



STATE OF WASHINGTON
DEPARTMENT OF HEALTH
Olympia, Washington 98504

September 16, 2019

CERTIFIED MAIL # 7016 3010 0001 0575 0211

Heidi Aylsworth, Chief Strategy Officer
Swedish Health Services
747 Broadway
Seattle, WA 98122

RE: CN Application #19-12

Dear Ms. Aylsworth:

We have completed review of the Certificate of Need application submitted by Swedish Health Services proposing to convert six existing acute care beds into a Pediatric Intensive Care Unit (PICU) at Swedish Issaquah. Enclosed is a written evaluation of the application.

For the reasons stated in this evaluation, the department has concluded that the project is not consistent with the Certificate of Need review criteria identified below, and a Certificate of Need is denied.

Washington Administrative Code 246-310-220	Financial Feasibility
Washington Administrative Code 246-310-240	Cost Containment

This decision may be appealed. The two appeal options are listed below.

Appeal Option 1:

You or any person with standing may request a public hearing to reconsider this decision. The request must state the specific reasons for reconsideration in accordance with Washington Administrative Code 246-310-560. A reconsideration request must be received within 28 calendar days from the date of the decision 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

Heidi Aylsworth, Chief Strategy Officer
Swedish Health Services
Certificate of Need Application #19-12
September 16, 2019
Page 2 of 2

Appeal Option 2:

You or any person with standing may request an adjudicative proceeding to contest this decision within 28 calendar days from the date of this letter. The notice of appeal must be filed according to the provisions of Revised Code of Washington 34.05 and Washington Administrative Code 246-310-610. A request for an adjudicative proceeding must be received within the 28 days at one of the following addresses:

Mailing Address:

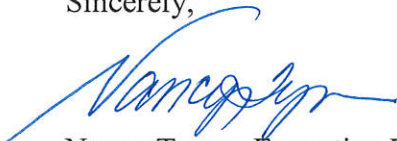
Department of Health
Adjudicative Service Unit
Mail Stop 47879
Olympia, WA 98504-7879

Physical Address

Department of Health
Adjudicative Service Unit
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 SEPTEMBER 16, 2019, FOR THE CERTIFICATE OF NEED APPLICATION SUBMITTED BY SWEDISH HEALTH SERVICES PROPOSING TO ESTABLISH A 6-BED PEDIATRIC INTENSIVE CARE UNIT AT SWEDISH MEDICAL CENTER – ISSAQUAH CAMPUS, WITHIN KING COUNTY.

APPLICANT DESCRIPTION

Swedish Health Services (Swedish) is a not-for-profit health system serving the residents of King and Snohomish Counties and the surrounding areas. Swedish Health Services oversees operations of five hospital campuses, two free-standing emergency rooms, eight urgent care clinics, and a variety of primary and specialty care clinics, among others. [sources: Application pp7-8, Swedish website]

Swedish Health Services affiliated with Providence Health & Services in 2011, which merged with St Joseph Health System in 2016 to form Providence St. Joseph Health (PH&S). Swedish currently operates through Western HealthConnect – a branch of Providence Ministries that is separate from Providence hospital operations. For ease of reference, the applicant will simple be referred to as “Swedish” throughout this evaluation. [source: CN Historical files]

PROJECT DESCRIPTION

This project focuses on Swedish Medical Center – Issaquah Campus, located in Issaquah. The hospital has been in operation since 2011 and provides a variety of healthcare services to the residents of East King County and surrounding communities. For reader ease, the hospital will be referred to as “Swedish Issaquah” throughout this evaluation. As of the writing of this evaluation, Swedish Issaquah is licensed for a total of 175 beds located at 751 Northeast Blakely Drive in Issaquah [98029]. Table 1 shows 175 beds broken down by service. [source: CN historical files]

Table 1
Swedish Issaquah
Current Configuration of Licensed Acute Care Beds

Services Provided	Beds
General Medical Surgical	160
Intermediate Care Nursery - Level II	15
Total	175

As of the writing of this evaluation, Swedish Issaquah provides a variety of general medical surgical services, including intensive care, emergency services, and a Level II intermediate care nursery. The hospital is currently a Medicare and Medicaid provider and maintains accreditation through Det Norske Veritas¹ (DNV). [sources: Application, p36, ILRS, and CN historical files]

This project proposes the addition of 6-bed pediatric intensive care unit (PICU). The beds, which are currently operational at the Swedish First Hill campus, would relocate to the Issaquah campus. As proposed by Swedish, the project would not increase the number of licensed beds at Swedish Issaquah, and the six beds would be subtracted from the existing supply of general medical surgical beds, shown below. [source: Application, p5, applicants screening responses, 1pp2-4, CN historical files]

¹ “The requirements of the DNV GL - International Healthcare Accreditation...have been approved by the US Government's Centers for Medicare and Medicaid (CMS). [This] accreditation program is designed to support the development and continual improvement of healthcare quality and patient safety in healthcare organizations. It also addresses general safety for workers, patients and other visitors.” [source: DNV website]

Table 2
Swedish Issaquah
Proposed Configuration of Licensed Acute Care Beds

Services Provided	Beds
General Medical Surgical	154
Intermediate Care Nursery - Level II	15
Pediatric Intensive Care Unit	6
Total	175

The total estimated capital expenditure associated with the six PICU beds is \$290,000. Of that amount, approximately 86% is related to construction and related costs; the remaining 14% is for new moveable equipment. [source: Application, p27]

If approved, the six PICU beds would be operational approximately five months following CN approval, September 2019 according to the timeline in the application. 2020 would be the first complete year of operation and 2022 would be year three. Due to delays in processing this application, this timeline would be offset by approximately four months. [source: Application, p18]

APPLICABILITY OF CERTIFICATE OF NEED LAW

This application is subject to review as the addition of a tertiary service under the provisions of Revised Code of Washington (RCW) 70.38.105(4)(f) and Washington Administrative Code (WAC) 246-310-020(1)(d)(i)(G).

EVALUATION CRITERIA

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

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

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

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

In the event WAC 246-310 does not contain service or facility standards in sufficient detail to make the required determinations, WAC 246-310-200(2)(b) identifies the types of standards the department may consider in making its required determinations. Specifically WAC 246-310-200(2)(b) states:

“The department may consider any of the following in its use of criteria for making the required determinations:

- (i) Nationally recognized standards from professional organizations;*
- (ii) Standards developed by professional organizations in Washington State;*
- (iii) Federal Medicare and Medicaid certification requirements;*
- (iv) State licensing requirements;*

- (v) *Applicable standards developed by other individuals, groups, or organizations with recognized expertise related to a proposed undertaking; and*
- (vi) *The written findings and recommendations of individuals, groups, or organizations with recognized expertise related to a proposed undertaking, with whom the department consults during the review of an application.”*

To obtain Certificate of Need approval, the applicant must demonstrate compliance with the criteria found in WAC 246-310-210 (need); 246-310-220 (financial feasibility); 246-310-230 (structure and process of care); 246-310-240 (cost containment).

In consultation with the Office of Health Systems Oversight (OHSO) at the Department of Health, the program identified additional applicable standards within a clinical report published by the American Academy of Pediatrics and the Society of Critical Care Medicine entitled “Guidelines and Levels of Care for Pediatric Intensive Care Units.” This document will be used in conjunction with the WAC sections listed above.

TYPE OF REVIEW

This project was reviewed under the regular timeline outlined in WAC 246-310-160, which is summarized on the following page.

