44]

Expand Providence Procedure Room Capacity in Another Location

This option provides additional procedure capacity to meet current and future access issues. Principal disadvantage is that it forces patients to go to a different location outside of the current ASF.

A new facility would require substantially more capital expenditures when compared to utilizing the unused operating rooms in the current CN-approved ASF. This option provides increased cost when compared to using capacity in the existing ASF.

There are no advantages from a staffing impact perspective. Principal disadvantage would be the necessity of Providence to hire staff dedicated to this new facility.

[source: Application, pp41-44]

Public Comments

None

Rebuttal Comments

None

Department Evaluation

Providence provided information and data in the application to demonstrate need for additional outpatient OR capacity in Spokane County absent the numeric need for ORs. Based on this alone, Providence appropriately rejected the “do nothing” option.

Providence also provided a rationale for rejecting the option to build a separate, free-standing facility to house the three GI/endoscopy and pain management ORs. Though the project would

still require prior CN review and approval, there are some operational efficiencies gained from co-locating all seven ORs in the same facility.

The department did not identify any other alternative that was a superior in terms of cost, efficiency, or effectiveness that is available or practicable. This step is satisfied, and the department moves on to Step 3.

Step Three

This step is applicable only when there are two or more approvable projects. This is the only application under review to add outpatient surgical capacity in Spokane County. 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;*

Department Evaluation

All costs associated with the addition of three ORs to Providence Surgery and Procedure Center are for equipment and associated taxes. This sub-criterion does not apply 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.*

Department Evaluation

All costs associated with the addition of three ORs to Providence Surgery and Procedure Center are for equipment and associated taxes. This sub-criterion does not apply 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.*

Providence Health & Services

“The need for equipping and operating the three procedure rooms as soon as possible is driven by a growing shortage of access to procedure rooms in Spokane County where certain types of procedures may be conducted, including but not limited to, GI/endoscopy procedures, digestive health services, and pain management. Recently, the Spokane County Planning Area has experienced a decline in gastroenterology services due to the retirement of five gastroenterologists resulting in approximately 12.5% net loss of GI providers for the planning area. For example, Inland Empire Gastroenterology has closed its office and ambulatory surgery center, following the retirement of its two gastroenterologists. The availability of gastroenterology services is anticipated to continue declining, as more physicians in the community approach retirement.” [source: Application, p9]

Public Comments

None

Rebuttal Comments

None

Department Evaluation

Based on information provided within the application, and evaluated under WAC 246-310-210 and 230, the department is satisfied that the addition of three dedicated GI/endoscopy and pain management ORs is appropriate and needed in Spokane County. This project has the potential to improve the delivery of health services. This project also has the potential to increase the availability and accessibility of outpatient surgical services to patients at a lower cost than hospital-based services. The department concludes that this project could appropriately improve the delivery of health services. **This sub-criterion is met.**

APPENDIX A

18-01 ASC Methodology

	Service Area Population: 2020	513,910	OFM-August 2015						
	Surgeries @190.759/1,000:	98,033							
a.i.	94,250	minutes/year/mixed-use OR							
a.ii.	68,850	minutes/year/dedicated outpatient OR							
a.iii.	8	dedicated outpatient OR's x 68,850 minutes =		550,800	minutes dedicated OR capacity	14,536	Outpatient surgeries		
a.iv.	82	mixed-use OR's x 94,250 minutes =		7,728,500	minutes mixed-use OR capacity	86,517	Mixed-use surgeries		
b.i.		projected inpatient surgeries =	62,111	=	5,548,294	minutes inpatient surgeries			
		projected outpatient surgeries =	35,922	=	1,361,123	minutes outpatient surgeries			
b.ii.		Forecast # of outpatient surgeries - capacity of dedicated outpatient OR's							
		35,922	-	14,536	=	21,386	outpatient surgeries		
b.iii.		average time of inpatient surgeries		=	89.33	minutes			
		average time of outpatient surgeries		=	37.89	minutes			
b.iv.		inpatient surgeries*average time		=	5,548,294	minutes			
		remaining outpatient surgeries(b.ii.)*ave time		=	810,323	minutes			
					6,358,617	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							
		7,728,500							
		- 6,358,617							
		1,369,883	/	94,250	=	14.53			
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.							
		5,548,294							
		- 7,728,500							
		(2,180,206)	/	94,250	=	-23.13			
		divide outpatient part of b.iv. By 68,850 to determine shortage of dedicated outpatient OR's							
		810,323	/	68,850	=	11.77			

