



STATE OF WASHINGTON
DEPARTMENT OF HEALTH
Olympia, Washington 98504

October 25, 2019

CERTIFIED MAIL # 7014 2120 0002 7589 9513

Julia Yeager, Director
Delivery System Strategy & Planning
Kaiser Foundation Health Plan of Washington
1300 SW 27th Street
Renton, WA 98057

RE: Certificate of Need Application #19-69

Dear Ms. Yeager:

We have completed review of the Certificate of Need application submitted by Kaiser Foundation Health Plan of Washington. The application proposes to convert and expand Kaiser Bellevue Procedure Center from three operating rooms to four operating rooms in Bellevue within east King secondary health services planning area. Enclosed is a written evaluation of the application.

For the reasons stated in the enclosed decision, the application is consistent with the applicable criteria of the Certificate of Need Program, provided Kaiser Foundation Health Plan of Washington agrees to the following in its entirety.

Project Description

This project approves the establishment of a four operating room ambulatory surgical facility in Bellevue within King County, known as Kaiser Permanente Bellevue Procedure Center. Surgical types provided at Kaiser Permanente Bellevue Procedure Center include gastroenterology, pulmonary, or cardiology. Procedures performed at Bellevue Procedure Center include endoscopy, and similar services (percutaneous endoscopic gastrostomy insertion and removal, adenoma detection, screening, surveillance, and diagnostic services), colonoscopy, bronchoscopy, flexible sigmoidoscopy, TEE, and liver biopsy to patients 15 years and older who can be treated in an outpatient setting.

Conditions

1. Kaiser Foundation Health Plan of Washington agrees with the project description as stated above. Kaiser Foundation Health Plan of Washington further agrees that any change to the project as described in the project description is a new project and requires a new Certificate of Need.
2. Consistent with Revised Code of Washington 70.38.115(3), Kaiser Foundation Health Plan of Washington may not be sold, leased, or have a change in control without first obtaining Certificate of Need.

Approved Costs

The approved capital expenditure for this project is \$826,000 and is solely related to capital improvements and fees, and taxes.

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 OCTOBER 25, 2019, FOR THE CERTIFICATE OF NEED APPLICATION SUBMITTED BY KAISER FOUNDATION HEALTH PLAN OF WASHINGTON PROPOSING TO ESTABLISH A FOUR OPERATING ROOM AMBULATORY SURGICAL FACILITY IN BELLEVUE, WITHIN EAST KING COUNTY SECONDARY HEALTH SERVICES PLANNING AREA.

APPLICANT DESCRIPTION

Kaiser Foundation Health Plan of Washington (“KFHPWA”) is a tax-exempt Washington non-profit corporation registered as a health maintenance organization (“HMO”) ¹. In 2017, KFHPWA acquired Group Health Cooperative also an HMO and its subsidiaries. KFHPWA Unified Business Identifier (UBI#) is 578-011-461. Currently, KFHPWA serves more than 710,170 members in Washington. [Source: <https://wa.kaiserpermanente.org>]

The sole corporate member of KFHPWA is Kaiser Foundation Health Plan, Inc., a California non-profit corporation. In Washington, KFHPWA owned and operates several medical facilities through providers employed directly by KFHPWA or by its affiliated medical group Washington Permanente Medical Group, P.C. [Source: Application page 2] Listed in the table below, are the facilities owned or operated by KFHPWA in Washington.

Medical Facilities	Address	City	Zip code
Bellevue Medical Center	11511 NE 10th Street	Bellevue	98004
Bremerton Behavioral Health Services	555 Pacific Ave, Ste 202	Bremerton	98337
Burien Medical Center	140 SW 146th St	Seattle	98166-1997
Central Hospital	200 15th Ave E	Seattle	98112-5298
Capitol Hill Procedure Center	125 16th Ave E	Seattle	98112-5211
Capitol Hill Ambulatory Surgery Center	201 16th Ave E	Seattle	98112
Downtown Seattle Medical Center	1420 5th Ave Suite 375	Seattle	98101
Everett Medical Center	2930 Maple St	Everett	98201-4261
Factorial Medical Center	13451 SE 36th St	Bellevue	98006-1454
Federal Way Medical Center	301 S 320th St	Federal Way	98003-5296

