



STATE OF WASHINGTON
DEPARTMENT OF HEALTH
Olympia, Washington 98504

July 24, 2019

CERTIFIED MAIL # 7016 0910 0000 3454 8765 9399

Robert A Watilo, CSO
Kadlec Regional Medical Center
888 Swift Blvd
Richland WA 99352

RE: CN Application #19-07

Dear Mr. Watilo

We have completed review of the Certificate of Need application submitted by Kadlec Regional Medical Center. The application proposes the approval of a 4-operating room (OR) endoscopy ambulatory surgical facility (ASF) located in Richland, within Benton County. Enclosed is a written evaluation of the application.

For the reasons stated in this evaluation, the application submitted by Kadlec Regional Medical Center proposing to establish an ambulatory surgery in Richland, within Benton County, is consistent with applicable criteria of the Certificate of Need Program, provided Kadlec Regional Medical Center agrees to the following in its entirety.

Project Description

This certificate approves the establishment of a four operating room ambulatory surgical facility located in Richland, within Benton County. Surgical services provided include endoscopic surgeries that can be appropriately performed in an outpatient setting.

Conditions

1. Kadlec Regional Medical Center agrees with the project description as stated above. Kadlec Regional Medical Center 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. Kadlec Regional Medical Center will maintain Medicare and Medicaid certification, regardless of facility ownership.
3. Kadlec Regional Medical Center will submit to the department for review and approval the adopted admission, non-discrimination, and charity care policies prior to opening the surgery center. Each of these policies must be consistent with the drafts provided in the application.

4. Kadlec Regional Medical Center will provide charity care in compliance with its charity care policies reviewed and approved by the Department of Health. Kadlec Regional Medical Center will use reasonable efforts to provide charity care consistent with the planning area average. The current planning area average is 1.20% of gross revenue and 3.22% of adjusted revenue. Kadlec Regional Medical Center will maintain records of charity care applications received and the dollar amount of charity care discounts granted. The department requires that these records be available upon request.
5. Kadlec Regional Medical Center will finance the project using cash reserves as stated in the application
6. Kadlec Regional Medical Center will provide the department with a listing of key staff for the ASC prior to offering services. Key staff includes all credentialed or licensed management staff, including the director of nursing and the medical director.

Approved Costs

The approved capital expenditure is \$8,980,000.

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

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

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

Mailing Address:

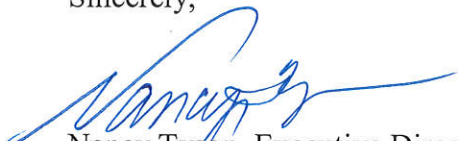
Department of Health
Certificate of Need Program
Mail Stop 47852
Olympia, WA 98504-7852

Physical Address:

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

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

Sincerely,



Nancy Tyson, Executive Director
Health Facilities and Certificate of Need

Enclosure

**EVALUATION DATED JULY 24, 2019 FOR THE CERTIFICATE OF NEED
APPLICATION PROPOSING AN AMBULATORY SURGICAL FACILITY IN RICHLAND,
WITHIN BENTON COUNTY**

APPLICANT DESCRIPTIONS

Kadlec Regional Medical Center (Kadlec) was established in 1944 as an army medical facility associated with the Hanford Site in Richland, Washington. It has been located at its current location at 888 Swift Boulevard in Richland [99352] since 1971. The hospital is licensed for 270 beds, which includes 12 NICU Level II Bassinets, 15 NICU Level III Bassinets, and 12 acute rehabilitation beds. [source: Kadlec website, ILRS]

In 2014, Kadlec entered into an affiliation with Providence Health & Services. As a part of this affiliation, Western HealthConnect (as subsidiary of Providence) became the sole corporate member of Kadlec. In 2016, Providence Health & Services and St Joseph Health – a California-based non-profit hospital system – entered into an affiliation and formed a new “super-parent” company called Providence St Joseph Health. Providence St Joseph Health, Providence Health & Services, Western HealthConnect, and Kadlec are all registered with the Washington State Department of Revenue and the Office of the Secretary of State. [source: Application pdf17, DOR and SOS websites]

Kadlec offers a number of healthcare services in Benton and Franklin counties and the surrounding areas. This includes the 270-bed acute care hospital, primary care offices, urgent care, and specialty care services. [source: Application pdf13-16]

Kadlec is Medicare and Medicaid certified, and is accredited by The Joint Commission. [source: Application p17]

PROJECT DESCRIPTION

With this application, Kadlec proposes to establish a new, four-operating room ambulatory surgical facility (ASF) located in Richland, within the Benton-Franklin secondary service planning area. While owned by Kadlec Regional Medical Center, the ASF would be separately licensed. It would be located at 1270 Lee Boulevard in Richland [99352]. [source: Application pdf19]

The facility would occupy approximately 23,734 net square feet. Along with the four operating rooms, the facility includes recovery areas, offices, consultation rooms, clean and dirty storage, staff areas, and reception. [source: Application pdf21, Exhibit 13]