Facility	Special Procedure Rooms	Dedicated Inpatient ORs	Dedicated Outpatient ORs	Mixed Use ORs	Inpatient min/case	Inpatient Cases in Mixed Use ORs	Inpatient Mins. In Mixed Use ORs	Outpatient Min/Case	Outpatient Cases	Outpatient Mins.	Data Source
MHS Deaconess Hospital	8	0	0	16	115.6	8,718	1,007,434	0	0	0	No data for 2015 or 2016; used data from 2014 data.
MHS Valley Hospital & Medical Center	2	0	0	9	95.5	4,970	474,465	0	0	0	No data for 2015 or 2016; used data from 2013 survey.
Providence Holy Family	0	0	0	14	42.3	16,810	711,242	0	0	0	2015 data; minutes per case calculated
Providence Sacred Heart	0	0	0	41	107.0	28,988	3,101,111	0	0	0	2015 data; minutes per case calculated
St. Luke Rehabilitation Institute	0	0	0	0	0.0	0	0	0	0	0	No surgeries provided at the hospital.
Shriner's Hospital for Children	0	0	0	2	112.3	854	95,862	0	0	0	2016 data; minutes per case calculated
Advanced Dermatology & Skin Surgery	0	0	6	0	0.0	0	0	7.3	180	1,313	2015 data; minutes per case calculated
Aesthetic Plastic Surgical Center	0	0	1	0	0.0	0	0	174.3	59	10,281	2016 data; minutes per case calculated
Carol Hathaway, MD PS	0	0	1	0	0.0	0	0	50.0	90	4,500	ILRS data; # of cases * 50 minutes
Chesnut Institute of Cosmetic & Reconstructive Surgery	0	0	2	0	0.0	0	0	50.0	1,266	4,500	ILRS data-CN APPROVED; # of cases * 50 minutes
Columbia Surgery Center	0	0	4	0	0.0	0	0	50.0	5,056	252,800	ILRS data; # of cases * 50 minutes
Empire Eye Surgery Center	0	0	1	0	0.0	0	0	23.7	1,460	34,602	2015 data; minutes per case calculated
Inland Northwest Surgery Center	0	0	1	0	0.0	0	0	73.4	298	21,878	2015 data; minutes per case calculated
Liberty Oral and Maxillofacial Center	0	0	6	0	0.0	0	0	50.0	3,000	150,000	ILRS data; # of cases * 50 minutes
NEOS Surgery Center	0	0	1	0	0.0	0	0	50.0	569	28,450	2016 data; total minutes * cases
Northwest Orthopedic Specialists-	0	0	5	0	0.0	0	0	59.3	5,593	331,680	2016 data; minutes per case calculated
Northwest Surgery Center Inc.	0	0	2	0	0.0	0	0	50.0	329	16,450	ILRS data; # of cases * 50 minutes
Pacific Cataract & Laser Institute	0	0	2	0	0.0	0	0	50.0	2,796	139,800	2015 data; total minutes calculated
Providence Surgery and Procedure Center (Applicant)	0	0	4	0	0.0	0	0	50.0	1,060	53,000	ILRS data; total minutes calculated-CN APPROVED
Rockwood Eye Surgery	0	0	2	0	0.0	0	0	18.6	1,799	33,480	2016 data; minutes per case calculated-CN APPROVED
South Perry Endoscopy	0	0	2	0	0.0	ENDOSCOPY ONLY-NOT COUNTED				ILRS data	
Spokane Digestive Disease	0	0	4	0	0.0	ENDOSCOPY AND PAIN MANAGEMENT ONLY-NOT COUNTED				2016 data	
Spokane Plastic Surgeons	0	0	1	0	0.0	0	0	105.3	54	5,684	2015 data; minutes per case calculated
Spokane Surgery Center	0	0	2	0	0.0	0	0	50.0	300	15,000	ILRS data; total minutes calculated
Spokane Valley ASC	0	0	2	0	0.0	0	0	46.8	798	37,345	2016 data; minutes per case calculated
SRM Spokane	0	0	2	0	0.0	0	0	30.0	96	2,880	2016 data; minutes per case calculated
The Plastic Surgicenter	0	0	2	0	0.0	0	0	50.0	670	33,500	ILRS data; total minutes calculated
The Spokane Eye Surgery Center	0	0	8	0	0.0	0	0	15.0	9,305	139,175	2016 data; minutes per case calculated
Women's Health Connection	0	0	1	0	0.0	0	0	50.0	120	6,000	ILRS data; total minutes calculated
Totals	10	0	62	82	473	60,340	5,390,114	1,104	34,898	1,322,318	
Total ORs counted in numeric methodology [in bold above]			8	82	Ave min/case		89.33	Ave min/case		37.89	
ILRS: Integrated Licensing & Regulatory System											
Population data source: OFM August 2015											
Total Surgeries	95,238										
Spokane County population 2017	499,259										
Spokane County Use Rate	190,759										
Planning Area projected population Year: 2020	513,910										
% Outpatient of total surgeries	36.64%										
% Inpatient of total surgeries	63.36%										