APPLICATION CHRONOLOGY

Action	Swedish
Letter of Intent Submitted	August 8, 2018
Application Submitted	September 7, 2018
Department’s pre-review activities <ul style="list-style-type: none"> • DOH 1st Screening Letter • Applicant's Responses Received • DOH 2nd Screening Letter • Applicant's Responses Received 	September 28, 2018 October 31, 2018 December 19, 2018 February 4, 2019
Beginning of Review	February 12, 2019
End of Public Comment/No Public Hearing Conducted <ul style="list-style-type: none"> • Public comments accepted through end of public comment 	March 19, 2019
Rebuttal Comments Received	N/A
Department's Anticipated Decision Date	May 17, 2019
Department's Actual Decision Date	September 16, 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.”*

WAC 246-310-010(2) requires an affected person to first meet the definition of an ‘interested person.’

WAC 246-310-010(34) defines “interested person” as:

- (a) *The applicant;*
- (b) *Health care facilities and health maintenance organizations providing services similar to the services under review and located in the health service area;*

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

During the review of this project, four persons or health care providers sought interested person status. A brief description of each is below.

Seattle Children's Hospital

Seattle Children's Hospital is a not-for-profit organization that operates a hospital and several clinics in King and neighboring counties. [source: Seattle Children's website] Seattle Children's requested interested person status. As a healthcare facility providing similar services in the health service area, Seattle Children's meets the definition of an 'interested person.' Seattle Children's provided written comments on this project, and therefore meets the affected person qualifications identified above.

Overlake Hospital Medical Center

Overlake Hospital Medical Center is a community hospital located in Bellevue, in the East King planning area, providing acute care services, including a level III neonatal intensive care unit. As a healthcare facility providing similar services in the health service area, OHMC's meets the definition of an 'interested person,' but did not provide written comments on this project. OHMC does not meet the definition of an affected person for this project.

MultiCare Health System

MultiCare Health System is a not-for-profit health care organization that owns and operates five hospitals in King and Pierce counties. All five hospitals provide a variety of healthcare services to residents of King and Pierce counties and surrounding communities. MultiCare Health System also owns and operates a variety of healthcare clinics located in King, Kitsap, Pierce, Snohomish, and Thurston counties. [source: MultiCare Health System website] MultiCare Health System did not provide public comment on this project and does not qualify as an affected person.

SEIU 1199NW

SEIU 1199NW is a labor union that represents more than 30,000 nurses, healthcare workers, and behavioral health workers across Washington state. [source: SEIU 1199NW website] While SEIU 1199NW may have members who qualify as interested persons by virtue of residing in the geographic area or using health care facilities in the area, the union itself does not appear to meet the qualifications identified above as an 'interested person.' In addition, SEIU 1199NW did not provide public comment on this project, and would not qualify as an affected person, even if it met the definition of an interested person for this project.

SOURCE INFORMATION REVIEWED

- Swedish's Certificate of Need application received September 7, 2018
- Swedish's first screening responses received October 31, 2018
- Swedish's second screening responses received February 4, 2019
- Public comments received by the close of business on March 19, 2019

SOURCE INFORMATION REVIEWED (continued)

- Hospital/Finance and Charity Care (HFCC) Financial Review dated September 6, 2019
- Department of Health Integrated Licensing and Regulatory System database [ILRS]
- Licensing and/or survey data provided by the Department of Health's Investigations and Inspections Office
- Licensing data provided by the Medical Quality Assurance Commission, Nursing Quality Assurance Commission, and Health Systems Quality Assurance Office of Customer Service
- Swedish Health Services's website at swedish.org
- Joint Commission website at www.qualitycheck.org
- Certificate of Need historical files

CONCLUSIONS

For the reasons stated in this evaluation, the application submitted by Swedish Health Services proposing to establish a 6-bed Pediatric Intensive Care Unit (PICU) is not consistent with applicable review criteria of the Certificate of Need Program.

CRITERIA DETERMINATIONS

A. Need (WAC 246-310-210)

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

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

A pediatric intensive care unit (PICU) is a specialized pediatric service. WAC 246-310-020 states (in summary) that specialized inpatient pediatric services are designed, staffed, and equipped to treat complex pediatric cases for more than twenty-four hours. The service has a staff of pediatric specialists and subspecialists. Specialized pediatric services are considered tertiary services as defined by WAC 246-310-010. WAC 246-310 does not contain a PICU need methodology. As a result, the evaluation of the need criterion for PICU projects begins with an evaluation of the methodology provided by the applicant.

Swedish Health Services

Swedish provided a numeric need methodology for its PICU addition based on historical utilization of its existing PICU at Swedish First Hill, adjusted to reflect the geographic relocation of the service to Issaquah. The methodology is restated below. [source: Application, p15, pp20-22,]

“There are currently no pediatric intensive care services provided in the East King planning area. Currently residents of East King need to travel to Seattle to Swedish First Hill, Harborview or Seattle Children’s to access PICU services. These hospitals are located in the Central and North King planning areas. A traditional numerical bed need calculation has not been included as part of this application since there is no request for additional beds within the East King planning area as part of this proposal. We are simply requesting to add a tertiary service to the Swedish Issaquah Campus.

“The table below illustrates a high level demand analysis for PICU beds within the East King planning area. It illustrates that the population of the East King planning area could support six PICU beds. For the purpose of this analysis, pediatrics was defined as age 0-17.”

Applicant’s Table

Admit Year	2013	2014	2015	2016	2017	Definition/Rationale
Total Peds Admits	1,683	1,674	1,722	1,647	1,383	2017 East King Pediatric Admits, Excl. Neonatology, Obstetrics, and Behavioral Health (Data source: CHARS, 2017)
Estimated PICU admits	337	335	344	329	277	2017 Estimated East King PICU admits, assuming 20% of total peds admits (Swedish historic experience as percentage of total Peds admits)
Estimated PICU days	1,885	1,875	1,929	1,845	1,549	2017 Estimated East King PICU patient days, assuming 5.6 day ALOS (2017 Swedish ALOS stay for intensive level pediatric inpatient)
Bed need, 100% occupancy	5.2	5.1	5.3	5.1	4.2	East King estimated bed need, assuming 365 day year with 100% occupancy efficiency
Bed need, 70% occupancy	7.4	7.3	7.5	7.2	6.1	East King estimated bed need, assuming 365 day year with 70% efficiency

“As outlined on page 9 above, the proposed PICU at Swedish Issaquah is projected to have 1,000 patient days in the year 2020. This would translate to an average need for 4 PICU beds at Swedish Issaquah at an occupancy rate of 70% (1,000/365/0.7).”

Swedish elaborated on this reasoning in its October 29, 2018, screening responses:

“Being conservative, we estimated that the pediatric population and therefore the pediatric admissions in the East King Planning Area would grow at 1.5%/year. As a result the estimated PICU patient days in the planning area would also grow by 1.5% from an estimated 1,549 in 2017 to approximately 1,620 by 2020 which is the first full year of projected operations of the proposed project. If we assume all of the patients seeking pediatric intensive care services at Swedish Issaquah will come from the East King planning area, our proposed 1,000 patient days for the year 2020 therefore represents a 62% market share of the estimated PICU patient days generated by residents of the East King planning area (1,000/1,620 = 62%). If this were the case we would anticipate that the majority of the remaining 38% of patient days will be for patients who need a level of pediatric intensive care beyond what Swedish Issaquah will be able to provide and will be hospitalized in the PICU's at either Harborview (e.g. trauma) or Seattle Children's (e.g. cancer, transplant). However, given the distribution of Swedish hospitals, emergency rooms and pediatricians throughout King County, it is likely that patients from outside of the East King planning area will still choose to seek pediatric intensive care services at Swedish Issaquah. Our projected census assumes a combination of patients who live in the East King planning area as well as patients from other planning areas. This is similar to the current experience of the PICU at Swedish First Hill where patients come from multiple planning areas to receive care.”