¹ Under RCW 70.38.025(7), a health maintenance organization means “a public or private organization, organized under the laws of the state, which:

- (a) Is a qualified health maintenance organization under Title XIII, section 1310(d) of the Public Health Services [Service] Act; or
- (b) (i) Provides or otherwise makes available to enrolled participants health care services, including at least the following basic health care services: Usual physician services, hospitalization, laboratory, X-ray, emergency, and preventive services, and out-of-area coverage; (ii) is compensated (except for copayments) for the provision of the basic health care services listed in (b)(i) to enrolled participants by a payment which is paid on a periodic basis without regard to the date the health care services are provided and which is fixed without regard to the frequency, extent, or kind of health service actually provided; and (iii) provides physicians' services primarily (A) directly through physicians who are either employees or partners of such organization, or (B) through arrangements with individual physicians or one or more groups of physicians (organized on a group practice or individual practice basis).

Medical Facilities	Address	City	Zip code
Gig Harbor Medical Center	5216 Point Fosdick Drive NW #102	Gig Harbor	98335
Kendall Yards Medical Center	546 N. Jefferson Lane, Suite 200	Spokane	99201
Kent Medical Center	26004 104th Ave SE	Kent	98031
Lidgerwood Medical Center	6002 North Lidgerwood	Spokane	99207-1124
Lincoln Heights Medical Center	3010 S. Southeast Blvd., Suite A	Spokane	99223
Lynnwood Medical Center	20200 54th Ave W	Lynnwood	98036-6389
Northgate Medical Center	9800 4th Ave NE	Seattle	98115-2158
North pointe Medical Center	9631 N. Nevada St., Suite 100	Spokane	99218
Northshore Medical Center	11913 NE 195th St	Bothell	98011-3147
Olympia Medical Center	700 Lilly Rd NE	Olympia	98506-5196
Port Orchard Medical Center	1400 Pottery Ave	Port Orchard	98366-3768
Poulsbo Medical Center	19379 7th Ave NE	Poulsbo	98370
Puyallup Medical Center	1007 39th Ave SE	Puyallup	98374-2192
Rainier Medical Center	5316 Rainier Ave S	Seattle	98118-2398
Redmond Medical Center at Riverpark	15809 Bear Creek Parkway, Suite #100	Redmond	98052-4370
Renton Medical Center	275 Bronson Way NE	Renton	98056-4099
Riverfront Medical Center	322 W North River Drive	Spokane	99201-2259
Silverdale Medical Center	10452 Silverdale Way NW	Silverdale	98383-9460
South Hill Medical Center	4102 S. Regal Street, Suite 101	Spokane	99223-4733
Tacoma Medical Center	209 Martin Luther King Jr Way	Tacoma	98405-4267
Tacoma South Medical Center	9505 Steele St S	Tacoma	98444-6858
Veradale Medical Center	14402 East Sprague Ave	Spokane	99216-2167

PROJECT DESCRIPTION

Kaiser Permanente Bellevue Procedure Center currently operates as a three-room surgery center located in Bellevue within east King County secondary health services planning area. KFHPWA is seeking Certificate of Need approval for the surgery center and to add one operating room, resulting in a 4-OR ambulatory surgical facility. Kaiser Permanente Bellevue Procedure Center is an office base provider operating under WAC 246-919-601 (office-based surgery) requirements and is accredited by the Accreditation Association for Ambulatory Health Care (AAAHC²).

