Washington State Department of Health

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CN21-81

Certificate of Need Application
Hospital Projects

Exclude hospital projects for sale, purchase, or lease of a hospital, or skilled nursing beds. Use service-specific addendum, if applicable.

Certificate of Need applications must be submitted with a fee in accordance with Washington Administrative Code (WAC) 246-310-990.

Application is made for a Certificate of Need in accordance with provisions in Revised Code of Washington (RCW) 70.38 and WAC 246-310, rules and regulations adopted by the Washington State Department of Health. I attest that the statements made in this application are correct to the best of my knowledge and belief.

Signature and Title of Responsible Officer Jason Peterson, Board Member Email Address <Jason.peterson@providence.org>	Date June 10, 2021 Phone Number: 425-261-4506
Legal Name of Applicant Northwest Washington Rehabilitation Hospital, LLC Address of Applicant 680 South Fourth Street Louisville, KY 40202	☒ New Hospital ☐ Expansion of existing hospital (identify facility name and license number) Provide a brief description, including the number of beds and the location: PPS Exempt (Level I) 40-Bed Rehabilitation Hospital to be located in Lynnwood, Washington Estimated capital expenditure: $3.1 million

Identify the Hospital Planning Area
Snohomish County, Washington

Identify if this project proposes the addition of expansion of one of the following services:

☐NICU Level II	☐NICU Level III	☐NICU Level IV	☐Specialized Pediatric (PICU)	☐Psychiatric (within acute care hospital)
☐Organ Transplant (identify)	☐Open Heart Surgery	☐Elective PCI	☒PPS-Exempt Rehab (Level I)	☐Specialty Burn Services

Application Instructions

The Certificate of Need Program will use the information in your application to determine if your project meets the applicable review criteria. These criteria are included in state law and rules. Revised Code of Washington (RCW) 70.38 and Washington Administrative Code (WAC) 246-310.

General Instructions:

- Include a table of contents for application sections and appendices/exhibits
- Number **all** pages consecutively
- Make the narrative information complete and to the point.
- Cite all data sources.
- Provide copies of articles, studies, etc. cited in the application.
- Place extensive supporting data in an appendix.
- Provide a detailed listing of the assumptions you used for all of your utilization and financial projections, as well as the bases for these assumptions.
- Under no circumstance should your application contain any patient identifying information.
- Use non-inflated dollars for all cost projections
- **Do not** include a general inflation rate for these dollar amounts.
- **Do** include current contract cost increases such as union contract staff salary increases. You must identify each contractual increase in the description of assumptions included in the application.
- **Do not** include a capital expenditure contingency.

- If any of the documents provided in the application are in draft form, a draft is only acceptable if it includes the following elements:
  a. identifies all entities associated with the agreement,
  b. outlines all roles and responsibilities of all entities,
  c. identifies all costs associated with the agreement,
  d. includes all exhibits that are referenced in the agreement, and
  e. any agreements in draft form must include a document signed by both entities committing to execute the agreement as submitted following CN approval.

Do not skip any questions in this application. If you believe a question is not applicable to your project, explain why it is not applicable.

Northwest Washington Rehabilitation Hospital, LLC

Certificate of Need Application

Proposal to Establish a 40-bed Inpatient Rehabilitation Hospital

June 2021

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Introductory Statement and Summary

Northwest Washington Rehabilitation Hospital, LLC ("NWRH" or "Applicant") is requesting Certificate of Need approval to establish a freestanding 40-bed inpatient rehabilitation hospital in Snohomish County. NWRH is a joint venture between Providence Health & Services – Washington ("Providence") dba Providence Regional Medical Center Everett ("PRMCE") and Kindred Development 12, LLC ("KND12"), a subsidiary of Kindred Healthcare, LLC ("Kindred"). The current request is an integral part of Providence and Kindred's shared goal of providing comprehensive, state-of-the-art inpatient rehabilitation services to Snohomish County residents. If approved, simultaneous with NWRH operations start-up, the current 19 Level II Rehab beds at PRMCE will be closed.[1]

Established in 1978, PRMCE's inpatient rehabilitation unit is currently licensed to operate 19 Level II Rehab beds, and a subsidiary of Kindred has been providing management services for the unit since 2010. The unit provides rehabilitation for individuals diagnosed with stroke, brain injury, spinal cord injury and other diagnoses. Establishing a new, freestanding, Level I inpatient rehabilitation hospital in Snohomish County combines Providence's reputation as a trusted provider of high quality medical care with Kindred, an experienced provider of inpatient rehabilitation services with proven success in local community partnerships and history of service to Western Washington. The new 40-bed inpatient rehabilitation hospital will improve access for Snohomish County residents requiring inpatient rehabilitation services, both in general and for the specific patient populations including stroke and traumatic brain injury patients.

With a dedicated rehabilitation hospital, Providence and Kindred will create an exceptional healing environment for rehabilitation patients. The state-of-the-art facility will include a designated patient area for stroke and traumatic brain injury patients, enabling clinical staff to optimize care for these patients' unique and medically complex needs. The hospital will also include a large therapy area with a full spectrum of equipment for physical and occupational therapy and an apartment for patients to practice using common household items and appliances to build strength, skills, and confidence to accomplish important tasks prior to discharge. The proposed hospital will incorporate state-of-the-art technology such as the Ekso GT™ exoskeleton that augments strength to help patients stand, relearn to walk, and improve their step patterns, weight shifting and posture, thereby mobilizing patients earlier in their rehabilitation. Research studies show that this breakthrough technology helps improve walking distance, balance and overall patient satisfaction.

As we document in our application, there exists current need for rehabilitation services beyond the numeric need estimates from the Department methodology. For rehabilitation services, Washington State has one of the lowest bed-to-population ratios

[1] The net bed request should thus be considered 21 Rehab beds (40-19=21).

in the entire nation, and Snohomish County the lowest in Washington State.[2] Furthermore, the closest Level 1 Rehabilitation unit to Snohomish County residents is Harborview Medical Center, a 30- to 60-minute drive from Southwest Snohomish depending on traffic levels and time of day.[3] However, the numeric need estimates from the Department methodology indicate there exists very little future need for additional rehabilitation services in Snohomish County beyond the current supply of 19 beds at PRMCE, even though Pierce County supports over 100 rehabilitation beds, and Spokane County supports a 72-bed rehabilitation hospital with similar or smaller population sizes.