In its February 4, 2019, second screening responses, Swedish provided projected utilization and bed need based on the historical data and assumptions discussed above and in its application and first screening:

“Based on the PICU admissions and patient day projections outlined in the application and screening #1 response, the anticipated bed need for the projection period is as outlined in the chart below. As a reminder, 2019 is only a partial year with 2020 being the first full year of operations.”

Applicant's Table

Swedish Issaquah PICU Projections				
	2019*	2020	2021	2022
Total Admissions	59	179	180	181
Total Patient Days	333	1,000	1,007	1,014
ALOS	5.6	5.6	5.6	5.6
Bed Need (100% occupancy)	3.6	2.7	2.8	2.8
Bed Need (70% occupancy)	5.2	3.9	3.9	4.0

* 2019 only includes a partial year of October-December.

Public Comments

During the review of this project, the department received one letter of support, from Seattle Children's Hospital. No other public comment was received on this project. [source: March 14, 2019, public comment]

Seattle Children's Hospital, Sanford Melzer, MD, MBA, Executive Vice President

"Today, in Washington State, pediatric intensive care services are provided in Seattle, Tacoma, and Spokane.² While we strongly believe that the consolidation of pediatric intensive care services supports the delivery of high-quality care, excellent outcomes, and sufficient volumes to maintain provider and staff competencies, we are also mindful of the impact patients and families experience when they are required to travel a significant distance for care.

"As described in its certificate of need application and subsequent screening responses, Swedish proposes to establish pediatric intensive care services at its Issaquah campus and if approved, would relocate its 6-bed Pediatric Intensive Care Unit (PICU) from its First Hill campus to its Issaquah campus. Leading up to this request, Swedish and Seattle Children's had several discussions focused on how we can partner to provide services and expand access to high-quality pediatric and neonatal care that currently is not available locally, for children living in the East King Planning Area. For example, patients who reside in the East King Planning Area who present with low to moderate acuity diagnoses such as asthma, bronchiolitis, or acute gastroenteritis are forced to travel to Seattle and navigate both traffic and parking challenges, when they could be cared for locally if pediatric services were provided in their community. Some of these patients may require a higher level of care if their condition deteriorates and without pediatric intensive care services on the Swedish Issaquah campus, these patients will need to continue to travel to Seattle for care. Therefore, one of the solutions that Swedish and Seattle Children's identified was combining our clinical and operational expertise and jointly managing a PICU at Swedish Issaquah. This solution is advantageous for patients who live in the East King Planning Area for the following reasons: 1) it maintains the concentration of pediatric intensive care services with the providers and staff that currently care for these patients so that we can continue providing the highest level of quality and outcomes; 2) it supports cost containment, as these services would be relocated, not duplicated; and 3) it expands the services available to patients locally, keeping as much care as possible closer to home.

"For these reasons, Seattle Children's supports Swedish's certificate of need application to establish pediatric intensive care services and a PICU at its Issaquah campus.

Rebuttal Comments

None

Department's Evaluation

PICU services are considered tertiary services for Certificate of Need purposes. For some tertiary services, such as open heart surgery, the department uses an established methodology to assist in its evaluation of need for the services. For other tertiary services, including PICU services, no such methodology exists. Given that the department has not developed an established methodology for PICU services, an evaluation of the need criterion begins with an evaluation of the methodology provided by the applicant.

Swedish's need methodology is based on two main factors: planning area and estimated PICU admissions and patient days.

² Seattle providers are Swedish Medical Center, Harborview, and Seattle Children's. Tacoma providers are MultiCare Mary Bridge Children's Hospital and Spokane providers are Providence Sacred Heart Medical Center and Children's Hospital

A more extensive discussion of each factor used by Swedish is below.

Planning Area

Swedish used the following zip codes to develop their numeric need methodology, based on the hospital's location in the East King hospital planning area:

East King Planning Area			East King Planning Area (cont.)		
County	Zip Code	City	County	Zip Code	City
King	98004	Bellevue	King	98040	Mercer Island
King	98005	Bellevue	King	98041	Bothell
King	98006	Bellevue	King	98045	North Bend
King	98007	Bellevue	King	98050	Preston
King	98008	Bellevue	King	98052	Redmond
King	98009	Bellevue	King	98053	Redmond
King	98011	Bothell	King	98065	Snoqualmie
King	98014	Carnation	King	98068	Snoqualmie Pass
King	98015	Bellevue	King	98072	Woodinville
King	98019	Duvall	King	98073	Redmond
King	98024	Fall City	King	98074	Sammamish
King	98027	Issaquah	King	98075	Sammamish
King	98028	Kenmore	King	98077	Woodinville
King	98029	Issaquah	King	98174	Seattle
King	98033	Kirkland	King	98083	Kirkland
King	98034	Kirkland	King	98224	Baring
King	98039	Medina	King	98288	Skykomish

Swedish stated it used this planning area because “...it is the planning area in which Swedish Issaquah is located and because pediatric intensive care services are not currently available in this planning area. As noted in the application, the population of the East King planning area can support the size and scope of services proposed by this project.” [source: Applicant’s screening responses, 1p16]

It should be noted that the department does not have published planning areas for PICU beds. Need for tertiary services is generally determined using regions larger than hospital planning areas – such as counties or multi-county areas. In this application, it is important to note that the applicant is proposing to move existing services entirely from one facility in the Central King hospital planning area to another in the East King planning area. While this project represents a new service at Swedish Issaquah, and a new service in the East King hospital planning area, it does not represent a new service in King County as a whole or any other reasonable planning area definition that might be used to project need for this sort of tertiary service in a location like Issaquah. This project does not add any licensed beds to Swedish Issaquah, nor does it propose to reduce licensed beds at Swedish First Hill. As a result, the department concludes that the applicant’s use of a sub-county planning area for this project is defensible for purposes of identifying the number and type of patients expected to use this particular facility, and that the project’s effect on need in a larger, potentially more appropriate planning area basis is neutral.

Estimated admissions and patient days

Swedish based its population projections on pediatric admissions for patients residing in the planning area, adjusted by the proportion of those admissions requiring PICU services as determined by CHARS data and Swedish’s experience at its First Hill PICU. This approach is reasonable

Table 1 on the following page is an excerpt from the final step of Swedish’s numeric methodology. Years 2019 (partial) through 2022 are shown on the following page.

Table 1
Swedish's Numeric Methodology

	Year 2019	Year 2020	Year 2021	Year 2022
Total Admissions	59	179	180	181
Total Patient Days	333	1,000	1,007	1,014
Average Length of Stay	5.6	5.6	5.6	5.6
Bed Need (100% Occupancy)	3.6	2.7	2.8	2.8
Bed Need (70% Occupancy)	5.2	3.9	3.9	4.0

As shown in Table 1 above, Swedish's numeric methodology projected need for an additional 4 PICU beds in year 2022, but proposes a total of 6 beds to accommodate seasonal fluctuations in census and future population growth that increases to 35 beds by the end of year 2026. In other calculations, depicted on page 6 of this evaluation, Swedish projected a need for 6.1 PICU beds to serve all East King patients, but concedes that it will not capture that entire need due to the fact that existing area providers UW Medicine/Harborview and Seattle Children's may be more appropriate treatment locations for some East King pediatric patients.