Surgical services provided include endoscopic surgeries that can be appropriately performed in an outpatient setting. [source: Application p13]

The estimated capital expenditure for the proposed ASC is \$8,980,000. Of that amount, approximately 56% is associated with construction, 25% is associated with moveable equipment, and the remaining amount is associated with taxes, fees, and site preparation. [source: Application pdf45]

Kadlec has begun the plan review process with Construction Review Services, and expects to commence the project immediately upon Certificate of Need approval. Under this timeline, year 2020 would be the ASCs first full year of operation and 2022 would be year three. [source: Application pdf18]

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:*
 - (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 proposes an ASF in Benton County and was reviewed under a regular review schedule under WAC 246-310-160.

APPLICATION CHRONOLOGY

Action	Date
Letter of Intent Submitted	June 4, 2018
Application Submitted	August 13, 2018
Department’s pre-review activities: <ul style="list-style-type: none"> • DOH 1st Screening Letter • Applicant’s Responses Received 	September 4, 2018 September 19, 2018
<ul style="list-style-type: none"> • DOH 2nd Screening Letter • Applicant’s Responses Received 	October 11, 2018 October 26, 2018
Beginning of Review	November 2, 2018
Public Hearing Conducted	N/A
Public Comments accepted through the end of public comment	December 10, 2018
Rebuttal Comments Submitted	December 24, 2018
Department’s Anticipated Decision Date	February 7, 2019
Department’s Actual Decision Date	July 24, 2019

AFFECTED PERSONS

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

“...an “interested person” who:

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

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

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

During the course of review, several entities requested to receive copies of the application, but none qualified for affected person status.

SOURCE INFORMATION REVIEWED

- Kadlec Certificate of Need application
- Kadlec screening responses
- Compliance history for facilities and services from the Washington State Department of Health – Office of Health Systems Oversight
- DOH Provider Credential Search website: <http://www.doh.wa.gov/pcs>
- CMS QCOR Compliance website: https://qcor.cms.gov/index_new.jsp
- Historical charity care data for years 2015, 2016, and 2017 obtained from the Department of Hospital/Finance and Charity Care (HFCC) Financial Review
- Department of Health internal database – Integrated Licensing & Regulatory Systems (ILRS)
- Kadlec website: <https://www.kadlec.org>
- Washington State Department of Revenue website: <http://www.dor.wa.gov>
- Center for Medicare and Medicaid Services website: <https://www.cms.gov>
- Certificate of Need historical files

CONCLUSION

Kadlec Regional Medical Center

For the reasons stated in this evaluation, the application submitted by Kadlec Regional Medical Center proposing to establish an ambulatory surgery in Richland, within Benton County, is consistent with applicable criteria of the Certificate of Need Program, provided Kadlec Regional Medical Center agrees to the following in its entirety.

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4. Kadlec Regional Medical Center will provide charity care in compliance with its charity care policies reviewed and approved by the Department of Health. Kadlec Regional

Medical Center will use reasonable efforts to provide charity care consistent with the planning area average. The current planning area average is 1.20% of gross revenue and 3.22% of adjusted revenue. Kadlec Regional Medical Center will maintain records of charity care applications received and the dollar amount of charity care discounts granted. The department requires that these records be available upon request.

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6. Kadlec Regional Medical Center will provide the department with a listing of key staff for the ASC prior to offering services. Key staff includes all credentialed or licensed management staff, including the director of nursing and the medical director.

Approved Costs

The approved capital expenditure is \$8,980,000.

CRITERIA DETERMINATIONS

A. NEED (WAC 246-310-210)

Kadlec Regional Medical Center

Based on the source information reviewed and agreement to the conditions identified in the conclusion section of this evaluation, the department concludes that Kadlec Regional Medical Center 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.

Kadlec Regional Medical Center

Kadlec identified that the facility would have four ORs. [source: Application pdf9]

Public Comments

None

Rebuttal Comments

None

Department Evaluation

The application provided documentation and statements to demonstrate the surgery center would have four ORs. **This sub-criterion is met.**

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

The Department of Health's Certificate of Need Program uses the numeric methodology outlined in WAC 246-310-270 for determining the need for additional ASFs in Washington State. The numeric methodology provides a basis of comparison of existing operating room (OR) capacity for both outpatient and inpatient ORs in a planning area using the current utilization of existing providers. The methodology separates Washington State into 54 secondary health services planning areas. This facility would be located in Richland, within the Benton-Franklin County secondary health service planning area.

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

- (a) Whether a surplus or shortage of ORs is predicted to exist in the target year; and

- (b) If a shortage of ORs is predicted, the shortage of dedicated outpatient and mixed-use rooms are calculated.

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

Because this project proposes operating rooms that would be exclusively dedicated to endoscopy services, the department will not complete the numeric need methodology and will instead move forward with analysis under WAC 246-310-210, assessing whether existing services are sufficiently available or accessible to serve the projected population.