² The Accreditation Association for Ambulatory Health Care is a private, non-profit organization that accredits more than 6,000 organizations, including ambulatory surgery centers, community health centers, medical and dental group practices, medical home practices, and managed care organizations. The AAAHC develops standards to advance and

Services provided at Kaiser Permanente Bellevue Procedure Center are gastroenterology, pulmonary, or cardiology. Procedures performed at Bellevue Procedure Center include endoscopy, and similar services (percutaneous endoscopic gastrostomy insertion and removal, adenoma detection, screening, surveillance, and diagnostic services), colonoscopy, bronchoscopy, flexible sigmoidoscopy, TEE, and liver biopsy to patients 15 years and older who can be treated in an outpatient setting. [Source: Application page 2-9 and June 17, 2019, supplemental information page 5]

The estimated capital expenditure associated with this project is \$826,000 and is solely related to building construction, fees, and taxes. [Source: Application, page 11] If this project is approved, KFHPWA anticipates it would begin to offer services as a Certificate of Need approved ambulatory surgery center by the end of September 2020. Under this timeline, 2021 would be the first full year of operation and year 2023 would be the third full year of operation. [Source: June 17, 2019, Screening responses, page 6]

Kaiser Permanente Bellevue Procedure Center is located at 11511 NE 10th Street, Suite A, Bellevue [98004] within King County. For the reader's ease, Kaiser Permanente Bellevue Procedure Center will be referred to in this evaluation as "Bellevue Procedure Center".

APPLICABILITY OF CERTIFICATE OF NEED LAW

This project is subject to Certificate of Need (CN) review as the other establishment of a new health care facility under the provisions of Revised Code of Washington (RCW) 70.38.105(3)(a) and Washington Administrative Code (WAC) 246-310-020(1)(a).

EVALUATION CRITERIA

Revised Code of Washington (RCW) 70.38.115(3) limits the criteria the department uses in its review of an HMO facility. WAC 246-310 does not contain service or facility standards for an HMO project.

TYPE OF REVIEW

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

APPLICATION CHRONOLOGY

Action	KFHPWA
Letter of Intent Submitted	March 1, 2019
Application Submitted	April 1, 2019
Department's Pre-Review Activities <ul style="list-style-type: none"> • Department 1st Screening Letter Sent • KFHPWA 1st Screening Responses Received 	May 19, 2019 June 18, 2019
Department Begins Review of the Application <ul style="list-style-type: none"> • public comments accepted throughout review; • no public hearing requested or conducted 	July 15, 2019
End of Public Comment	August 20, 2019

promote patient safety, quality care, and value for ambulatory health care through a peer-based accreditation process, education, and research.

Action	KFHPWA
Rebuttal Comments Due	September 3, 2019
Department's Anticipated Decision Date	October 18, 2019
Department's Actual Decision Date	October 25, 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.*

For this application, two entities sought interested person status and requested that copies of all information regarding the application be provided to them throughout the course of review. The two entities are MultiCare Health System and SEIU Healthcare 1199NW. Below is the summaries of each, and a determination of their respective status regarding this application.

MultiCare Health System

MultiCare is a non-profit health care organization that serves Pierce, King, Thurston, and Kitsap counties. In King County, MultiCare has a hospital campus in Auburn, urgent care services in Federal Way and Kent.

SEIU Healthcare 1199NW

SEIU Healthcare 1199NW is a labor representative. The entity members work in the healthcare sector. The entity is located in Renton within King County.

Both of these entities qualified as interested persons under WAC 246-310-010(34). The second requirement to be recognized as an affected person is to submit written comment or to testify at a public hearing. Since no public hearing was conducted, each requesting entity needed to submit written comments to qualify under WAC 246-310-010(2). Neither of the requesting entities submitted public comment throughout the course of review. As a result, neither of these entities met the criteria to be an “affected person.”

SOURCE INFORMATION REVIEWED

- Kaiser Foundation Health Plan of Washington Certificate of Need Application received on April 1, 2019
- Supplemental information received on June 18, 2019
- Licensing data provided by the Department of Health's internal database, Integrated Licensing & Regulatory System, "ILRS"
- Kaiser Foundation Health Plan of Washington website at <https://wa.kaiserpermanente.org>
- Washington State Secretary of State website at www.sos.wa.gov
- Washington State Department of Revenue website at www.dor.wa.gov
- Certificate of Need historical files

CONCLUSION

For the reasons stated in this evaluation, the application submitted by Kaiser Foundation Health Plan of Washington to establish a four operating room ambulatory surgery center in Bellevue within east King County is consistent with the applicable review criteria, provided Kaiser Foundation Health Plan of Washington agrees to the following in its entirety.