Based on the information above, the department concludes that the applicant's methodology is reasonable and further notes that no net addition of capacity would be added to the service area. **This sub-criterion is met.**

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

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

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

Medicare certification is a measure of an applicant's willingness to serve the elderly. With limited exceptions, Medicare is coverage for individuals age 65 and over. It is also 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.³

³ WAC 246-453-010(4)

Swedish Health Services

Swedish provided copies of the following policies currently in used at Swedish Issaquah. [source: Application Exhibits 7 & 8, applicant's screening responses 2, Exhibit 74]

- Admission Policy, Approved 2013
- Admission Policy – Pediatrics, Approved 2016
- Patient Rights and Responsibilities, Approved 2013
- Charity Care Policy, Approved 2015

Swedish Issaquah is currently Medicare and Medicaid certified. Swedish provided its current source of revenues by payer for the existing PICU located at Swedish First Hill and did not anticipate it would change with the project. Swedish also provided the current and projected sources of revenue by payer for the hospital as a whole – these are not expected to change as a result of the project, as the PICU does not have a payer mix consistent with the hospital as a whole. The payer mixes are shown below. [source: Application p28, Screening Response 1p8]

Revenue Source	Entire Hospital	PICU
Medicare	35.7%	0%
Medicaid	10.7%	53.2%
Commercial	49.9%	45.3%
Self-Pay	3.6%	1.50
Total	100.0%	100.0%

In addition to the policies and payer mix information, Swedish provided the following information related to uncompensated care provided by Swedish. [source: Application, pp17-18]

“According to the 2016 Washington State Charity Care Report (dated 2018) Swedish has provided charity care at the following rates as a percentage of adjusted patient service revenue for its three King County hospitals:

*Swedish Cherry Hill 2.45%
Swedish First Hill 1.71%
Swedish Issaquah 1.49%*

“Swedish is committed to providing healthcare services to all persons, without regard to income, race, ethnicity, sex, handicap, or any other factor. Swedish also is committed to caring for each person needing care, regardless of his or her ability to pay. In addition to the charity care discussed above, Swedish also devotes substantial resources to health-related research, community health activities, and medical education. As a charitable, nonprofit 501(c)(3) organization, Swedish invests its resources in programs and services that improve the health of the community and region, from building partnerships with community clinics that serve the underprivileged to providing free and low-cost health-education classes to the public.”

Public Comments

None

Rebuttal Comments

None

Department Evaluation

Swedish Health Services has been providing healthcare services to the residents of King County through its hospitals and medical clinics for many years. Healthcare services are stated to be available to low-income, racial and ethnic minorities, handicapped and other underserved groups. [source: Swedish Health Services website]

The Admission Policy describes the process Swedish uses to admit a patient and outlines rights and responsibilities for both Swedish and the patient. The Clinical Policy for Treatment and Care of Pediatric Patients further goes over the admitting criteria for the pediatric services, including the PICU. Swedish also provided the Patient Rights and Responsibilities Policy. This policy includes the following non-discrimination language:

“As a patient at Swedish, you have the right: ... Not to be discriminated against because of race, color, religion, sex, age, national origin, sexual orientation, disability or source of payment and other factors in admission, treatment or participation in its programs, services and activities. This statement is informed by a variety of federal and state regulations.”

Swedish Issaquah currently provides services to both Medicare and Medicaid patients. Swedish does not anticipate any significant changes in Medicare or Medicaid percentages resulting in approval of this project.

Swedish Issaquah’s current Medicare revenues are approximately 36% of total revenues, likewise, Medicaid revenues are currently 11%. Other revenues are expected to remain the same as well. Financial data provided in the application also shows both Medicare and Medicaid revenues.

The Financial Assistance Policy (Charity Care) provided in the application has been reviewed and approved by the Department of Health's Hospital Financial/Charity Care Program (HFCCP). The policy outlines the process one would use to obtain financial assistance or charity care. The policy was approved in 2015. After the close public comment for this project, Swedish the charity care policies for each of its hospitals. The new policies were reviewed by the department in March 2019 and approved effective May 1, 2019. The pro forma financial documents provided in the application include a charity care 'line item' as a deduction of revenue.

Charity Care Percentage Requirement

For charity care reporting purposes, Washington State is divided into five regions: King County, Puget Sound (less King County), Southwest, Central, and Eastern. Swedish proposes to establish PICU services in Issaquah located in the King County Region. Currently there are 23 hospitals operating within the region. Of the 23 hospitals, some did not report charity care data for years reviewed.⁴

Table 2 on the following page compares the three-year historical average of charity care provided by the hospitals currently operating in the King County Region, less Harborview⁵, and Swedish Issaquah’s historical charity care percentages for years 2016-2018. The table also compares the projected percentage of charity care. [source: Application and HFCCP 2016-2018 charity care summaries]

⁴ For year 6, USS/BHC Fairfax Hospital North did not report data.

⁵ Harborview Medical Center is subsidized by the state legislature to provide charity care services. Charity care percentages for Harborview make up almost 50% of the total percentages provided in the King County Region. Therefore, for comparison purposes, the department excluded Harborview Medical Center's percentages.

Table 2
Charity Care Percentage Comparisons

	Percentage of Total Revenue	Percentage of Adjusted Revenue
King Region Historical 3-Year Average	0.99%	2.19%
Swedish Issaquah 3-Year Average	0.83%	1.49%
Swedish Issaquah Projected Average	1.10%	2.05%

As noted in Table 2 above, the three-year historical average shows Swedish Issaquah has been providing charity care below both the total and adjusted regional averages. For this project, Swedish projects that Swedish Issaquah would provide charity care at nearly the regional average for total revenues and adjusted revenues.

Swedish has been providing health care services at the Issaquah campus for several years. Charity care is health care provided through the hospital at no cost or reduced cost to low income patients. Charity care is a state-mandated and partially state-funded program that allows uninsured or underinsured people to receive inpatient and outpatient care at a reduced cost. Only people who meet certain income and asset criteria are eligible to receive charity care.

If this project were to be approved, Swedish would be required to agree to the charity care condition stated below.

Swedish Issaquah will provide charity care in compliance with its charity care policies reviewed and approved by the Department of Health, or any subsequent policies reviewed and approved by the Department of Health. Swedish Issaquah will use reasonable efforts to provide charity care in an amount comparable to or exceeding the amount of charity care identified in the application or average amount of charity care provided by hospitals in the King County Region, less Harborview. Currently, this amount is 0.99% gross revenue and 2.19% of adjusted revenue. Swedish Issaquah will maintain records of charity care applications received and the dollar amount of charity care discounts granted. The department requires these records to be available upon request.

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

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

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

Department Evaluation

This sub-criterion is not applicable to this application.

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

Department Evaluation

This sub-criterion is not applicable to this application.

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

Department Evaluation

This sub-criterion is not applicable to this application.

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

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

Department Evaluation

This sub-criterion is not applicable to this application.

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

Department Evaluation

This sub-criterion is not applicable to this application.