WAC 246-310-210

In addition to demonstrating need for services within a planning area, the applicant must also demonstrate that existing services are not sufficiently available and accessible to meet that need.

The department's evaluation of each project with respect to this sub-criterion will be discussed at the end of this sub-criterion.

Kadlec Regional Medical Center

"The proposed facility will create additional access to lower cost outpatient settings.

- *There are only two CN-approved general ASFs and three CN-approved endoscopy-only facilities in the Planning Area. The proposed facility will be the fourth freestanding facility limited to endoscopy cases in the Planning Area.*
- *Increased access to cost-effective ambulatory care in dedicated outpatient settings will be created for patients.*
- *There is growing demand by payers and other stakeholders to move care delivery to lower cost settings, as appropriate. The requested project meets these needs.*

The Planning Area has a current population of 283,830 residents (2017) and is rapidly growing.

- *Population in the Planning Area is forecasted to increase by approximately 50,000 residents by 2025.*
- *Population growth has averaged 1.7% per year from 2010-2015 across the Planning Area as a whole, and projections indicate continuation at this rate. During the same period, population growth has averaged 5% per year for persons 65+ years old. This high rate of growth for persons age 65+ is projected to moderate, but still remain high.*
- *This high rate of growth drives greater future demand, particularly since persons 65+ years old have much greater rates of utilization for ambulatory procedures, including endoscopies.*

There is significant patient in-migration from outside of the Planning Area.

- *Kadlec serves a significant number of patients outside of Benton and Franklin Counties. In total, 19.5% of Kadlec's inpatient discharges in 2017 were to zip codes*

outside of Benton and Franklin Counties. Further, 9.7% of Kadlec's inpatient discharges in 2017 were to Oregon-based zip codes. This demonstrates that a significant portion of the patients treated at Kadlec for inpatient care travel to this facility from outside the Tri-Cities. It is expected that outpatient use would follow these same patterns. Please see Exhibit 2 for the Kadlec Inpatient Discharges by State and Zip, 2017.

As noted above, Kadlec has experienced, and continues to experience, substantial patient in-migration, particularly from northeast Oregon. Inpatient data from 2015-2017 shows approximately 60.2% of Umatilla County (northeast Oregon's largest county) patients migrated outside their county to receive desired and/or necessary services. More specifically, from 2015-2017, approximately 17.6% of inpatients from Umatilla County received services from Kadlec.

- *When examining Kadlec's GI outpatient cases by zip code for 2017, the data indicates 17.8% of cases originated outside the Planning Area. Approximately one in five GI outpatient cases at Kadlec originate from outside the Planning Area, meaning Kadlec must continue to plan for, and provide health services to, residents who do not reside in the Planning Area. Please see Exhibit 3.*

There is a waiting list for GI/endoscopy patients who need access to services.

- *In 2017, Kadlec performed 4,484 endoscopy procedures.*
- *At any given time, there is a waiting list of approximately 600 patients who need GI/endoscopy services. Kadlec has defined a waiting list patient as one who is in referral/review status and who cannot be seen for a minimum of three to four months.*

There is both a quantitative and a qualitative need for Kadlec's four proposed endoscopy rooms. Based on the ASF need methodology, there is a quantitative need for more than 11 outpatient ORs in the Benton-Franklin Planning Area in 2022, although quantitative need is not applicable for approval of GI/endoscopy procedure rooms. In addition, important qualitative factors establish the need for additional endoscopy rooms in the Planning Area: (1) the proposed facility will create additional access to lower cost outpatient settings, (2) the Planning Area population is steadily growing and will continue to increase in the future, (3) there is significant patient in-migration into the Planning Area, and (4) at any given time, there is a waiting list of GI/endoscopy patients in need of procedures." [source: Application pdf25-27]

"With a growing aging population and a corresponding increased need for digestive health services, access problems for GI services will continue if additional capacity is not added to the community, something not reflected in the Department's ASF 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. This has increased demand for lower cost services, such as those that can be provided in the proposed procedure rooms.

Based on the discussion above, there is demonstrated quantitative and qualitative need for the requested project of four GI/endoscopy procedure rooms in the Benton-Franklin Planning Area. Improving access within Benton-Franklin Counties allows more residents from the Planning Area and surrounding region to receive care close to home in a convenient, lower cost outpatient setting, without unnecessarily travelling long distances and spending additional time and money. The four GI/endoscopy procedure rooms are an integral part of Kadlec's mission to offer local, affordable ambulatory care options that meet the current and future clinical needs of Planning Area residents." [source: Application pdf35]

Public Comments

None

Rebuttal Comments

None

Department Evaluation

Because numeric need is not a factor, the department must instead determine whether other services and facilities for the type proposed are not or will not be sufficiently available and accessible to meet that need.

Kadlec provided statements related to the aging population and significant in-migration to the planning area. They also identified current waitlists for endoscopic services at the hospital.