Project Description

This project approves the establishment of a four operating room ambulatory surgical facility in Bellevue within King County, known as Kaiser Permanente Bellevue Procedure Center. Surgical types provided at Kaiser Permanente Bellevue Procedure Center include gastroenterology, pulmonary, or cardiology. Procedures performed at Bellevue Procedure Center include endoscopy, and similar services (percutaneous endoscopic gastrostomy insertion and removal, adenoma detection, screening, surveillance, and diagnostic services), colonoscopy, bronchoscopy, flexible sigmoidoscopy, TEE, and liver biopsy to patients 15 years and older who can be treated in an outpatient setting.

Conditions

1. Kaiser Foundation Health Plan of Washington agrees with the project description as stated above. Kaiser Foundation Health Plan of Washington further agrees that any change to the project as described in the project description is a new project and requires a new Certificate of Need.
2. Consistent with Revised Code of Washington 70.38.115(3), Kaiser Foundation Health Plan of Washington may not be sold, leased, or have a change in control without first obtaining Certificate of Need.

Approved Costs

The approved capital expenditure for this project is \$826,000 and is solely related to capital improvements and fees.

CRITERIA DETERMINATIONS

A. RCW 70.38.115(3)(a)

Based on the source information reviewed and provided the applicant agrees to the conditions stated in the 'conclusion' section of this evaluation, the department determines Kaiser Foundation Health Plan of Washington met the applicable criteria set forth in RCW 70.38.115(3)(a).

Revised Code of Washington 70.38.115(3)(a) provides only the following guidance for reviewing applications submitted by an HMO. It states:

"A certificate of need application of a health maintenance organization or a health care facility which is controlled, directly or indirectly, by a health maintenance organization, shall be approved by the department if the department finds:

(a) Approval of such application is required to meet the needs of the members of the health maintenance organization and of the new members which such organization can reasonably be expected to enroll"

WAC 246-310 does not provide specific review criteria for an HMO operated or controlled ASC. Therefore, the department reviewed the information and statements provided by KFHPWA.

Kaiser Foundation Health Plan of Washington

KFHPWA provided the following statement related to this project. *"KFHPWA serves the needs of its members by providing health care services and coverage on a prepaid basis, principally using its own employed and closely affiliated providers and staff, and whenever possible furnishing such care in its own facilities. This 'model' of care is fundamental to KFHPWA's values and operations.*

KFHPWA currently has enrollment of approximately 700,000 members with approximately 315,000 from King and Snohomish County. Further, we have experienced significant membership growth in the past five years, with King and Snohomish County membership growing at 7.2% and 5.7% annual growth from 2014 to 2018. The continued operation and expansion of the Bellevue Procedure Center is fundamental to fulfilling the promise of the patient-centered and high quality care through HMO-owned and operated facilities. KFHPWA's care for members is focused on individuals' total health, as guided by personal physicians, specialists, and care teams. Staff are supported by technology and tools to promote health, prevent disease, manage chronic illness, and deliver high quality, affordable care". [Source: Application page 14]

“Please see Table 1 below, which includes 2018 volume figures.

Table 1. Kaiser Permanente Bellevue Procedure Center Utilization, 2013-2018

<i>Year</i>	<i>CARDIOLOGY</i>	<i>GASTROENTEROLOGY</i>	<i>PULMONARY</i>	<i>Grand Total</i>
2013	11	4,087	56	4,154
2014	-	4,280	57	4,337
2015	-	3,800	45	3,845
2016	-	4,269	88	4,357
2017	8	3,966	58	4,032
2018	18	5,450	52	5,520

**Note: there were minor differences in the data collection process used to compile utilization for 2013-2016 and 2017. Therefore, the 2017 values presented above are conservative and represent a lower-bound estimate (approximately an additional 140 cases would be added to gastroenterology in 2017 if the same definition set was used as 2013-2016). Further, 2014-2016 likely had a small set of cardiology procedures, but were not captured due to the coding definition used for those years”. [Source: June 17, 2019, Supplemental information page 6]*

Specifically to its methodology used to project need, KFHPWA state, “Neither the CN statute nor Department rules provide a methodology for determining whether an ASF is required in order to meet the minimum needs of HMO members, but Department rules do provide an ASF need methodology for non-HMO applicants at WAC 246-310-270(9). Consequently, we have adapted the non-HMO ASF need methodology for use in this project, as explained and applied below. The adapted need methodology projects a **total need for 1.2 additional procedure rooms beyond the three currently operational**. Please see Table 7 below, as well as a detailed description of the methodology used following the table.