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

Department Evaluation

This sub-criterion is not applicable to this application.

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

Based on the source information reviewed and agreement to the conditions identified in the conclusion section of this evaluation, the department determines that Swedish has **not 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.

Swedish Health Services

Swedish provided the following assumptions to determine the projected number of admissions, patient days, and average length of stay for the hospital, with and without the project. [source: Application p27-28]

“The key assumptions for the financial models include the following:

“Volume – the patient day estimates utilized in the model and outlined above in question 5a were based on the estimated need for pediatric intensive care services in East King as described above under question 5e. 2019 was assumed to be a partial year of operations with 2020 being the first full year of operations.

“Length of Stay – was based on actual data from the Swedish First Hill PICU.

“Revenue – was based on our actual charges from the Swedish First Hill PICU. Net revenue calculated using the Swedish Issaquah payer mix. Charity care is assumed to be constant to the current rate at Swedish Issaquah. Inflation of gross and net revenues was excluded from the model.

“Expenses – were based on actual data from the Swedish First Hill PICU.

Using the assumptions stated above, Swedish projected the number of discharges, patient days, average daily census, and occupancy of the PICU cost center with 6 beds. The projections shown in Table 3 below beginning with calendar year 2019. [source: Applicants screening responses, 1pp1-2]

Table 3
PICU Projections for Years 2019 through 2023

	Part 2019	CY 2021	CY 2022	CY 2023
Discharges	59	179	180	181
ALOS	5.6	5.6	5.6	5.6
Patient Days	333	1,000	1,007	1,014
Average Daily Census	3.7	2.7	2.8	2.8
Beds	6	6	6	6
Occupancy	46.3%	45.7%	46.0%	46.3%

The assumptions Swedish used to project revenue, expenses, and net income for the PICU cost center with 6 beds for projection years 2020 through 2023 are on the previous page.

Based on the assumptions above, Swedish provided the following revenue and expense statement for the hospital with and without the project. The “with” scenario is shown below. [source: Applicant’s screening responses 2, Exhibit 4]

Table 4
Swedish Issaquah WITH Project

	CY 2019	CY 2020	CY 2021	CY2022
Net Revenue	227,411,515	238,760,899	240,374,632	241,999,660
Total Expenses	241,967,793	257,090,557	259,740,366	262,726,420
Net Profit / (Loss)	(\$14,286,278)	(\$18,329,658)	(\$19,365,734)	(\$20,426,760)

The ‘Net Revenue’ line item is gross inpatient and outpatient hospital revenue, plus any non-operating revenue. The ‘Total Expenses’ line item includes all expenses related to hospital operations, including all staff salaries/wages and allocated costs from Providence St. Joseph Health to Swedish Issaquah.

Public Comments

None

Rebuttal Comments

None

Department Evaluation

To evaluate this sub-criterion, the department first reviewed the assumptions used by Swedish to determine the projected number of admissions, patient days, and occupancy of the PICU.

Swedish based its revenue and expenses for Swedish Issaquah on the assumptions referenced above. Swedish also used its current operations as a base-line for the revenue and expenses projected for Issaquah as a whole with the proposed pediatrics unit and PICU. A review of Swedish Issaquah’s fiscal year historical data reported to the Department of Health shows that Swedish operated the Issaquah hospital at a profit for fiscal years 2014, but at a loss in subsequent years. [source: DOH Hospital Finance and Charity Care Income Statement Reports, 2014-2018]

To assist in the evaluation of this sub-criterion, the Department of Health’s Hospital Finance and Charity Care Program (HFCCP) reviewed the pro forma financial statements submitted by Swedish for Swedish Issaquah. To determine whether Swedish would meet its immediate and long range capital costs, HFCCP reviewed the 2017 historical balance sheet for Providence St. Joseph Health and 2018 data for Swedish Issaquah. The information shown in Table 5 below shows both balance sheets. [source: HFCCP analysis, p2]

Table 5
Swedish Issaquah and Providence Health & Services
Balance Sheets for Year 2017 and 2018

Swedish Issaquah FY 2018 Actual			
Assets		Liabilities	
Current	109,473,545	Current	19,516,525
Board Designated	-	Long Term Debt	293,619,800
Property/Plant/Equipment	297,364,264	Other	
Other	629,703	Equity	94,331,190
Total	407,467,512	Total	407,467,515
Fiscal Year End Financial and Utilization Report to WA ST Dept. of Health			
Providence Health & Services FY 2017			
Assets		Liabilities	
Current	5,507,000,000	Current	4,221,000,000
Board Designated	9,986,000,000	Long Term Debt	6,485,000,000
Property/Plant/Equipment	10,955,000,000	Other	2,193,000,000
Other	1,197,000,000	Equity	14,746,000,000
Total	27,645,000,000	Total	27,645,000,000

For hospital projects, HFCCP provides a financial ratio analysis assesses the financial position of an applicant, both historically and prospectively. The financial ratios typically analyzed are **1)** long-term debt to equity; **2)** current assets to current liabilities; **3)** assets financed by liabilities; **4)** total operating expense to total operating revenue; and **5)** debt service coverage. Historical and projected balance sheet data is used in the analysis. PH&S 2017 balance sheet and Swedish Issaquah 2018 balance sheets were both used to review applicable ratios and pro forma financial information.

Table 6 compares statewide data for historical year 2018, PH&S historical year 2017, and projected years 2019 through 2022. [source: HFCCP analysis, p3]

Table 6
Current and Projected Debt Ratios

Swedish Issaquah					2019	2020	2021	2022
Ratio Category	Trend	State 2018	PH & S 2017	Swedish Issaquah	CONy1	CONy2	CONy3	CONy4
Long Term Debt to Equity	B	0.442	0.440	3.113	3.771	4.839	6.859	11.883
Current Assets/Current Liabilities	A	2.729	1.305	5.609	5.644	5.480	5.470	5.461
Assets Funded by Liabilities	B	0.389	0.387	0.768	0.801	0.838	0.880	0.927
Operating Expense/Operating Revenue	B	0.973	1.000	1.060	1.062	1.077	1.081	1.084
Debt Service Coverage	A	5.376	26.756	1.187	1.276	1.020	0.964	0.907
Long Term Debt to Equity	Long Term Debt/Equity							
Current Assets/Current Liabilities	Current Assets/Current Liabilities							
Assets Funded by Liabilities	Current Liabilities+Long term Debt/Assets							
Operating Expense/Operating Revenue	Operating Expense/Operating Revenue							
Debt Service Coverage	Net Profit+Depr and Interest Exp/Current Mat. LTD and Interest Exp							*

A is better if above the ratio; and B is better if below the ratio.

After reviewing the financial ratios above, staff from HFCCP provided the following statements. [source: HFCCP analysis, p3]

“CON year 4, (third full year following addition of specialized pediatric services and the 6-bed PICU) fiscal year end ratios for Issaquah are generally out of acceptable range of the 2018 State average. Each ratio except current assets to current liabilities is both outside the average range and trending further away from the statewide average in the future. While this project is being funded from cash reserves, the ability of a facility to meet its ongoing liabilities directly affects its ability to remain financially viable. The projected income statement provided by the applicant shows ongoing losses, increasing with time, both with and without the project.