As we show in our application, national-level rehabilitation trends have diverged from those in Washington State. Although rehabilitation use has declined in Washington State, between 2010 and 2019, the national utilization of rehabilitation services increased about 1.35% on average each year. In addition to the Department's acute care bed need methodology, modified for inpatient rehabilitation, we also provide an alternative rehabilitation bed model ("Alternative Model") based upon sound planning assumptions that reflect documented national and state practice patterns for inpatient rehabilitation. This Alternative Model forecasts Snohomish County residents will need approximately 64 to 73 beds by 2035. In our opinion, the Alternative Model more accurately reflects community need and Snohomish resident demand for rehabilitation services than does the DOH methodology.

Due to the need for additional inpatient rehabilitation beds in the Snohomish County Planning Area and the high population growth rate for residents 65+ years old, PRMCE and Kindred currently face challenges in their ability to provide care for the growing community. PRMCE is limited in its ability to expand beyond its current 19,000 square feet of space, and thus in its ability to provide specialty and other additional services to Snohomish County residents. The proposed addition of a new 40-bed inpatient rehabilitation facility—a net increase of 21 rehabilitation beds in the Planning Area--responds to current utilization trends and addresses the future need in the Planning Area to serve the residents' increasing health care needs.

[2] ahd.com; reflects Worksheet S-3 of the most recent Medicare Cost Report (FY 2018 or FY 2019) for all inpatient rehabilitation providers in the country. Washington State is calculated as having about 5 beds per 100,000 persons, leading to a ranking of 47 among the 50 states and Washington DC. The Snohomish County ratio is calculated at 2.3, which is lower than any other county in Washington State which contains an inpatient rehabilitation provider.

[3] Given approval of the proposed project, there would thus be a net reduction in travel times for Snohomish County residents of 30 to 60 minutes.

I. Applicant Description

1. **Provide the legal name and address of the applicant(s) as defined in WAC 246-310-010(6).**

   The applicant is Northwest Washington Rehabilitation Hospital, LLC ("NWRH" or "Applicant"). Per the Articles of Formation, the address of NWRH is:

   680 South Fourth Street
   Louisville, KY 40202.

   NWRH is a Joint Venture between Kindred Development 12, LLC ("KND12") and Providence Health & Services – Washington dba Providence Regional Medical Center Everett ("PRMCE").

   The address of Kindred Development 12 is:
   680 South Fourth Street
   Louisville, KY 40202

   The address of PRMCE is:
   1321 Colby Avenue
   Everett WA 98201

2. **Identify the legal structure of the applicant (LLC, PLLC, etc.) and provide the unified business identifier (UBI).**

   Please see Exhibit 1 for an organizational chart for NWRH, which demonstrates the joint venture relationship of PRMCE and KND12 and their parent entities.

   The UBI number of NWRH is 604 193 186. Please see Exhibit 2 for the registration of NWRH with the Washington Secretary of State.

3. **Provide the name, title, address, telephone number, and email address of the contact person for this application.**

   DeAnne Okazaki, Director Administrative Programs
   Providence Regional Medical Center Everett
   1321 Colby Avenue
   Everett, WA 98201
   deanne.okazaki@providence.org

4. **Provide the name, title, address, telephone number, and email address of the consultant authorized to speak on your behalf related to the screening of this application (if any).**

Frank Fox, PhD
Consultant
511 NW 162nd
Shoreline, WA 98177
206-366-1550
frankgfox@comcast.net

5. **Provide an organizational chart that clearly identifies the business structure of the applicant(s).**

   Please see Exhibit 1 for organizational charts of Kindred and Providence.

II. Facility Description

1. **Provide the name and address of the existing facility**

   This question is not applicable.

2. **Provide the name and address of the proposed facility. If an address is not yet assigned, provide the county parcel number and the approximate timeline for assignment of the address.**

   The address of the proposed NWRH will be:

   12911 Beverly Park Road
   Lynnwood, WA 98087

3. **Confirm that the facility will be licensed and certified by Medicare and Medicaid. If this application proposes the expansion of an existing facility, provide the existing identification numbers.**

   NWRH intends to be licensed and certified by both Medicare and Medicaid. License and certification numbers have to date not been obtained.

4. **Identify the accreditation status of the facility before and after the project.**

   NWRH will receive a hospital acute care license in accordance with RCW 70.41. NWRH will also seek accreditation from The Joint Commission and the Commission on Accreditation of Rehabilitation Facilities (CARF).

5. **Is the facility operated under a management agreement?**

   Yes ☒ No ☐

   If yes, provide a copy of the management agreement.

   Please see Exhibit 3 for a copy of the management agreement between NWRH and CHC Management Services, LLC, a subsidiary of Kindred.

6. **Provide the following scope of service information:**

Service	Currently Offered?	Offered Following Completion?
Alcohol and Chemical Dependency	☐	☐
Anesthesia and Recovery	☐	☐
Cardiac Care	☐	☐
Cardiac Care – Adult Open-Heart Surgery	☐	☐

Cardiac Care – Pediatric Open-Heart Surgery	☐	☐
Cardiac Care – Adult Elective PCI	☐	☐
Cardiac Care – Pediatric Elective PCI	☐	☐
Diagnostic Services	☐	☐
Dialysis – Inpatient	☐	☐
Emergency Services	☐	☐
Food and Nutrition	☐	☐
Imaging/Radiology	☐	☐
Infant Care/Nursery	☐	☐
Intensive/Critical Care	☐	☐
Laboratory	☐	☐
Medical Unit(s)	☐	☐
Neonatal – Level II	☐	☐
Neonatal – Level III	☐	☐
Neonatal – Level IV	☐	☐
Obstetrics	☐	☐
Oncology	☐	☐
Organ Transplant - Adult (list types, if applicable)	☐	☐
Organ Transplant - Pediatric (list types, if applicable)	☐	☐
Outpatient Services	☐	☐
Pediatrics	☐	☐
Pharmaceutical	☐	☐
Psychiatric	☐	☐
Skilled Nursing/Long Term Care	☐	☐
Rehabilitation (Level I)	☐	☒
Respiratory Care	☐	☐
Social Services	☐	☐
Surgical Services	☐	☐

All beds will operate as Level I rehabilitation beds.