**KFHPWA Table 7. Reproduced
Kaiser Permanente Bellevue Procedure Center Need Model**

Existing Capacity	Procedure Rooms
Supply of Procedure Rooms	3
Annual Capacity per PR (68,850 min/room)	206,550
Average Minutes/Procedure in ORs	36.7
Future Demand	
3rd Year Procedure Demand (2023)	7,842
Gross Demand in 3rd Year (in Minutes)	287,577
Gross PR Demand: 3rd Year Minute Demand Divided by Single PR Capacity Minutes (68,850)	4.2
Net Need (Surplus)	
Demand for Procedure Rooms	4.2

Existing Capacity	Procedure Rooms
<i>Supply of Procedure Rooms</i>	3
Net Unmet Need	1

*As demonstrated in Table 7 above, there is overall demand for 4.2 PRs projected in CY2023. KFHPWA currently operates 3 PRs at its Bellevue Procedure Center campus and proposes as part of this project to expand to a total of 4 PRs. Thus, there is **demonstrated need for the proposed project to operate 4 PRs** at Bellevue Procedure Center with no surplus in capacity.*

KFHPWA has used the procedure rooms to coordinate care in a highly-efficient manner that improves outcomes and reduces health care costs. Reasonable projections for growth in HMO members and OR use rates indicate KFHPWA will need a total of at least 4 procedure rooms to satisfy its future health care obligations.

Please see Table 8 below for a utilization forecast for the five years following the project

KFHPWA Table 8. Reproduced
Kaiser Permanente Bellevue Procedure Center Utilization Forecast,
2020-2025

	2020	2021	2022	2023	2024	2025
<i>Gastroenterology</i>	5,455	6,066	6,746	7,282	7,282	7,282
<i>Pulmonology</i>	131	172	225	243	243	243
<i>Cardiology</i>	19	25	33	36	36	36
Total Procedures	5,605	6,263	7,005	7,561	7,561	7,561

Please see Table 3 above for the previous five years of utilization at the ASF. It is expected this utilization will continue. Further, KFHPWA currently has approximately 260,000 residents from King County and 57,000 from Snohomish County enrolled in its health plans.

To further, demonstrate adherence to the criteria in RCW 70.38.115(3)(a), KFHPWA states, “As shown in Table 9 below, KFHPWA has experienced significant year-over-year membership growth in the service area over the past five years (7.2% in King County and 5.7% in Snohomish County). Further, the base utilization is driven off Bellevue Procedure Center’s 2017 actual utilization and the use-rate is held constant throughout the forecast. In addition to membership growth, there is a layer of internalization of members’ utilization from external delivery providers to internal providers such as Bellevue Procedure Center. This is consistent with KFHPWA’s integrated delivery model furnishing clinically integrated managed care services.

KFHPWA Table 9. Reproduced
KFHPWA Enrollment of King County and Snohomish County Residents
2014-2018

	2014	2015	2016	2017	2018	2014-2018 Average Annual Growth
King County	196,548	196,557	224,943	240,745	259,814	7.2%
Snohomish County	45,596	46,569	54,603	56,216	56,977	5.7%”

[Source: Application page 16-19]