“Swedish provided revised pro-forma income statements in its second screening responses. Several versions were provided – without the project, with the project, the Pediatric cost center alone, and the PICU portion of the pediatric cost center on its own. A summarized version of the two whole-hospital projections is presented below:

Swedish Issaquah
WITHOUT Project

	CY 2019	CY 2020	CY 2021	CY2022
Net Revenue	222,486,729	222,486,729	225,496,854	217,017,739
Total Expenses	234,969,921	237,447,839	242,960,150	252,507,741
Net Profit / (Loss)	(\$12,483,192)	(\$13,461,296)	(\$17,463,296)	(\$15,490,002)

**Swedish Issaquah
WITH Project**

	CY 2019	CY 2020	CY 2021	CY2022
Net Revenue	227,411,515	238,760,899	240,374,632	241,999,660
Total Expenses	241,967,793	257,090,557	259,740,366	262,726,420
Net Profit / (Loss)	(\$14,286,278)	(\$18,329,658)	(\$19,365,734)	(\$20,426,760)

“Each of the projected income statements provided by the applicant, show the hospital losing money with or without the project. The projected income statements with the project indicate a loss of nearly \$5 million in calendar year 2022 above the already \$15.5 million loss projected for the facility.

“The applicant noted that, absent allocated costs, the hospital has a positive margin. However, financial feasibility is determined using allocated costs. Because the allocations are considered direct expenses (reported to DOH as “other direct expense” on its year-end reports), they represent a cost of doing business for the hospital and, therefore, influence its profitability.

“This program recognizes that not all reviewable medical services are, on their own, self-supporting. In some reviews, this program has concluded that adding services that might lose money to an otherwise financially viable facility is acceptable when they not damage the financial health of the hospital and meet a need that would be more costly to the community if not addressed.

“Because Swedish projects increasing losses for Issaquah without the project and the proposed project adds to those increasing losses by a greater amount each year of the projection period, I cannot conclude that the operating costs of this project can be met without harming the financial health of the hospital and, therefore this criterion is not satisfied.”

Based on the information above, the department cannot conclude that the immediate and long-range operating costs of the project can be met. **This sub-criterion is not 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.

Swedish Health Services

The capital expenditure associated with the addition of 6 PICU beds is \$290,000. The table on the following page shows the breakdown of the costs. [source: Application, p23]

Table 7
Swedish Issaquah PICU
Estimated Capital Expenditure Breakdown

Item	Total Cost	Percentage of Total
Building Construction	\$250,000	86.2%
Moveable Equipment	\$40,000	13.8%
Total	\$290,000	100.00%

Swedish provided a letter from Andersen Construction attesting that the costs identified above are reasonable. [source: Application, Exhibit 9]

Since Swedish Issaquah currently has staffed trained to provide pediatric intensive care services, no start-up costs are required. [source: Application, p25]

Public Comments

None

Rebuttal Comments

None

Department Evaluation

Swedish provided a letter from a contractor, attesting that the construction estimate within the application is reasonable. Swedish already has trained staff and is relocating existing services from another facility. As a result, no start-up costs are required.

In its financial review, the HFCCP provided the following information and review regarding the rates proposed by Swedish for this project. [source: HFCCP Program analysis pp3-4]

“The department does not have financial data specific to PICU services. In the year-end financial reports, hospitals report on the Intensive Care cost center as a whole, without distinguishing between pediatric and adult patients. I reviewed CHARS records for revenue code 0203 – pediatric intensive care – and found few hospitals reporting this revenue code and wide variability in charges – between \$6,650 and 23,170 per patient day. The revenue per patient day provided by Swedish is consistent with those averages.

Swedish Issaquah PICU	2019	2020	2021	2022
Rate per Various Items	CONyr1	CONyr2	CONyr3	CONyr4
Admissions	59	179	180	181
Patient Days	333	1,000	1,007	1,014
Gross Revenue	4,898,411	14,695,234	14,798,100	14,901,687
Deductions From Revenue	3,474,941	10,424,825	10,497,798	10,571,283
Net Patient Billing	1,423,470	4,270,409	4,300,302	4,330,404
Other Operating Revenue	-	-	-	-
Net Operating Revenue	1,423,470	4,270,409	4,300,302	4,330,404
Operating Expense	1,479,046	4,437,138	4,468,198	4,499,475
Operating Profit	(55,576)	(166,729)	(167,896)	(169,071)
Other Revenue	(151,247)	(453,741)	(456,917)	(460,115)
Net Profit	(206,823)	(620,470)	(624,813)	(629,186)
Operating Revenue per Admission	\$ 24,127	\$ 23,857	\$ 23,891	\$ 23,925
Operating Expense per Admission	\$ 25,069	\$ 24,788	\$ 24,823	\$ 24,859
Net Profit per Admission	\$ (3,505)	\$ (3,466)	\$ (3,471)	\$ (3,476)
Operating Revenue per Patient Day	\$ 4,275	\$ 4,270	\$ 4,270	\$ 4,271
Operating Expense per Patient Day	\$ 4,442	\$ 4,437	\$ 4,437	\$ 4,437
Net Profit per Patient Day	\$ (621)	\$ (620)	\$ (620)	\$ (620)
Operating Revenue per Adj Admissions	\$ 22,561	\$ 22,309	\$ 22,340	\$ 22,373
Operating Expense per Adj Admissions	\$ 23,442	\$ 23,180	\$ 23,213	\$ 23,246
Net Profit per Adj Admissions	\$ (3,278)	\$ (3,241)	\$ (3,246)	\$ (3,251)
Operating Revenue per Adj Pat Days	\$ 3,997	\$ 3,993	\$ 3,993	\$ 3,994
Operating Expense per Adj Pat Days	\$ 4,153	\$ 4,149	\$ 4,149	\$ 4,149
Net Profit per Adj Pat Days	\$ (581)	\$ (580)	\$ (580)	\$ (580)

“Swedish’s rates are similar to the Washington statewide averages, however we note above that the addition of this service is projected to increase the anticipated losses at Issaquah, and this criterion is not satisfied.”

Swedish stated under WAC 246-310-220(1) that the payer mix for the hospital as a whole is not expected to change significantly with the addition of 6 PICU beds. Swedish based the PICU-specific payer mix on its experience with its current program

Based on the above information, the department concludes that Swedish’s establishment of a PICU at Swedish Issaquah would compound losses already projected for the facility and therefore it would likely have an unreasonable impact on the costs and charges for healthcare services in King County and surrounding communities. **This sub-criterion is not 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.

Swedish Health Services

The total estimated capital expenditure associated with the 6 PICU beds is \$290,000. Of that amount, approximately 86% is related to construction; 14% is related to moveable equipment [source: Application, p23]

Swedish intends to fund the project using cash reserves and provided a letter of financial commitment for the project. There are no start-up costs associated with this project. [source: Application, Exhibit 10]

Public Comments

None

Rebuttal Comments

None

Department Evaluation

After reviewing the balance sheet, the HFCCP provided the following statements. [source: HFCCP analysis, p4]

“The CN project capital expenditure is \$290,000. Swedish Issaquah will use its existing reserves. This investment represents 0.1% of total assets as of 2018.

The financing methods used are appropriate business practice. This criterion is satisfied.”

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

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

Based on the source information reviewed and agreement to the conditions identified in the conclusion section of this evaluation, the department determines that Swedish Health Services **met** the applicable structure and process 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.