Spokane Population

		2015		2016	2017	2018	2019	2020		2021	2022	2023	2024	2025
	Age		increment						increment					
			increase						increase					
	0-4	30,387	364	30,751	31,115	31,478	31,842	32,206	116	32,322	32,438	32,555	32,671	32,787
	5-9	31,553	146	31,699	31,845	31,992	32,138	32,284	378	32,662	33,040	33,419	33,797	34,175
	10-14	31,060	426	31,486	31,913	32,339	32,766	33,192	149	33,341	33,490	33,640	33,789	33,938
	15-19	33,137	105	33,242	33,347	33,453	33,558	33,663	407	34,070	34,477	34,883	35,290	35,697
	20-24	36,913	-405	36,508	36,103	35,697	35,292	34,887	77	34,964	35,042	35,119	35,197	35,274
	25-29	34,978	53	35,031	35,084	35,137	35,190	35,243	-406	34,837	34,432	34,026	33,621	33,215
	30-34	32,248	412	32,660	33,072	33,485	33,897	34,309	-46	34,263	34,217	34,172	34,126	34,080
	35-39	29,561	859	30,420	31,279	32,137	32,996	33,855	412	34,267	34,680	35,092	35,505	35,917
	40-44	29,751	126	29,877	30,003	30,129	30,255	30,381	873	31,254	32,127	33,001	33,874	34,747
	45-49	29,713	99	29,812	29,911	30,009	30,108	30,207	124	30,331	30,455	30,578	30,702	30,826
	50-54	34,344	-897	33,447	32,550	31,653	30,756	29,859	100	29,959	30,059	30,158	30,258	30,358
	55-59	33,493	64	33,557	33,621	33,684	33,748	33,812	-876	32,936	32,059	31,183	30,306	29,430
	60-64	30,742	394	31,136	31,529	31,923	32,316	32,710	77	32,787	32,865	32,942	33,020	33,097
	0-64 TOTAL	417,880		419,626	421,371	423,117	424,862	426,608		427,995	429,381	430,768	432,154	433,541
	65-69	24,906	1,006	25,912	26,918	27,925	28,931	29,937	381	30,318	30,699	31,081	31,462	31,843
	70-74	16,777	1,365	18,142	19,508	20,873	22,239	23,604	960	24,564	25,525	26,485	27,446	28,406
	75-79	11,415	653	12,068	12,721	13,375	14,028	14,681	1,244	15,925	17,169	18,413	19,657	20,901
	80-84	8,476	87	8,563	8,649	8,736	8,822	8,909	572	9,481	10,053	10,626	11,198	11,770
	85+	10,037	27	10,064	10,091	10,117	10,144	10,171	159	10,330	10,489	10,649	10,808	10,967
	65+ TOTAL	71,611		74,749	77,887	81,026	84,164	87,302		90,619	93,936	97,253	100,570	103,887
	GRAND TOTAL	489,491		494,375	499,259	504,142	509,026	513,910		518,614	523,317	528,021	532,724	537,428