III. Project Description

1. **Provide a detailed description of the proposed project. If it is a phased project, describe each phase separately. For existing facilities, this should include a discussion of existing services and how these would or would not change as a result of the project.**

   This project requests CN approval for the establishment of a new, freestanding, Level I 40-bed inpatient rehabilitation hospital in Snohomish County. The hospital will provide intensive Level I comprehensive, state-of-the-art inpatient rehabilitation services for patients with impairments resulting from a traumatic medical situation. These include persons with stroke, serious spinal cord and brain injury, neurologic illness, major multiple traumas, and orthopedic conditions with complex or profound impairments.

   At the time that NWRH receives its license and begins operation, PRMCE will close its existing 19-bed Level II inpatient rehabilitation unit, and the beds associated with it. Thus, as noted above, the CN request is for a net addition of 21 Level I rehabilitation beds in Snohomish County.

2. **If your project involves the addition or expansion of a tertiary service, confirm you included the applicable addendum for that service. Tertiary services are outlined under WAC 246-310-020(1)(d)(i).**

   The proposed project involves the addition of Level I Rehabilitation beds, a tertiary service. We confirm we have included the applicable addendum for that service.

3. **Provide a breakdown of the beds, by type, before and after the project. If the project will be phased, include columns detailing each phase.**

	Current	Proposed
General Acute Care		
PPS Exempt Psych		
PPS Exempt Level I Rehab	0	40
NICU Level II		
NICU Level III		
NICU Level IV		
Specialized Pediatric		
Skilled Nursing		
Swing Beds (included in General Acute Care)		
Total	0	40

4. **Indicate if any of the beds listed above are not currently set-up, as well as the reason the beds are not set up.**

   This question is not applicable.

5. **With the understanding that the review of a Certificate of Need application typically takes six to nine months, provide an estimated timeline for project implementation, below. For phased projects, adjust the table to include each phase.**

Event	Anticipated Month/Year
Anticipated CN Approval	December 2021
Design Complete	December 2021
Construction Commenced	April 2022
Construction Completed	June 2023
Facility Prepared for Survey	July 2023
Facility Licensed - Project Complete WAC 246-310-010(47)	July 2023

6. **Provide a general description of the types of patients to be served as a result of this project.**

   Inpatient rehabilitation hospitals offer full-time rehabilitation, interdisciplinary care management and 24-hour, physician-supported medical care. Rehabilitation teams are driven to help each patient get stronger and more independent, recover more rapidly, and return home.

   The project is intended to serve patients from Snohomish County who require inpatient rehabilitation services to regain functional status. Each patient is treated with a specialized intense rehabilitation plan that is customized based on existing abilities, tolerance for therapy, and desired outcomes. Each patient receives 24-hour nursing care and at least three hours of therapy per day to support them on the path to recovery. As part of each personalized treatment plan, patients will work with a comprehensive team of doctors, nurses and therapists trained in the field of Physical Medicine and Rehabilitation. This specialized team evaluates and develops a personalized treatment plan designed to help each individual recover and develop the skills needed to return home or to live as independently as possible.

   The vast majority of the patients identified with medical conditions and functional impairments that make them eligible for inpatient rehabilitation often require a stay in an acute care hospital for one of the following conditions prior to admission to the proposed rehabilitation hospital: brain injury, spinal cord injury, neurological conditions (including stroke), major

multiple trauma, complex orthopedic conditions or profound impairments, lower extremity amputation, or cardiac, pulmonary and/or other major health incidents that require advanced rehabilitation to regain functional status and return to their prior lives. We anticipate most patients treated in the proposed hospital will be age 65 and over, but also expect a significant number of patients younger than 65 years old who suffer from traumatic incidents (i.e., spinal cord and brain injury, other complex neurologic conditions, and accidents with or without traumatic injury).

7. **Provide a copy of the letter of intent that was already submitted according to WAC 246-310-080.**

   Please see Exhibit 4 for a copy of the Letter of Intent.

8. **Provide single-line drawings (approximately to scale) of the facility, both before and after project completion. For additions or changes to existing hospitals, only provide drawings of those floor(s) affected by this project.**

   Please see Exhibit 5 for single-line drawings of the proposed facility.

   An earlier application by NWRH (CN 19-72) led to a series of screening questions, five of which related to the previously provided single-line drawings.[4] In anticipation of potentially similar questions related to the clarity of the single-line drawings, we have added a series of notes within Exhibit 5.

   These include statements that there are currently no plans to build in the expansion area on the first floor and that the unlabeled area on the second floor will be the first-floor roof. Furthermore, we have identified those areas in the single-line drawings which correspond to the designated patient area for traumatic brain injury/stroke patients, the therapy area with equipment for physical therapy and occupational therapy, and the apartment suite for patients and their families to stay prior to discharge for practicing certain skills.

9. **Provide the gross square footage of the hospital, with and without the project.**

   The gross square footage (“GSF”) for the proposed facility is 53,004 GSF.

10. **If this project involves construction of 12,000 square feet or more, or construction associated with parking for 40 or more vehicles, submit a copy of either an Environmental Impact Statement or a Declaration of**

[4] Department Screening Questions for CN 19-72, sent June 7, 2019 (19-72 Screening).

Non-Significance from the appropriate governmental authority. [WAC 246-03-030(4)]

NWRH has consulted with the County of Snohomish regarding the process for obtaining the appropriate land use permits, and on January 10, 2020 received a Conditional Use Permit for its proposed rehabilitation hospital. Please see Exhibit 6 which documents State Environmental Policy Act (SEPA) compliance.

11. **If your project includes construction, indicate if you've consulted with Construction Review Services (CRS) and provide your CRS project number.**

    The Certificate of Need program highly recommends that applicants consult with the office of Construction Review Services (CRS) early in the planning process. CRS review is required prior to construction and licensure (WAC 246-320-500 through WAC 246-320-600). Consultation with CRS can help an applicant reliably predict the scope of work required for licensure and certification. Knowing the required construction standards can help the applicant to more accurately estimate the capital expenditure associated with a project. Note that WAC 246-320-505(2)(a) requires that hospital applicants request and attend a presubmission conference for any construction projects in excess of $250,000.

    The developer for the proposed project, PMB Lynnwood, LLC, will contact CRS following the submission of this application.

IV. Certificate of Need Review Criteria

A. Need (WAC 246-310-210)

WAC 246-310-210 provides general criteria for an applicant to demonstrate need for healthcare facilities or services. Documentation provided in this section must demonstrate that the proposed project will be needed, available, and accessible to the community it proposes to serve. Do not skip any questions. If you believe a question is not applicable to your project, explain why it is not applicable.