The department did not receive any public comment to suggest that other area providers opposed the CN-approval of this proposed outpatient surgery provider in the planning area. To further evaluate this sub-criterion, the department identified the surgical specialties available at the existing planning area surgery centers.

While there are options for gastroenterological services, the waitlist cited by Kadlec suggests that an additional provider would not represent an unnecessary duplication of services. Furthermore, a number of procedures currently being completed in the hospital would move to the lower-cost outpatient setting.

Based on the high utilization of endoscopic surgeries at Kadlec and lack of public comment, the department has determined that the existing supply of facilities may not be sufficiently available and accessible to all planning area residents. Further, this project 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, the amount of charity care is expected to decrease, but not disappear. Specific to ASCs, WAC 246-310-270(7) requires that ASFs shall implement policies to provide access to individuals unable to pay consistent with charity care levels reported by the hospitals affected by the proposed project.

Kadlec Regional Medical Center

Kadlec provided copies of the following policies, which are currently in use at the hospital, with the exception of the admission policy. [source: Application Exhibits 18 and 19, Screening 1 Response Revised Exhibit 18]

- Admission Policy
- Nondiscrimination Policy
- Patients' Rights and Responsibilities
- Charity Care Policy

In addition to the policies listed above, Kadlec provided the following statement:

“Kadlec has a mission to provide compassionate care to all people in need. This includes a special concern for those who are poor and vulnerable. Patients are treated and cared for regardless of gender, ethnicity, disabilities or their ability to pay. Kadlec's 73-year Mission has been and continues to be to provide high quality health care for every patient.

Given the Mission, Kadlec provides charity care to those who are poor and vulnerable and unable to pay for care. In 2017, Kadlec provided \$7.8 million in free and discounted care for those in need in the Central Washington region and the surrounding community. In addition to providing a high level of free and discounted medical care, Kadlec provided a total of \$38.5 million in the unfunded cost of government-sponsored medical care; community health, grants

and donations; education and research programs; and subsidized services. Overall, Kadlec's community benefits exceeded \$46 million in 2017.

With Medicaid expansion and health insurance exchanges, Kadlec's charity care spending in the Central Washington region and the surrounding community reflects the success of more people gaining health insurance coverage. We are using community benefit investments to create healthier communities, beyond just the need for free and discounted care. Not only does this improve access to care, but, through programs and donations, Kadlec's community benefit programs connect families with preventive care to keep them healthy, fill gaps in community services, and provide opportunities that bring care and hope in difficult times.

Table 14 highlights Kadlec's commitment to giving to our communities, with 2017 community benefits in excess of \$46 million." [source: Application pdf40-41]

**Department's Table 1
Projected Payer Mix**

Payer	Forecast
Medicare	34.2%
Medicaid	15.2%
Commercial	47.1%
Other Government	1.5%
Self-Pay	2.0%
Total	100%

[source: Application pdf21]

Public Comments

None

Rebuttal Comments

None

Department Evaluation

The draft admission policy that was provided includes the required information, including the criteria for admitting patients and a description of the types of patients that would be served.

The financial data provided in the application shows Medicare and Medicaid revenues consistent with the table above. The department concluded that Kadlec intends for this proposed surgery center to be accessible and available to Medicare and Medicaid patients based on the information provided. Kadlec is currently Medicare certified. If approved, the department would attach a condition requiring all policies to be executed consistent with the drafts in the application, and requiring the facility to become Medicare/Medicaid certified.

The proposed charity care policy includes the process a patient would need to follow in order to obtain charity care and is consistent with other charity care policies submitted to the department for Providence and Kadlec facilities..

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

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.

Kadlec Regional Medical Center

“In accordance with its mission, Kadlec is committed to meeting community and regional health needs. Kadlec will extend its existing charity care policies and community benefit activities to include the proposed FACILITY. Please refer to Exhibit 19 for a copy of Kadlec's Charity Care Policy. This policy will be used for the proposed FACILITY.” [source: Application pdf43]

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. This application propose an ASF in Benton County, within the Central 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 – in 2016, Wenatchee Valley Hospital, Quincy Valley Hospital, and Sunnyside Community Hospital were late in reporting to DOH. Sunnyside was also late in reporting in 2017. Of these 21, there are four hospitals located in Benton and Franklin counties – Lourdes Medical Center, Kadlec Regional Medical Center, Prosser Memorial Hospital, and Trios – that would be affected by approval of these projects. Lourdes Counseling Center, a psychiatric hospital, is not included as they do not provide surgical services.

Table 2 below compares the three-year historical average of charity care provided by the hospitals operating in the Central Region (with the exception of those that did not report), in Benton and Franklin Counties, and the applicants’ projected charity care percentages.

Department's Table 2
Charity Care – Three Year Average

	% of Total Revenue	% of Adjusted Revenue
3-year Central Region	0.96%	2.51%
3-year Benton-Franklin County	1.20%	3.22%
Kadlec ASF – Projected	1.31%	--

[source: HFCC Charity Care Reports, Application pdf46]

As shown above, the projected percentage of charity care proposed by this facility exceeds the regional and planning area average. This figure is generally consistent with the average charity care provided at Kadlec Regional Medical Center.