Public Comment

None

Rebuttal Comment

None

Department’s Review

Since there are no adopted standards for the review of an HMO owned or controlled ASC, the department asked KFHPWA for reasonableness of the assumptions and modifications that KFHPWA made to the existing non-HMO methodology in its request for four operating rooms surgery center. In that regard, KFHPWA states, *“Please note this request is for a health maintenance organization. As such, the need model, as previously approved by the Department, is internally driven by forecast utilization, actual minutes per case and the current number of rooms at the Bellevue Procedure Center, not by market utilization. Thus, questions regarding planning area need, use rate market share and intensity of service, normally applicable for an applicant with an ambulatory surgery center request, do not apply”*. [Source: June 17, 2019, Supplemental information page 9]

Within the application, KFHPWA projected demand for four ORs. The applicant projected 7,842 total surgeries in year 2023. KFHPWA then converted the total projected surgeries to minutes by multiplying the 7,842 surgeries count by 36.7 minutes per surgery, which resulted in demand for 287,577 minutes. KFHPWA divided the 287,577 minutes by the operating room default of 68,850 minutes and this yielded 4.2 operating rooms. Currently Bellevue Procedure Center operates three operating rooms. Within this application, KFHPWA proposes to expand Bellevue Procedure Center operating rooms from three to four operating rooms. The department agrees that the assumptions used by KFHPWA to project surgery rooms for Bellevue Procedure Center are reasonable and the adapted methodology can be substantiated. Based on the source information evaluated the department concludes that **this criterion is met**.

B. RCW 70.38.115(3)(b)

Based on the source information reviewed and provided the applicant agrees to the conditions stated in the 'conclusion' section of this evaluation, the department determines Kaiser Foundation Health Plan of Washington met the applicable criteria set forth in RCW 70.38.115(3)(b).

Revised Code of Washington 70.38.115(3)(b) provides only the following guidance for reviewing applications submitted by an HMO. It states:

"A certificate of need application of a health maintenance organization or a health care facility which is controlled, directly or indirectly, by a health maintenance organization, shall be approved by the department if the department finds:

(b) The health maintenance organization is unable to provide, through services or facilities which can reasonably be expected to be available to the organization, its health services in a reasonable and cost-effective manner which is consistent with the basic method of operation of the organization and which makes such services available on a long-term basis through physicians and other health professionals associated with it."

WAC 246-310 does not provide specific review criteria for an HMO operated or controlled ASC. Therefore, the department reviews the statements, data used, and alternatives considered by the applicant.

Kaiser Foundation Health Plan of Washington

KFHPWA provided the following statement related to this project.

"Neither the CN statute nor Department rules provide more detailed criteria for determining whether an HMO would be unable, without approval, to provide its health services in a reasonable and cost-effective manner, consistent with its basic method of operation and which makes such services available on a long-term basis through physicians and other health professionals associated with it. In the absence of Department rules or clarifying application information requests, KFHPWA has adopted the statutory standard for use in this application, as explained and applied below.

KFHPWA's Basic Method of Operations

KFHPWA serves the needs of its members by providing health care services and coverage on a prepaid basis, using its own employed and closely affiliated providers and staff, and whenever possible furnishing such care in its own facilities. This 'model' of care is fundamental to KFHPWA's values and current operations. Any description of the "basic method of operation" of KFHPWA must focus on these key elements of clinical and operational integration that make KFHPWA unique in this service area.

KFHPWA Makes Its Services Available on a Long-Term Basis through Physicians and Other Health Care Professionals Associated With It

The Bellevue Procedure Center is one example of how KFHPWA's 'basic method of operation' has been carried out 'on a long term basis through physicians and other health care professionals associated with it.' [RCW 70.38.115(3)(b).] KFHPWA's proposed conversion of the Procedure Center to a freestanding ASF, and its planned ongoing provision of procedural services in the same clinical space, by its same providers, and to its members, is a continuation of this 'basic method of operation' of KFHPWA.

KFHPWA Is Unable to Provide, Through Services of Facilities, Which Can Reasonably Be Expected to Be Available to KFHPWA, Its Health Services in a Reasonable and Cost-Effective Manner

KFHPWA's clinical approach has no direct comparison in the Bellevue service area, or across Washington State. Even if KFHPWA could find providers of fee-for-service endoscopy services in the community that had excess capacity to care for KFHPWA members, such services would not be comparable to those furnished within the KFHPWA integrated delivery system, and would not be "reasonable and cost-effective" and also "consistent with the basic method of operation of the organization."