1. **List all other acute care hospitals currently licensed under RCW 70.41 and operating in the hospital planning area affected by this project. If a new hospital is approved, but is not yet licensed, identify the facility.**

   PRMCE is the only provider of inpatient rehabilitation services in Snohomish County.

2. **For projects proposing to add acute care beds, provide a numeric need methodology that demonstrates need in this planning area. The numeric need methodology steps can be found in the Washington State Health Plan (sunset in 1989).**

   PRMCE, with its 19 beds, is the only planning area provider of inpatient rehabilitation services for the 822,000 Snohomish County Residents. We present historical utilization over the last five years for PRMCE in Table 1.

Table 1: PRMCE Use and Occupancy, 2015 to 2019

Providence Regional Medical Center Everett	2015	2016	2017	2018	2019
Admissions	501	490	453	378	460
Patient Days	5,339	5,084	4,587	4,518	5,197
ADC	14.6	13.9	12.6	12.4	14.2
Beds	19	19	19	19	19
Occupancy	77%	73%	66%	65%	75%

Source: CHARS 2015 to 2019

Over the last five years, PRMCE has averaged an occupancy of about 71%, indicating significant use by planning area residents despite the limitations of an integrated rehabilitation unit within an acute care hospital which we detail below.

The proposed NWRH freestanding rehabilitation hospital will serve as a regional destination for high quality inpatient rehabilitation care for patients throughout Snohomish County, as does CHI Franciscan Rehabilitation Hospital in Pierce County and St. Luke's Rehabilitation Institute in Spokane

County. There appears to be significant community demand for dedicated rehabilitation hospitals. CHI Franciscan Rehabilitation Hospital opened in May 2018, and experienced rapid increases in utilization. By 2019, average occupancy was equal to about 45%, and in February 2021 was over 65%.[5]

We note that Pierce County has a population of about 905,000, a number 10% greater than that of Snohomish County. Based on this alone, it is reasonable to expect Snohomish County resident population to support a 40-bed rehabilitation hospital when the Pierce County population clearly supports a 60-bed rehabilitation hospital.

As documented in Exhibit 7, national-level rehabilitation trends have diverged from those in Washington State. Although rehabilitation use has declined in Washington State, between 2010 and 2019, the national utilization of rehabilitation services increased about 1.35% on average each year. In addition to the Department's acute care bed model limited to inpatient rehabilitation facilities, we also provide an alternative rehabilitation bed methodology ("Alternative Model") based upon sound planning assumptions that reflect documented national and state practice patterns for inpatient rehabilitation. The Alternative Model forecasts Snohomish County residents will need approximately 64 to 73 beds by 2035, which we believe more accurately reflects community need and Snohomish resident demand for rehabilitation services than does the DOH methodology. However, as noted above, we provide both models.

The Department Numeric Need Methodology shows very little future need for additional rehabilitation services in Snohomish County beyond the existing 19-bed unit at PRMCE. However, there are factors that influence this forecast lack of need. First, the Need Methodology bases estimates of demand on residents' historical utilization of inpatient care, including inpatient rehabilitation beds, in a "planning area" such as Snohomish County. Residents' historical utilization is impacted by the existing planning area supply. Second, and in our opinion more importantly, Snohomish County residents' use of rehabilitation appears to reflect lack of access to comprehensive rehabilitation services, such as those available at freestanding rehabilitation hospitals. We address this more fully in our discussion of the Alternative Model in Exhibit 7. We summarize the Department's Numeric Need Methodology below, which we present fully in Exhibit 8.

[5] CHARS 2019 and internal CHI Franciscan utilization data. In 2019. CHARS indicates a total of 9,924 patients days occurred at CHI Rehabilitation Hospital, for an ADC of 27.2 and occupancy of 45% based on a supply of 60 beds. In February 2021, CHI Rehabilitation Hospital served 86 patients and 1,097 patient days, for an ADC of 39.2 and an occupancy of 65.3% based on a supply of 60 beds.

STEP 1: Compile state historical utilization data on rehabilitation for at least ten years preceding the base year.

Table 2: Historical Rehabilitation Patient Days by Planning Area for Adults Age 15+, 2010 to 2019

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
HSA1	40,589	45,305	47,501	47,796	47,017	43,116	44,953	42,012	39,806	40,789
Snohomish County	5,665	7,249	6,781	8,144	6,800	6,707	7,292	5,967	5,713	6,059
STATEWIDE TOTAL	82,189	88,016	89,702	87,946	83,982	76,814	81,765	75,546	72,548	74,355

Source: CHARS 2010 to 2019

STEP 2: Subtract psychiatric patient days from each year's historical data

Because this model is specific to rehabilitation days only, this step is not applicable.

STEP 3: For each year, compute the planning area, statewide, and HSA average rehab use rates

Table 3: Historical Rehabilitation Use Rates by Planning Area for Adults Age 15+, 2010 to 2019

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
HSA1	11.9	13.1	13.7	13.6	13.2	11.9	12.1	11.1	10.4	10.4
Snohomish County	9.9	12.6	11.7	13.8	11.4	10.9	11.7	9.3	8.8	9.1
STATEWIDE TOTAL	15.2	16.1	16.3	15.8	14.9	13.4	14.0	12.7	12.0	12.1