The 2014 Report of Charity Care in Washington Hospitals offers the following analysis of decreased charity care across Washington State Hospitals with the introduction of the Affordable Care Act (ACA):

“Implementation of the ACA is changing the landscape of charity care in Washington State. More patients have health coverage, either through Medicaid expansion or through purchase of private coverage. As a result, Washington saw the first decline in the amount of charity care reported by hospitals since the department began gathering these data...”

“As hospitals begin to report all data for calendar year 2014, the ACA becomes fully effective, and the number of insured stabilizes, we will likely see a continued decline in charity care in Washington over the next few years before it levels off again.” [source: 2014 Washington State Charity Care in Washington Hospitals – January 2016]

The Certificate of Need program recognizes that charity care in Washington State is expected to continue to decline as more individuals receive healthcare coverage under the ACA, but charity care is not expected to reach zero.

Kadlec acknowledged the requirement under WAC 246-310-270(7) to provide charity care and committed to the regional average. **With agreement to a charity care condition, 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)

Kadlec Regional Medical Center

Based on the source information reviewed and agreement to the conditions identified in the conclusion section of this evaluation, the department concludes that Kadlec Regional Medical Center 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.

Kadlec Regional Medical Center

The Kadlec forecast model uses the following assumptions and methodologies. [source: Application pdf36-38]

“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.” The report analyzed and presented summaries of data from the 2006 National Survey of Ambulatory Surgery (“NSAS”).

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 centers. The report was updated and revised in 2009 and contains the latest NCHS estimates on ambulatory use rates.

The NCHS use rates were multiplied by the 2020-2024 planning area population (Table 5) and then divided by 10,000 to forecast Planning Area resident procedures by type, by year.

A market share figure was applied to the digestive system procedure code group based on planned scope of services anticipated to be provided at the requested facility. These market share figures are based on physician recruitment actions and the expressed interest from other area physicians who would utilize the GI/endoscopy procedure rooms in the facility if available.

Estimated Planning Area cases were multiplied by the presumed market share figures for the FACILITY, yielding forecasted number of procedures, by year.

Based on the forecasted number of procedures at the FACILITY, segmented by endoscopy cases, there would be demand for 4.0 procedure rooms by the third full year of operation (2022). This assumes operation 240 days per year and operating efficiency of the ORs consistent with WAC 246-310-270(9)(ii). Please refer to Table 13.”

Applicant’s Table 13

Years	2020	2021	2022	2023	2024
Total Cases	6,180	6,922	7,259	7,391	7,525
Cases per Day (assumes 240 days of operation)	25.75	28.84	30.25	30.79	31.35
Surgery Minutes Per Year (Assumes 38 Minutes/Case)	234,852	263,027	275,837	280,845	285,944
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.	3.4	3.8	4.0	4.1	4.2
Assumed minutes per case-GI procedures	38				

*The figure of 38 minutes per case was obtained from Kadlec, 2018.

The assumptions Kadlec used to project revenue, expenses, and net income for the proposed surgery center for the projection years are shown below. [sources: Application pdf46-47]

Facility Revenues

- Inflation of gross and net revenues was excluded from model.
- The gross and net revenues were based on actual revenues of endoscopy procedures at Kadlec.
- Payer mix was based on Kadlec’s historical payer mix for these procedures (2017 data).
- Charity care is assumed constant at 1.31% of gross revenues, which is the Kadlec 3-year average (2014-2016). This is higher than the Central Washington region 3-year (2014-2016) average of 1.05% (Table 15).

Facility Expenses

- There was specific modeling of expected growth of the proposed FACILITY staffing, where FTEs by type, by year were modeled based on forecast incremental case volumes and the number of procedure rooms utilized.
- Wages, salaries, and benefits are specific to each group of FTEs, and are calculated on an hourly basis, based on Kadlec averages. It is assumed an FTE works 2,080 hours per year.
- Non-productive hours are found by multiplying productive hours by 1.107; the non-productive factor is thus 10.7% of productive hours.
- Benefits as a percentage of wages and salaries is estimated at 22%.
- Supplies were estimated on a per cases basis, based on endoscopy procedures at Kadlec.
- Purchased Services were estimated at 3% of net revenue.

- *Repair and Maintenance was estimated at 8% of equipment cost.*
- *B&O taxes were calculated at 1.5% of net revenue.*
- *Pharmacy/drugs were on a per case basis, based on endoscopy procedures currently performed at Kadlec.*
- *Insurance for liability and property and equipment were estimated based on actuals from Kadlec.*
- *Utilities were estimated based on actuals from Kadlec.*
- *Depreciation was based on the construction cost (remodel) of the building and on the purchased equipment.*
- *Medical Director fee is allocated at \$25,000 per year and is included in “Operating Expense” under “Other Direct Expenses.”*

Kadlec’s projected revenue, expenses, and net income for the ASF are shown in Table 3 below.