Alternative services or facilities are not available in a 'reasonable and cost-effective' manner, which is consistent with the 'basic method of operation' of the health maintenance organization.

- The provision of coordinated care across the continuum is a key element of the high quality care provided to KFHPWA consumers. Reliance on other providers of fee-for-service endoscopy services would diminish our ability to provide coordinated care and achieve quality goals.*
- Our ability to control costs, and manage quality and safety, would diminish if services are provided outside KFHPWA facilities.*
- Scheduling and coordinating care between KFHPWA providers and facilities, and a variety of non-KFHPWA surgery centers would add needless complexity to systems and processes. The added complexity would diminish our ability to coordinate care, and would raise risks related to service quality and patient safety.*
- Our ability to use our integrated electronic health record system for the seamless coordination of care for members would be diminished, compromising our ability to coordinate care, achieve our high quality standards, and provide KFHPWA members access to key portions of the members' electronic health records.*
- KFHPWA members are accustomed to receiving outpatient surgical care at KFHPWA owned and operated facilities. Referring members to other community endoscopy providers would significantly diminish the customer experience at KFHPWA.*

Alternatives Analysis

As presented below, alternatives were evaluated in terms of access; quality; cost/efficiency; staffing impacts; and legal comparisons.

The proposed project requests approval to continue operating KFHPWA's Bellevue Procedure Center under an ambulatory surgical facility ("ASF") license and expand it from three (3) to four (4) procedure rooms. The following three options for this project were evaluated:

1. KFHPWA would seek CN to continue operation of the existing procedure center at 3-procedure rooms.
2. KFHPWA would seek CN approval to continue operation of Bellevue Procedure Center and expand to four (4) procedure rooms. (The Project).
3. KFHPWA would seek CN approval to continue operation of Bellevue Procedure Center and expand to five (5) procedure rooms.

KFHPWA Table 10. Alternatives Analysis: Promoting Access to Health Care Services

Option:	Advantages/Disadvantages:
Option One: KFHPWA seek CN to continue operation of the existing 3-PR procedure center	<ul style="list-style-type: none">• Would continue KFHPWA members' current access to ambulatory procedural services. (Advantages "A")• Provides the preferred delivery model for KFHPWA, i.e., owning and operating health care services. (A)• The existing 3-PR has limited capacity to meet the projected future health demand anticipated by our members, as demonstrated in our need model. (D)
Option Two: KFHPWA seek CN approval to continue operation of procedure center and expand to four (4) procedure rooms. (the proposed project)	<ul style="list-style-type: none">• Similar advantages to Option One. (A)• The expansion will allow KFHPWA to effectively address the projected demand for Bellevue Procedure Center services, as demonstrated in our need model. (A)
Option Three: KFHPWA seek CN approval to continue operation of procedure center and expand to five (5) procedure rooms.	<ul style="list-style-type: none">• Similar advantages to Option One. (A)• Would fully address the projected demand for Bellevue Procedure Center services, as demonstrated in our need model. (A)

KFHPWA Table 11. Alternatives Analysis: Promoting Quality of Care

<i>Option:</i>	<i>Advantages/Disadvantages:</i>
<i>Option One: KFHPWA seek CN to continue operation of the existing 3-PR procedure center</i>	<ul style="list-style-type: none"> • <i>Would maintain the current quality of care of services that KFHPWA members are currently receiving. (A)</i> • <i>Limited capacity to meet project demand growth, which will have members increasingly rely on external providers. (D)</i>
<i>Option Two: KFHPWA seek CN approval to continue operation of procedure center and expand to four (4) Procedure rooms. (the proposed project)</i>	<ul style="list-style-type: none"> • <i>Would ensure adequate service capacity to meet much of the future demand, thereby ensuring ability for members to receive care by internal providers, which will improve care coordination. (A)</i>
<i>Option Three: KFHPWA seek CN approval to continue operation of procedure center and expand to five (5) procedure rooms.</i>	<ul style="list-style-type: none"> • <i>Similar advantages to Option Two. Most effectively addresses future demand. (A)</i>