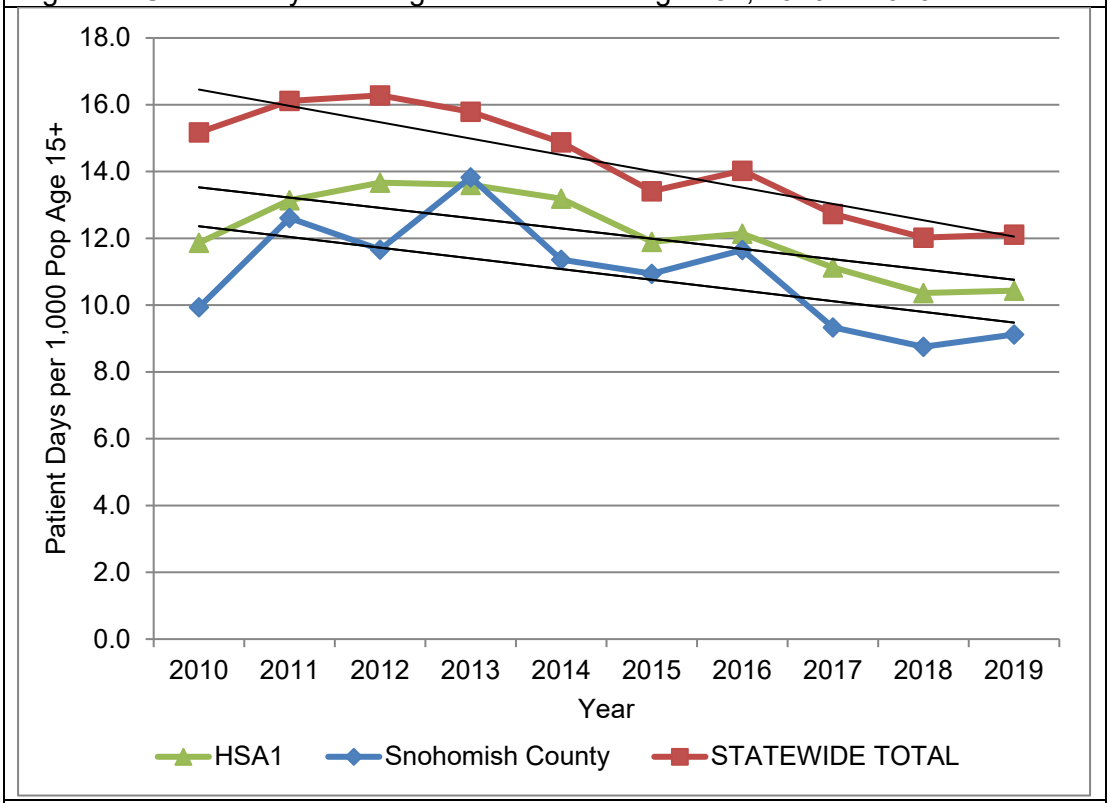
Source: CHARS 2010 to 2019

STEP 4: Using the ten-year history of use rates, compute the use rate trend line, and its slope, for each HSA and the state as a whole

Slope coefficients:

HSA 1: -0.307
Snohomish County: -0.321
Washington State: -0.489

Figure 1: Use Rate by Planning Area for Adults Age 15+, 2010 to 2019



Source: Table 3

STEP 5: Using the latest statewide patient origin study, allocate rehabilitation patient days reported in hospitals back to the hospital planning areas where patients live

For purposes of the bed need model—to estimate migration into and out of the Planning Area—the analysis divided rehab patient days into two planning areas: the Snohomish County Planning Area, and all other Washington State counties. The analysis indicates there was 47.89% outmigration of patient days of Snohomish County residents age 15-64 years old, and 33.41% out-migration of patient days of Snohomish County residents age 65 years and older to rehabilitation hospitals or hospital units in other planning areas. The analysis also indicates there was 2.16% in-migration of patient days of Washington state residents from other counties age 15-64 years old, and 2.35% in-migration of patient days of Washington state residents age 65 years and to PRMCE.

STEP 6: Compute each hospital planning area's rehab use rate for each of the age groups considered (age 15 to 64 and 65+)

Table 4: Planning Area Use Rates by Age Group		
	Snohomish County	**All Other Washington Counties**
USE RATES		
15-64	6.25	7.09
65+	21.98	34.61
Source: CHARS 2019		

STEP 7a: Forecast each hospital planning area's use rates for the target year by "trend-adjusting" each age-specific use rate. The use rates are adjusted upward or downward in proportion to the slope of either the statewide ten-year use rate trend or the Health Service Area's ten-year use rate trend, whichever trend would result in the smaller adjustment.

The slope of the HSA 1 ten-year use rate trend was applied to the forecasted use rates, as this number was the smallest in overall magnitude.

Step 7B: Possible Adjustment for HMO populations.

Not applicable

Step 8: Forecast rehab patient days for each hospital planning area by multiplying the area's trend-adjusted use rates for the age groups by the area's forecasted population (in thousands) in each age group at the target year. Add rehab patient days in each age group to determine total forecasted patient days.

Table 5: Forecasted Planning Area Patient Days, 2019 to 2026

	2019	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**
USE RATES								
15-64	6.25	5.94	5.64	5.33	5.02	4.71	4.41	4.10
65+	21.98	21.68	21.37	21.06	20.75	20.45	20.14	19.83
PROJECTED POPULATION								
15-64	543,029	554,377	557,861	561,366	564,893	568,443	572,015	575,392
65+	121,187	125,219	131,348	137,777	144,520	151,593	159,013	165,065
TOTALS	**664,216**	**679,596**	**689,208**	**699,142**	**709,413**	**720,036**	**731,028**	**740,457**
PROJECTED # OF PATIENT DAYS for Snohomish County Planning Area Residents								
15-64	3,395	3,296	3,145	2,992	2,837	2,680	2,521	2,359
65+	2,664	2,714	2,807	2,902	2,999	3,099	3,202	3,273
TOTALS	**6,059**	**6,010**	**5,951**	**5,894**	**5,836**	**5,779**	**5,723**	**5,632**

Source: Table 4 for use rates; Figure 1 HSA 1 Slope Coefficient equal to -0.307; OFM Population Estimates and Projection (2017 Release) for population

Table 6: Forecasted Planning Area Patient Days, 2027 to 2034								
	2027	**2028**	**2029**	**2030**	**2031**	**2032**	**2033**	**2034**
USE RATES								
15-64	3.79	3.49	3.18	2.87	2.56	2.26	1.95	1.64
65+	19.52	19.22	18.91	18.60	18.29	17.99	17.68	17.37
PROJECTED POPULATION								
15-64	578,788	582,204	585,641	589,098	593,702	598,342	603,018	607,731
65+	171,348	177,870	184,640	191,668	196,470	201,391	206,436	211,608
TOTALS	**750,136**	**760,074**	**770,281**	**780,766**	**790,171**	**799,733**	**809,454**	**819,338**
PROJECTED # OF PATIENT DAYS for Snohomish County Planning Area Residents								
15-64	2,195	2,029	1,861	1,691	1,522	1,350	1,175	997
65+	3,345	3,418	3,491	3,565	3,594	3,622	3,649	3,676
TOTALS	**5,540**	**5,447**	**5,352**	**5,256**	**5,116**	**4,972**	**4,824**	**4,673**
Source: OFM Population Estimates and Projection (2017 Release)								

Step 9: Allocate the forecasted rehab patient days to the planning areas where services are expected to be provided in accordance with (a) the hospital market shares and (b) the percent of out-of-state use of Washington hospitals, both derived from the latest statewide patient origin study.