**Department’s Table 3
Projected Revenue and Expenses**

	2020 (year one)	2021 (year two)	2022 (year three)
Procedures	6,180	6,922	7,259
Net Revenue	\$4,055,022	\$4,541,886	\$4,763,010
Total Expenses	\$3,856,034	\$4,114,746	\$4,237,078
Net Profit/(Loss)	\$198,988	\$427,140	\$525,932
Net Profit/(Loss) per Procedure	\$32.20	\$61.71	\$72.45

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

Public Comments

None

Rebuttal Comments

None

Department Evaluation

To evaluate this sub-criterion, the department first reviewed the assumptions used by Kadlec to determine the projected number of procedures and occupancy of the proposed ASF. Absent an applicable numeric need methodology, the basis for their volumes is largely driven from national statistical use rates and past experience. This assumption is reasonable.

Kadlec based its revenue and expense assumptions for the on the assumptions listed above, including actual historical figures, from the hospital when applicable. This is reasonable.

The site is already owned by Kadlec, thus there are no site costs.

Kadlec identified the medical director, would be an employee and that the cost of their services is accounted for in “other direct expenses.” [source Application p22].

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

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

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

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

Kadlec Regional Medical Center

“Approval of this CN application will not only address an unmet need in the community for additional GI/endoscopy procedure rooms, thus improving access, but it also will contribute to increased quality of care, decreased costs, and improved patient satisfaction.” [source: Application pdf11]

Public Comments

None

Rebuttal Comments

None

Department Evaluation

In order to evaluate this sub-criterion, the department performed a calculation of gross revenue per procedure after the project to determine whether the applicant’s projections were reasonable.

**Department’s Table 4
Department Calculation of Net Charges per Case**

	2020	2021	2022
Net Revenue	\$4,055,022	\$4,541,886	\$4,763,010
Number of Procedures	6,180	6,922	7,259
Net Revenue (charges) per Procedure	\$656.15	\$656.15	\$656.15

As shown above, the net charges do not change in the projection years. The charges identified above are generally consistent with those observed by the department in endoscopy ASF projects.

Based on the above information, the department concludes that the establishment of this facility as a CN-approved ASF would likely not have an unreasonable impact on the costs and charges for healthcare services in Benton and Franklin Counties. **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.

Kadlec Regional Medical Center

"This project will be financed solely through Kadlec's cash reserves via Western HealthConnect. Please see Exhibit 11 for a letter of commitment and availability of funding"
[source: Application pdf21]

Public Comments

None

Rebuttal Comments

None

Department Evaluation

As noted above, the capital expenditure is being funded out of corporate reserves. Providence St Joseph Health, the parent corporation, has over \$1 billion in current assets. This represents a very small portion of that amount. **This sub-criterion is met**

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

Kadlec Regional Medical Center

Based on the source information reviewed and agreement to the conditions identified in the conclusion section of this evaluation, the department concludes that Kadlec Regional Medical Center 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.

Kadlec Regional Medical Center

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

“Kadlec has an excellent reputation and history recruiting and retaining appropriate personnel. Kadlec offers a competitive wage scale, a generous benefit package, and a professionally rewarding work setting.

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

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

Kadlec employs a large number of general and specialty care providers. The proposed FACILITY will offer an attractive work environment and hours, thus attracting local area residents who are qualified to work in the GI/endoscopy procedure rooms. We do not expect staffing challenges that would disrupt Kadlec’s ability to achieve its goals and objectives relative to operating the four procedure rooms.

At this point, it is premature to identify or hire staff for the four GI/endoscopy procedure rooms, without having obtained CN approval for the FACILITY. As necessary, Kadlec can provide these details, at the appropriate time, after it identifies and hires key staff. Kadlec will employ the FACILITY medical director. See Exhibit 23 for the Medical Director Job Description. Because Kadlec will be employing the medical director, no medical director contract will be contemplated.” [source: Application pdf50]

Kadlec also provided the table below, showing projected staffing. [source: Application pdf49]

**Applicant's Table
Projected FTEs**

	<u>YEAR 1</u>	<u>YEAR 2</u>	<u>YEAR 3</u>	<u>YEAR 4</u>	<u>YEAR 5</u>
Productive FTE Analysis	2020	2021	2022	2023	2024
OP Endoscopy Manager	0.90	0.90	0.90	0.90	0.90
Front Office Assistant - Check-in	2.40	2.40	2.40	2.40	2.40
Procedure Scheduler	1.20	1.20	1.20	1.20	1.20
Lead RN (Charge RN/Team Leader)	1.20	1.20	1.20	1.20	1.20
Registered Nurses	8.20	9.20	9.70	9.90	10.00
Endoscopy Techs - room turnover	1.92	1.92	1.92	1.92	1.92
Sterile Processing Techs	3.85	3.85	3.85	3.85	3.85
Materials Management Clerk	0.90	0.90	0.90	0.90	0.90
Total, Productive FTEs	20.57	21.57	22.07	22.27	22.37

Public Comments

None

Rebuttal Comments

None

Department Evaluation

As shown above, the ASF would recruit heavily for year one, with minor incremental increases throughout the projection period and beyond.