Swedish Health Services

Swedish currently provides PICU services in a 6-bed unit at Swedish First Hill. Swedish does not project staffing changes at the system level, but does project the addition of approximately 50 FTEs to the Issaquah facility. Table 8 provides a breakdown of current and projected FTEs [full time equivalents] by service for the project. Swedish did not provide position-specific FTE increases, rather it identified 74 staff positions that collectively make up those FTEs. [source: applicant's screening responses, 1p9, 2p4]

Table 8
Swedish Issaquah
Proposed FTEs for PICU

Incremental FTEs by Program	2019	2020	2021	2022	2022 Totals
Pediatrics	5.13	10.26	0.11	0.11	15.61
PICU	3.72	7.54	0.08	0.08	11.31
PT/OT/Speech	6.50	13.00	0.03	0.03	19.56
Pharmacist	0.67	1.33	0.00	0.00	2.00
Respiratory Therapy	0.67	1.33	0.00	0.00	2.00
Project FTEs	16.68	33.36	0.22	0.22	50.48
Base line Issaquah	661.98	4.47	4.49	4.53	13.49
Total FTEs	678.66	37.83	4.71	4.75	725.95

Table 9
Swedish Issaquah
Proposed FTEs by Job Category for PICU

Registered Nurse	51
Nursing Assistant Certified	4
Medical Assistant Registered	4
Physical Therapy	4
Occupational Therapy	5
Speech Therapy	6
Total	74

In addition to the tables above, Swedish provided the following statements related to this sub-criterion. [source: Applicant's screening responses, 2pp5-6]

“The numbers in this table vary from those contained in our response to question #26 in our first screening response. That is because these numbers are FTE's whereas the numbers provided in our first screening response were number of staff. Both me correct. We are anticipating having 74 people who are currently working on Swedish First Hill move to Swedish Issaquah when the pediatric program moves, but these 74 people only represent approximately 50 FTE's since not all are full time employees.

“The baseline Issaquah FTE's in the table above (growing from 662 in 2019 to 675 in 2022) represent the projected FTE's for Swedish Issaquah without either the general pediatric or pediatric intensive care services moving from Swedish First Hill to Swedish Issaquah.”

Public Comments

None

Rebuttal Comments

None

Department Evaluation

Swedish currently operates a 6 bed PICU at Swedish First Hill and is moving this unit and the accompanying specialized pediatrics program to Swedish Issaquah. With the additional services,

staff of Swedish Issaquah would increase by approximately 50 FTEs. The increase in staff coincides with the increase in admissions and patient days for the pediatrics unit and PICU.

For this project, Swedish intends to use existing FTEs that may be reassigned from Swedish First Hill and recruiting as necessary. The strategies identified by Swedish are consistent with those of other applicants reviewed and approved by the department.

Information provided in the application demonstrates that Swedish is a well-established provider of healthcare services in King County and surrounding areas. Information provided in the application demonstrates that Swedish has the ability and expertise to recruit and retain a sufficient supply of qualified staff for this project.

Based on the above information, the department concludes that Swedish demonstrated adequate staffing for the PICU at Swedish Issaquah is available or can be recruited. **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.

Swedish Health Services

Swedish provided the following statements related to this sub-criterion. [source: Application, p30]

“Swedish Issaquah is an existing acute care hospital providing high quality patient services, which includes appropriate ancillary and support services. Swedish Issaquah has expanded ancillary services that ensure efficiency and access to state-of-the-art diagnostic and therapeutic services to serve all patients in the best possible manner. The existing ancillary and support services will be able to support the proposed PICU patient population.”

Public Comments

None

Rebuttal Comments

None

Department Evaluation

Swedish Issaquah has been providing level II Intermediate Care Nursery services since the facility was opened. All ancillary and support services are already in place. With the addition of PICU services, Swedish expects existing ancillary and support services will be sufficient for this project.

Guidelines and Levels of Care for Pediatric Intensive Care Units

The department also uses the standards of care guidelines outlined in the American Academy of Pediatrics Guidelines and Levels of Care for Pediatric Intensive Care Units in evaluating this project. The guidelines offer recommendations on facility and staffing standards for perinatal and neonatal services within a hospital. The guidelines were initially developed in 1983, and revised in years 2004 and 2019. When this application was submitted in December 2018, the 2004 guidelines were

the most current. In September 2019, the guidelines were updated. For consistency, this application will be reviewed using the guidelines in effect at the time the application was submitted-the 2004 guidelines.

Swedish provided information in its application documenting current compliance with the Level II PICU guidelines and some of the Level I PICU guidelines in place at the time of application. Given that Swedish is currently providing those services at First Hill and is merely moving this service to Issaquah, assisted by Seattle Children's, the department has reasonable assurance Swedish will continue to comply with the applicable guidelines and standards of care.

Swedish provided a draft Memorandum of Agreement describing the arrangement between Swedish and Seattle Children's for management of pediatric services. In addition, Seattle Children's Hospital provided a letter discussing the partnership between Swedish and Seattle Children's in developing the plan to move PICU services to Issaquah and the nature of the joint management of the proposed Issaquah PICU.

Based on the information reviewed in the application, the department concludes that there is reasonable assurance that Swedish will continue to maintain the necessary relationships with ancillary and support services with the addition of PICU services. The department concludes that approval of this project would not negatively affect existing healthcare relationships. **This sub-criterion is met.**

- (3) *There is reasonable assurance that the project will be in conformance with applicable state licensing requirements and, if the applicant is or plans to be certified under the Medicaid or Medicare program, with the applicable conditions of participation related to those programs.*

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

Swedish Health Services

Swedish provided the following statements related to this sub-criterion. [source: Application, p31]

"Swedish Health Services has no history of criminal convictions related to ownership / operation of a health care facility, licensure revocations or other sanctions described in WAC 246-310-230(5)(a). (Note: the above WAC has been re-codified as WAC 246-310-230.) Patient care at Swedish Issaquah is and will continue to be provided in conformance with all applicable federal and state requirements."

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.⁶ To accomplish this task, the department reviewed the quality of care and compliance history for Swedish and their parent corporation, Providence St. Joseph Health.

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 and Providence-affiliated hospitals located in Washington State. Of the Washington State hospitals, three had deficiencies in one of the three years. All deficiencies were corrected with no outstanding compliance issues.⁷ The department did not identify any concerns specific to the operation of a pediatric unit comparable to the one under review.

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]

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 looked up compliance with federal standards at Providence and Providence-affiliated facilities in Montana, California, Alaska, Oregon and Texas. The department identified that the majority of Providence and Providence-affiliated facilities operate in compliance with federal standards without noticeable patterns in non-compliance. The department spot-checked state survey data for California and Texas hospitals – more than half of the total hospitals operated by Providence – and did not find patterns of non-compliance of concern. No evidence on any of the state licensing websites indicated that any of the facilities have ever been closed or decertified from participation in Medicare or Medicaid as a result of compliance issues. Furthermore all were resolved through minor administrative fines.

⁶ WAC 246-310-230(5)

⁷ 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.

In addition to the facility review above, Swedish provided the names and provider credential numbers for its current pediatrics staff. The listing includes registered nurses, nursing assistants, nurse technicians, and respiratory care practitioners, for a total of 75 FTEs. A review of each providers credential revealed no sanctions.

Based on the above information, the department concludes that Swedish demonstrated reasonable assurance that Swedish Issaquah 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 directs 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.