This step uses the 2019 in- and out-migration percentages from Step 5 and applies them to forecast rehab patient days to estimate patient days for residents who remain in the Planning Area, plus residents who in-migrate to Planning Area rehab providers. The in-migration ratio, which is used in Step 10, is calculated based on all resident rehab patient days to the Planning Area hospital divided by all Planning Area resident rehab days, by age cohort.

Step 10: Applying weighted average occupancy standards, determine each planning area's rehab bed need.

In determining bed need for hospital expansion requests, the Department uses a "target year," which it currently defines for new facilities as fifteen (15) years after the last full year of actual patient day statistics. In the case of the requested project, which includes a new rehabilitation hospital, the Department would consider 2034 as its "target year." Table 7 and Table 8 the Department forecast methodology for the period 2020 to 2026 (Table 7) and 2027 to 2034 (Table 8).

Table 7: Planning Area Rehabilitation Bed Need Forecast for Adults Age 15+, 2019 to 2026

	2019	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**
Snohomish County Planning Area	Base Year	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Population 15-64 (1)	543,029	554,377	557,861	561,366	564,893	568,443	572,015	575,392
15-64 Use Rate (2)	6.25	5.94	5.64	5.33	5.02	4.71	4.41	4.10
Population 65+ (1)	121,187	125,219	131,348	137,777	144,520	151,593	159,013	165,065
65+ Use Rate (2)	21.98	21.68	21.37	21.06	20.75	20.45	20.14	19.83
Total Population	664,216	679,596	689,208	699,142	709,413	720,036	731,028	740,457
Total Snohomish County Planning Area Resident Days	6,059	6,010	5,951	5,894	5,836	5,779	5,723	5,632
Total Days in Snohomish County Planning Area Hospitals	5,197	5,188	5,177	5,166	5,152	5,136	5,120	5,079
Available Beds (3)								
Providence Regional Medical Center Everett	19	19	19	19	19	19	19	19
TOTAL	**19**	**19**	**19**	**19**	**19**	**19**	**19**	**19**
Wtd Occ Std (4)	55.00%	55.00%	55.00%	55.00%	55.00%	55.00%	55.00%	55.00%
Gross Bed Need (TPD/365/Occupancy)--Demand	25.9	25.8	25.8	25.7	25.7	25.6	25.5	25.3
Bed Supply	19.0	19.0	19.0	19.0	19.0	19.0	19.0	19.0
Net Bed Need/Surplus (Demand - Supply)	**6.9**	**6.8**	**6.8**	**6.7**	**6.7**	**6.6**	**6.5**	**6.3**

Sources: (1) Population Sources: OFM SADE; OFM Medium Series Projections (2017 Release); OFM Forecast of the State Population by Age and Sex; (2) Resident (Age 15 and older) Use Rate Data Source: CHARS and 2015 Oregon Hospital Discharge Data. See Steps 5 & 6. Future use rates adjusted per slope trends from Step 4; (3) Bed supply sources: Certificate of Need #1602 issued to Providence Regional Medical Center Everett; (4) Weighted Occupancy: Calculated per 1987 Washington State Health Plan as the sum, across all hospitals in the planning area, of each hospital's occupancy rate times that hospital's percentage of total beds in the area.

Table 8: Planning Area Rehabilitation Bed Need Forecast for Adults Age 15+, 2027 to 2034

	2027	**2028**	**2029**	**2030**	**2031**	**2032**	**2033**	**2034**
Snohomish County Planning Area	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	**Year 15**
Population 15-64 (1)	578,788	582,204	585,641	589,098	593,702	598,342	603,018	607,731
15-64 Use Rate (2)	3.79	3.49	3.18	2.87	2.56	2.26	1.95	1.64
Population 65+ (1)	171,348	177,870	184,640	191,668	196,470	201,391	206,436	211,608
65+ Use Rate (2)	19.52	19.22	18.91	18.60	18.29	17.99	17.68	17.37
Total Population	750,136	760,074	770,281	780,766	790,171	799,733	809,454	819,338
Total Snohomish County Planning Area Resident Days	5,540	5,447	5,352	5,256	5,116	4,972	4,824	4,673
Total Days in Snohomish County Planning Area Hospitals	5,034	4,986	4,933	4,876	4,785	4,689	4,589	4,486
Available Beds (3)								
Providence Regional Medical Center Everett	19	19	19	19	19	19	19	19
TOTAL	**19**	**19**	**19**	**19**	**19**	**19**	**19**	**19**
Wtd Occ Std (4)	55.00%	55.00%	55.00%	55.00%	55.00%	55.00%	55.00%	55.00%
Gross Bed Need (TPD/365/Occupancy)--Demand	25.1	24.8	24.6	24.3	23.8	23.4	22.9	22.3
Bed Supply	19.0	19.0	19.0	19.0	19.0	19.0	19.0	19.0
Net Bed Need/Surplus (Demand - Supply)	**6.1**	**5.8**	**5.6**	**5.3**	**4.8**	**4.4**	**3.9**	**3.3**

Sources: (1) Population Sources: OFM SADE; OFM Medium Series Projections (2017 Release); OFM Forecast of the State Population by Age and Sex; (2) Resident (Age 15 and older) Use Rate Data Source: CHARS and 2015 Oregon Hospital Discharge Data. See Steps 5 & 6. Future use rates adjusted per slope trends from Step 4; (3) Bed supply sources: Certificate of Need #1602 issued to Providence Regional Medical Center Everett; (4) Weighted Occupancy: Calculated per 1987 Washington State Health Plan as the sum, across all hospitals in the planning area, of each hospital's occupancy rate times that hospital's percentage of total beds in the area.

Table 7 and Table 8 indicate a current shortage of 6.9 rehab beds, given the 19-bed supply at PRMCE, which is then forecast to shrink to 3.3 beds in 2034. This negative trend is driven by the negative slope coefficients calculated in Step 4. Oddly, this forecast methodology predicts that Snohomish County, the third most populous county in Washington State, will struggle to support even the 19 rehabilitation beds at PRMCE. This, even

though the population of Spokane County, with about 60% of the population of Snohomish County, is able to support a 72-bed rehabilitation hospital in St. Luke's. It is for this reason we rely on the Alternative Model, as detailed in Exhibit 7.