Information provided in the application demonstrates that Kadlec is a well-established provider of healthcare services in the planning area. Kadlec currently operates their acute care hospital as well as multispecialty ASF in Richland. Information within the application supports that utilization has consistently grown in the planning area.

If this project is approved, the department would attach a condition related to this sub-criterion. The condition would require Kadlec to provide the department with a listing of key staff for the ASC prior to offering services. Key staff includes all credentialed or licensed management staff, including the director of nursing and the medical director.

Based on Kadlec's reputation in the planning area and their information presented in the application, the department concludes that Kadlec has the ability to staff the ASF. **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.

Kadlec Regional Medical Center

“It is anticipated that on-site ancillary and support services will include scheduling, security, housekeeping, snow removal/landscaping, and materials management. Kadlec will purchase some of these services from community vendors through an RFP process. All other ancillary and support services would be provided centrally by Kadlec. The final determination regarding which ancillary and support services will be provided on-site versus centrally by Kadlec has not yet been made. It is Kadlec’s experience that such final determinations and subsequent contracts can be established well within the time frame of CN approval and subsequent opening.” [source: Application pdf50-51]

Public Comments

None

Rebuttal Comments

None

Department Evaluation

Kadlec has been providing healthcare services – including surgical services through the hospital – for many years. Though the ASF will be operated as a distinct entity, the ancillary required for the operation of the ASF are already in use by Kadlec, and would be available to the ASF as well.

Based on the information reviewed in the application, the department concludes that there is reasonable assurance that the new ASF would maintain the necessary relationships with ancillary and support services to provide outpatient surgical services at the proposed ASF. The department concludes that establishment of a new ASF would not adversely affect the existing relationships. **This sub-criterion is met.**

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

Kadlec Regional Medical Center

“Kadlec has no such convictions as defined in WAC 246-310-230(5)(a) (Note: The above WAC has been re-codified as WAC 246-310-230). Patient care at the FACILITY will be provided in conformance with all applicable federal and state requirements.” [source: Application pdf51]

Public Comments

None

Rebuttal Comments

None

Department Evaluation

As a part of this review, the department must conclude that the proposed services provided by an applicant would be provided in a manner that ensures safe and adequate care to the public.¹ To accomplish this task, the department reviewed the quality of care and compliance history for Kadlec and their parent corporation, Providence.

Washington State Survey Data

The eight Providence hospitals currently operating include Providence Holy Family Hospital, Providence St Joseph's Hospital, Providence Mount Carmel Hospital, Providence Centralia Hospital, Providence Sacred Heart Medical Center and Children's Hospital, Providence St Mary Medical Center, Providence St Peter Hospital, and Providence Regional Medical Center Everett. Swedish Health Services and Western Health Connect also operate under the Providence umbrella – their Washington State hospitals include Swedish Edmonds, Swedish First Hill, Swedish Issaquah, Swedish Cherry Hill, and Kadlec Regional Medical Center.

All of the hospitals listed above are accredited. The Providence hospitals and Kadlec Regional Medical Center are accredited by the Joint Commission. The Swedish hospitals are accredited by Det Norske Veritas (DNV). [source: Joint Commission website, DNV website, ILRS]

The department also reviewed the survey deficiency history for years 2016 through 2018 for all Providence hospitals located in Washington State. Of the eight Washington State hospitals, three had deficiencies in one of the three years. All deficiencies were corrected with no outstanding compliance issues.²

In addition to the hospitals above, department also reviewed the compliance history for the two ambulatory surgical facilities and 13 in-home service agency licenses, including home health, hospice and a hospice care center. All of these facilities are operational. Using its own internal database, the survey data showed that more than 40 surveys have been conducted and completed by Washington State surveyors since year 2016. All surveys resulted in no significant non-compliance issues. [source: ILRS survey data and Department of Health Investigations and Inspections Office]

Providence has not yet hired staff for this surgery center, including a medical director. Since the medical director will be an employee of Providence (not the surgery center), no medical director contract was provided. If this project is approved, the department would attach a

¹ WAC 246-310-230(5)

² The three hospitals were Holy Family Hospital in Spokane County, Providence Regional Medical Center-Everett in Snohomish County, and Providence St. Peter in Thurston County.

condition requiring Providence to submit a listing of key staff for the surgery center. Key staff includes all credentialed or licensed management staff, including the director of nursing, and medical director.