KFHPWA Table 12. Alternatives Analysis: Promoting Cost and Operating Efficiency

<i>Option:</i>	<i>Advantages/Disadvantages:</i>
<i>Option One: KFHPWA seek CN to continue operation of the existing 3-PR procedure center</i>	<ul style="list-style-type: none"> • <i>No capital expenditures required. (A)</i>
<i>Option Two: KFHPWA seek CN approval to continue operation of procedure center and expand to four (4) procedure rooms. (the proposed project)</i>	<ul style="list-style-type: none"> • <i>Limited capital expenditures required for expansion. (D)</i> • <i>Expanded service capacity will increase economies of scale and ensure sufficient capacity to address future demand under KFHPWA's preferred clinical delivery model, which it has found to be operationally most efficient. (A)</i>
<i>Option Three: KFHPWA seek CN approval to continue operation of procedure center and expand to five (5) procedure rooms.</i>	<ul style="list-style-type: none"> • <i>Would require greater capital expenditures to accommodate the fifth procedure room. (D)</i>

KFHPWA Table 13. Alternatives Analysis: Staffing Impact.

Option:	Advantages/Disadvantages:
<i>Option One: KFHPWA seek CN to continue operation of the existing 3-PR procedure center</i>	<ul style="list-style-type: none"> • <i>No change in current staffing. (N)</i>
<i>Option Two: KFHPWA seek CN approval to continue operation of procedure center and expand to four (4) procedure rooms. (the proposed project)</i>	<ul style="list-style-type: none"> • <i>Increases in staffing will be required. However, we do not foresee any issues with recruitment. (N)</i>
<i>Option Three: KFHPWA seek CN approval to continue operation of procedure center and expand to five (5) procedure rooms.</i>	<ul style="list-style-type: none"> • <i>Increases in staffing would be required. However, we do not foresee any issues with recruitment. (N)</i>

KFHPWA Table 14. Alternatives Analysis: Legal Comparison.

Option:	Advantages/Disadvantages:
<i>Option One: KFHPWA seek CN to continue operation of the existing 3-PR procedure center</i>	<ul style="list-style-type: none"> • <i>Requires certificate of need (D)</i>
<i>Option Two: KFHPWA seek CN approval to continue operation of procedure center and expand to four (4) procedure rooms. (the proposed project)</i>	<ul style="list-style-type: none"> • <i>Requires certificate of need (D)</i>
<i>Option Three: KFHPWA seek CN approval to continue operation of procedure center and expand to five (5) procedure rooms.</i>	<ul style="list-style-type: none"> • <i>Requires certificate of need (D)''</i>

[Source: Application page 23-27]

Department's Review

KFHPWA is an HMO that provides the full spectrum of health care services and healthcare coverage to its membership. KFHPWA provides healthcare services to its members through its employees and/or closely affiliated providers in facilities owned by it, or in facilities not own by it in order to help control costs. KFHPWA asserted that its integrated model of healthcare services allows for system efficiency, greater patient satisfaction, and less expense. [Source: application, page 19]

If this project were a traditional ambulatory surgery facility application, the intent of this section would be to ensure the project is the most cost-effective option after a thorough review of alternatives considered. However, this project is for a member-only ambulatory surgery center.

Therefore, the department will rely on the alternatives considered by the applicant. KFHPWA states that alternative services or facilities of the type proposed are not available in a 'reasonable and cost-effective' manner, which is consistent with the 'basic method of operation' of the health maintenance organization.

The department agrees that the alternative considered by KFHPWA demonstrates reasonableness for this project and shows this is the best available alternative for the applicant. As an existing office based surgery provider, the department acknowledges that an expanded and CN approved Bellevue Procedure Center would increase KFHPWA capacity to provide surgical services to its members. Therefore, the department concludes that with the approval of this 4-OR ambulatory surgery center, KFHPWA will be better able to provide health services to its members in a reasonable and cost-effective manner that is consistent with its current method of operation providing outpatient surgery. **This criterion is met.**