The Department's Bed Need Methodology was initially defined in the State Health Plan, which was sunset in 1989.[6] Within the sunset State Health Plan, in Volume 2, Section C, Chapter 4, Hospital Bed Need Forecasting Method, subchapter c--Criteria and Standards for Evaluation and Use of Method, Criterion (3) Criteria and Standards, Subcriterion (2) Need for Multiple Criteria, it states:

> Under certain conditions, institutions may be allowed to expand even though the bed need forecasts indicate that there are underutilized facilities in the area. The conditions might include the following:
>
> - The proposed development would significantly improve the accessibility or acceptability of services for underserved groups; or
>
> - The proposed development would allow expansion or maintenance of an institution which has staff who have greater training or skill, or which has a wider range of important services, or whose programs have evidence or better results than neighboring and comparable institutions; …
>
> In such cases, the benefits of expansion are judged to outweigh the potential costs of possible additional surplus.[7]

Thus, the Department Bed Need Methodology contains provisions that allow project approval where the Acute Care Bed Need Methodology does not demonstrate quantitative bed need.

As discussed above, in our opinion, the application of the Department's bed need model, applied to inpatient rehabilitation beds in Snohomish County, forecasts of net bed need are biased downward. Specifically, the rehabilitation bed model indicates need for 6.8 inpatient rehabilitation beds in Snohomish County in 2019 (Table 8), *decreasing* to a bed need of only 3.3 additional inpatient rehabilitation beds in 2034. In other words, this bed need methodology shows that, over and above the 19 beds at PRMCE, the additional demand for rehabilitation beds in the county will decrease over time; the 21 additional rehabilitation beds requested in this application are not supported by this methodology.

[6] https://www.doh.wa.gov/portals/1/Documents/2300/hospital_bed_need_method.pdf
[7] Ibid, p. C-28.

As stated above, in our opinion, this methodology, developed in 1987, does not reflect current and forecasted rehabilitation utilization patterns. On this basis and supported by the State Health Plan's *Need for Multiple Criteria* statements, we have developed an Alternative Model for the Department's consideration. The Alternative Model more accurately reflects recent utilization trends for the rehabilitation industry and, most importantly, the unmet rehabilitation needs of Snohomish County residents and the needs of surrounding counties.

The Alternative Model evaluates five factors, which in our opinion, raise this rehabilitation bed need question to the level as outlined in the State Health Plan's *Need for Multiple Criteria*, particularly access and availability of specialized rehabilitation care available at dedicated, freestanding rehabilitation hospitals, as we have proposed. The factors include:

1. **National Inpatient Rehabilitation Trends**
    - National rehabilitation utilization has been consistently increasing for the last 10 years. This contrasts with state trends showing downturns in rehabilitation bed utilization.
    - Between 2010 and 2019, the national utilization of rehabilitation increased between one and two percent per year, and 13.5 percent overall during this period.
2. **Medicare Utilization of Inpatient Rehabilitation**
    - Medicare beneficiaries represent of 74% of all rehabilitation admissions annually, thus Medicare enrollee utilization trends are very important.
    - The number of Medicare Fee-For-Service (Medicare FFS/traditional Medicare) discharges from inpatient rehabilitation increased 13.8% over the 2010-2019 period.
    - Further, the percentage of Medicare FFS patients discharged from acute care to inpatient rehabilitation facilities increased from 3.3% to 3.9% over this same period, indicating increased utilization of inpatient rehabilitation by the Medicare population.
3. **Site of Care Changes for Inpatient Rehabilitation**
    - Inpatient rehabilitation care is increasingly being provided in freestanding rehabilitation hospitals as compared to hospital-based rehabilitation units.

- This trend has occurred due to: (1) greater program specialization possible in freestanding hospitals; and (2) lower costs that are achievable in freestanding hospitals through higher utilization and greater efficiency.

4. Washington State Utilization of Inpatient Rehabilitation

- In comparison to national figures, Washington appears to provide less access to inpatient rehabilitation services than most other states.

- In 2019, Washington had the fifth lowest rehabilitation bed-to-population ratio in the country.

- Additionally, in 2019, Washington had the fourth lowest rehabilitation utilization, with a discharge rate per 100,000 residents that was just over one-third the national average. Limited access to rehabilitation beds in Washington State appears to have negatively impacted utilization.

- There is evidence within eastern Washington that demonstrates rehabilitation utilization can be positively impacted by access to specialized rehabilitation beds and comprehensive rehabilitation programs.

5. Snohomish County Demographic Trends

- For the next 15 years, the fastest growing segment of Snohomish County is the age 65+ cohort, which represents the primary user of rehabilitation services.

- While the total Snohomish population is projected to increase 6.8% over the 2020–2025 period and 6.3% over the 2025–2030 period, the age 65+ cohort is projected to increase 27.0% and 20.5%, respectively. Virtually all population growth in the county is projected from the age 65+ cohort.

- The aging county population and known Medicare trends of greater rehabilitation usage suggests the need for rehabilitation services will increase, not fall, in Snohomish County through at least the year 2030.

Please see Exhibit 7 for detailed analysis supporting the Alternative Model and supporting qualitative need criteria for additional inpatient rehabilitation beds—our requested project for a 40-bed freestanding, Level I rehabilitation hospital in Snohomish County. As stated above, our request is for a net increase of 21 inpatient rehabilitation beds.

3. **For existing facilities proposing to expand, identify the type of beds that will expand with this project.**

   This question is not applicable.

4. **For existing facilities, provide the facility's historical utilization for the last three full calendar years. The first table should only include the type(s) of beds that will increase with the project, the second table should include the entire hospital.**

   This question is not applicable.