Other States

In addition to a review of all Washington State facilities owned and operated by Providence, the department also examined a sample of Providence/St Joseph Health facilities nationwide. According to information in the application and its website, Providence operates healthcare facilities 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:

**Department’s Table 5
Providence and Affiliated Facilities Outside of Washington**

Facility Name	State	Joint Commission Accredited?	State Enforcement Action since 2016?
Providence			
Providence Little Company of Mary Medical Center San Pedro	CA	yes	yes ³
Providence Little Company of Mary Medical Center Torrance	CA	yes	no
Providence Saint John's Health Center	CA	yes	yes ⁴
Providence Saint Joseph Medical Center	CA	yes	no
Providence Tarzana Medical Center	CA	yes	no
Providence Affiliate – St Joseph Health			
Petaluma Valley Hospital	CA	yes	no
Hoag Hospital Newport Beach	CA	no – DNV	no
Covenant Health Plainview	TX	no	no

As shown above, out-of-state Providence facilities have demonstrated compliance with applicable state and federal regulations. 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. Furthermore the penalties identified above were resolved through minor administrative fines.

Based on the above information and agreement to the conditions identified in this evaluation, the department concludes that Kadlec demonstrated reasonable assurance that its surgery center located in Richland would be operated in compliance with state and federal requirements. **This sub criterion is met.**

³ One administrative enforcement action related to an ulcer acquired after admission and failure to report timely. No other violations found. Fine paid in full.

⁴ One administrative enforcement action related to reporting “retention of a foreign object in a patient.” No other violations found. Fine paid in full.

- (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.

Kadlec Regional Medical Center

“Kadlec is committed to providing its patients with safe and reliable service. All Kadlec facilities, inclusive of acute care hospitals, clinics, and freestanding facilities, share a common electronic medical record platform (EMR). The common EMR allows relevant patient information to be expediently shared and reliably accessed by providers throughout the patient's continuum of care, resulting in dependable coordinated care and quality clinical outcomes. Finally, since Kadlec is a local provider for inpatient care, the new FACILITY will have full access to health service resources at Kadlec.

A copy of the draft patient transfer agreement can be found in Exhibit 24.P.” [source: Application pdf51]

Public Comments

None

Rebuttal Comments

None

Department Evaluation

Information within the application demonstrates that the proposed ASF would operate as a distinct entity from Kadlec Regional Medical Center, but would have access to many of the resources available through the hospital.

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

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

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

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

Kadlec Regional Medical Center

Based on the source information reviewed and agreement to the conditions identified in the conclusion section of this evaluation, the department concludes that Kadlec Regional Medical Center 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 Page 187 of 209 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

Kadlec Regional Medical Center met the applicable review criteria under WAC 246-310-210 through 230. Their application will be evaluated further under Steps Two and Three.

Step Two

Kadlec Regional Medical Center

“Kadlec is requesting CN approval to construct and operate four GI/endoscopy procedure rooms at the FACILITY. This will help address the unmet need for outpatient procedure rooms in the Benton-Franklin Planning Area by providing all eligible physicians and their patients’ access to a freestanding facility.

As part of its due diligence, and in deciding to submit this application, Kadlec explored the following alternatives: (1) status quo: “do nothing,” (2) the requested project: seek CN approval for four GI/endoscopy procedure rooms, (3) expand Kadlec’s hospital-based OR and procedure room capacity on its main campus, or (4) partner with another local provider (hospital or physicians) to establish a facility with GI/endoscopy procedure rooms. [I]t is clear that the requested project — seek CN approval for a four GI/endoscopy procedure room facility — is the best option..” [source: Application pdf52]

Public Comments

None

Rebuttal Comments

None

Department Evaluation

Information provided in the application demonstrates that the decision to request CN approval was the best available alternative for Kadlec. Kadlec provided rationale for foregoing the “no project” option as well as for ruling out partnerships with outside entities or expanding the hospital campus.

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

The department moves on to step three.

Step Three

Step 3 only applies under concurrent review. This application was not reviewed concurrently and this step does not apply. **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;

Kadlec Regional Medical Center

Consistent with the evaluation under WAC 246-310-210, when compared to past similar ASF projects, the costs identified in this application are comparable. **This sub-criterion is met.**

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

Kadlec Regional Medical Center

Department Evaluation

This sub-criterion was evaluated in conjunction with WAC 246-310-220 above and is considered met.

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

Kadlec Regional Medical Center

“The requested project will respond to a clear, demonstrated quantitative and qualitative need in the Benton-Franklin Planning Area. The FACILITY with four procedure rooms will allow patients who need GI/endoscopy procedures to benefit from increased access and a lower-cost of care. This also will provide acute patients with increased access to hospital-based ORs for services that cannot be provided in a freestanding setting. In summary, the proposed FACILITY will help transform the way care is delivered in the Benton-Franklin Planning Area by offering quality care that is both affordable and local...” [source: Application pdf57]

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 this project is appropriate and needed.

This project has the potential to improve the delivery of health services. The department concludes the addition of a CN-approved ASF will appropriately improve the delivery of health services in Benton and Franklin Counties. **This sub-criterion is met.**