Swedish Health Services

Swedish provided the following statements related to this review criteria. [source: Applicant's screening responses, 1p15]

"If the proposed project is approved Swedish would move its pediatric services from Swedish First Hill to Swedish Issaquah. Given the acuity of care at Swedish Issaquah would be consistent with the acuity of care today at Swedish First Hill there would be no incremental fragmentation of services from what exists today. However the benefit of this project is that pediatric intensive care services would be better distributed throughout King County with two programs in Seattle (Seattle Children's and Harborview) and one in Issaquah (Swedish). Today all pediatric intensive care services are provided at acute care facilities located within the City of Seattle."

Public Comments

Sanford Melzer, MD MBA, Seattle Children's

"As described in its certificate of need application and subsequent screening responses, Swedish proposes to establish pediatric intensive care services at its Issaquah campus and if approved, would relocate its 6-bed Pediatric Intensive Care Unit (PICU) from its First Hill campus to its Issaquah campus. Leading up to this request, Swedish and Seattle Children's had several discussions focused on how we can partner to provide services and expand access to high-quality pediatric and neonatal care that currently is not available locally, for children living in the East King Planning Area. For example, patients who reside in the East King Planning Area who present with low to moderate acuity diagnoses such as asthma, bronchiolitis, or acute gastroenteritis are forced to travel to Seattle and navigate both traffic and parking challenges, when they could be cared for locally if pediatric services were provided in their community. Some of these patients may require a higher level of care if their condition deteriorates and without pediatric intensive care services on the Swedish Issaquah campus, these patients will need to continue to travel to Seattle for care. Therefore, one of the solutions that Swedish and Seattle Children's identified was combining our clinical and operational expertise and jointly managing a PICU at Swedish Issaquah. This solution is advantageous for patients who live in the East King Planning Area for the following reasons: 1) it maintains the

concentration of pediatric intensive care services with the providers and staff that currently care for these patients so that we can continue providing the highest level of quality and outcomes; 2) it supports cost containment, as these services would be relocated, not duplicated; and 3) it expands the services available to patients locally, keeping as much care as possible closer to home.” [source: March 14, 2019, public comment]

Rebuttal Comments

None

Department Evaluation

Information in the application demonstrates that as a current provider of PICU services, Swedish has the infrastructure and expertise in place to relocate its specialized pediatrics and PICU programs to Swedish Issaquah. Additionally, Swedish provided information within the application to demonstrate it intends to continue existing relationships and jointly manage the Swedish Issaquah pediatrics program with Seattle Children’s.

Based on the information provided in the application, the department concludes there is reasonable assurance that this project will continue to promote continuity in the provision of health care services in the community with the relocated PICU. **This sub-criterion is met.**

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

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

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

Based on the source information reviewed and agreement to the conditions identified in the conclusion section of this evaluation, the department determines that Swedish Health Services has **not met** the applicable cost containment criteria in WAC 246-310-240.

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

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

If there are multiple applications, the department’s assessment is to apply any service or facility superiority criteria contained throughout WAC 246-310 related to the specific project type. The adopted superiority criteria are objective measures used to compare competing projects and make the determination between two or more approvable projects which is the best alternative. If WAC 246-310 does not contain any service or facility type superiority criteria as directed by WAC 246-310-200(2)(a)(i), then the department would look to WAC 246-310-240(2)(a)(ii) and (b) for criteria

to make the assessment of the competing proposals. If there are no known recognized standards as identified in WAC 246-310-200(2)(a)(ii) and (b), then using its experience and expertise, the department would assess the competing projects and determine which project should be approved.

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

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

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

Department Evaluation

Step One:

The department concluded that Swedish Issaquah did **not meet** the applicable review criteria under WAC 246-310-220. Therefore, the department need not move to step two.

Public Comment

None

Rebuttal

None

Department Evaluation

In earlier portions of this evaluation, the department concluded that the applicant had not demonstrated need for the project, and further concluded that the lack of need rendered the applicant's utilization and financial projections unsupportable.

Because there is no demonstrated need for the project, the department cannot conclude that approval of this facility is the superior alternative to meet the health care needs of the residents of the planning area.

This sub-criterion is **not met**.

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

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

Swedish Health Services

'Swedish Issaquah will design the expansion in accordance with the standards contained within the Washington State licensing rules and the Facility Guidelines Institute's "Guidelines for Design and Construction of Hospitals and Outpatient Facilities". [source: Application, p33]

Public Comments

None

Rebuttal Comments

None

Department Evaluation

As part of its analysis, HFCCP provided the following statements regarding the construction costs, scope, and method. [source: HFCCP analysis, p5]

"The costs of the project are the cost for construction, planning and process. Swedish's projections are below.

Swedish Issaquah	
Total Capital	\$ 290,000
Beds/Stations/Other (Unit)	6
Total Capital per Unit	\$ 48,333.33

The costs shown are lower than most past construction costs reviewed by this office. Also construction cost can vary quite a bit due to type of construction, quality of material, custom vs. standard design, building site and other factors. Swedish is using existing space in a relatively new facility that was designed to the latest energy and hospital standards.

Staff is satisfied the applicant plans are appropriate."

Based on the information provided in the application and the analysis from HFCCP, the department concludes **this sub-criterion is met.**

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

Swedish Health Services

"Currently pediatric intensive care services are only provided in King County by three acute care providers, all located in the City of Seattle - Swedish, Harborview and Seattle Children's. That means that any resident of the East King planning area must travel to Seattle to receive pediatric intensive care services. Although this has been the status quo, it creates an unnecessary travel burden on the residents of East King County. By moving the Swedish pediatric intensive care service to Issaquah, this service will now be available closer to home for East King residents with the same high quality care they receive today.

Because Swedish Issaquah has bed capacity to accommodate this program, the capital cost to move the program from Swedish First Hill to Swedish Issaquah is nominal. Also, since Swedish currently operates this program, there is no significant financial change to the financial picture of Swedish as

a whole. It is merely a change of location of an existing program.” [source: Applicants screening responses, 1p16]

Public Comments

None

Rebuttal Comments

None

Department Evaluation

As part of its analysis, HFCCP provided the following statements related to this sub-criterion.
[source: HFCCP analysis, p5]

Because this project would add losses to a facility already losing money each year, staff is not project is an appropriate option. This criterion is not satisfied.

The department concludes **this sub-criterion is not 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.*

Swedish Health Services

“Swedish Health Services continually looks for ways to improve patient care, operational efficiency and patient throughput. We have implemented several initiatives during the last several years in order to create additional capacity and ensure patients are served in the right care setting at the right time.” [source: Application, p33]

Public Comments

Sanford Melzer, MD MBA, Seattle Children’s

“...one of the solutions that Swedish and Seattle Children’s identified was combining our clinical and operational expertise and jointly managing a PICU at Swedish Issaquah. This solution is advantageous for patients who live in the East King Planning Area for the following reasons: 1) it maintains the concentration of pediatric intensive care services with the providers and staff that currently care for these patients so that we can continue providing the highest level of quality and outcomes; 2) it supports cost containment, as these services would be relocated, not duplicated; and 3) it expands the services available to patients locally, keeping as much care as possible closer to home.”

Rebuttal Comments

None

Department Evaluation

This project has the potential to improve delivery of acute care services to the residents of East King County and surrounding communities with the addition of PICU beds and specialized pediatric services at Swedish Issaquah. However, as noted earlier in this evaluation, this project would add losses to a facility already losing money each year. The department is not satisfied the project would foster cost containment or cost effectiveness. **This sub-criterion is not met.**