5. **Provide projected utilization of the proposed facility for the first seven full years of operation if this project proposes an expansion to an existing hospital. Provide projected utilization for the first ten full years if this project proposes new facility. For existing facilities, also provide the information for intervening years between historical and projected. The first table should only include the type(s) of beds that will increase with the project, the second table should include the entire hospital. Include all assumptions used to make these projections.**

   The NWRH utilization forecast is based on the bed need methodology presented in the Alternative Model in Figure 14 and Figure 17 in Exhibit 7. This methodology calculates ranges of bed need based on variations in assumptions resulting in "low" and "high" estimates. The utilization forecast presented below is based on the low estimates. These estimates are calculated equivalently in both Figure 14 and Figure 17 in Exhibit 7 and equal an ADC of 34.8 (12,702 patient days) in 2019 and 2020. This need is assumed to grow parallel to the Snohomish County resident population, weighted by the IRF utilization rates presented in Figure 12 in Exhibit 7. Once NWRH opens, it will be the only provider of inpatient rehabilitation services in Snohomish County, and we assume it will serve 65% of Snohomish resident rehabilitation patient days. Our utilization forecast over the period 2023 to 2028 is presented in Table 9, and over the period 2029 to 2033 is presented in Table 10.

Table 9: NWRH Utilization Forecast, 2023 to 2028

NWRH Utilization Forecast	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Year	2023	2024	2025	2026	2027	2028
Months	6	12	12	12	12	12
Admissions	363	746	772	797	822	846
ALOS	12.9	12.9	12.9	12.9	12.9	12.9
Patient Days	4,683	9,623	9,959	10,281	10,604	10,913

ADC	25.45	26.29	27.28	28.17	29.05	29.82
Occupancy Rate (40 Beds)	63.6%	65.7%	68.2%	70.4%	72.6%	74.5%

Sources: Exhibit 7 and Self-Calculations

Table 10: NWRH Utilization Forecast, 2029 to 2033

NWRH Utilization Forecast	Year 6	Year 7	Year 8	Year 9	Year 10
Year	2029	2030	2031	2032	2033
Months	12	12	12	12	12
Admissions	871	896	915	934	953
ALOS	12.9	12.9	12.9	12.9	12.9
Patient Days	11,236	11,558	11,804	12,049	12,294
ADC	30.78	31.67	32.34	32.92	33.68
Occupancy Rate (40 Beds)	77.0%	79.2%	80.8%	82.3%	84.2%

Sources: Exhibit 7 and Self-Calculations

6. **For existing facilities, provide patient origin zip code data for the most recent full calendar year of operation.**

   This question is not applicable.

7. **Identify any factors in the planning area that currently restrict patient access to the proposed services.**

   The deficient supply of inpatient rehabilitation beds in Snohomish County negatively impacts Snohomish resident access to rehabilitation services. We present inpatient rehabilitation bed-to-population ratios by county, among counties with inpatient rehabilitation services, in Table 11.

Table 11: Inpatient Bed-to-Population Ratios by County, 2019

County	IRF Beds	Population, 2020	Bed Ratio	Rank
Benton	12	201,800	5.95	7
Chelan	9	78,420	11.48	4
Clark	14	488,500	2.87	9
Franklin	10	94,680	10.56	5
King	92	2,226,300	4.13	8
Pierce	108	888,300	12.16	3
Skagit	10	129,200	7.74	6
Snohomish	19	818,700	2.32	10

Spokane	72	515,250	13.97	1
Walla Walla	8	62,200	12.86	2
Total	354	6,349,880	5.57	
Washington State Total	354	6,724,540	5.26	

Sources: Population from Washington State population by county from the Washington State OFM Small Area Demographic Estimates (SADE) by Age, Sex, Race and Hispanic Origin, Version: 20191224_R01; Bed counts from Washington State 2019 Acute Care Bed Survey.

Notes: Since these bed totals are based on the 2019 Washington State Acute Care Bed Survey, the totals will differ slightly from the bed totals presented in Exhibit 7.

From Table 11, among counties with inpatient rehabilitation services, the bed-to-population ratio in Snohomish County ranks last. We note that this group of 10 counties accounts for 94% of Washington State residents and includes all Washington State counties with a population over 300,000 persons as of 2019.

Many Snohomish county residents in need of rehabilitation services are outmigrating to other planning areas, using substitutes for inpatient rehabilitation care, or perhaps not using inpatient rehabilitation care. These three alternatives all point to lack of access in Snohomish County.

Since 2015, a large and growing proportion of Snohomish County residents has outmigrated to other planning areas, from about 30% in 2015 to 34% in 2019.[8] These individuals must contend with variable and potentially high travel times resulting from traffic patterns along the I-5 corridor, as well as relatively limited supply in neighboring King and Skagit counties. For comparison, in 2019 about 4% of Pierce County residents and less than 1% of Spokane County residents received inpatient rehabilitation services at an inpatient rehabilitation provider outside their county of residence.[9] Both Pierce County and Spokane County have freestanding, dedicated rehabilitation hospitals.

The limited rehabilitation bed supply and lack of a dedicated rehabilitation hospital has resulted in low conversion rates between acute care discharges and inpatient rehabilitation admissions. As shown Figure 9 in Exhibit 7, 5.5% of Medicare discharges from Providence Sacred Heart Medical Center were discharged to an inpatient rehabilitation facility. For PRMCE, this number was 1.7%.

Snohomish County residents are clearly underserved. This is observed through the low bed-to-population ratio, the high rates of planning area outmigration, and

[8] In 2015, about 30% of Snohomish resident discharges to inpatient rehabilitation facilities occurred at non-planning area providers (CHARS 2015). In 2019 this proportion was 34% (CHARS 2019).
[9] CHARS 2019

the low acute care to rehabilitation conversion rates. These are all evidence of barriers to access, which will be felt most acutely by the poor and elderly who often must rely on public transportation and/or family support and so are likely to face additional challenges receiving care outside their county of residence.

8. **Identify how this project will be available and accessible to underserved groups.**

   PRMCE and Kindred are committed to providing high quality patient-centered care. We are committed to serve all patients, including those who, due to a lack health insurance coverage or other reasons, cannot pay for all or part of the essential care they receive. We have attached a copy of our financial assistance policy in Exhibit 9.

9. **If this project proposes either a partial or full relocation of an existing facility, provide a detailed discussion of the limitations of the current location.**

   The proposed project is not a relocation per se, but rather a new freestanding inpatient rehabilitation facility which will be followed by the closure of the 19 rehabilitation beds at PRMCE.

   However, given the concurrent closure of PRMCE's 19 rehabilitation beds, this project does contain the spirit of a relocation, and it is thus appropriate to discuss the limitations of the current PRMCE rehabilitation unit, as it is these limitations which motivate PRMCE's participation in the proposed project. Summarily, the 19,000 square feet of space for PRMCE's rehabilitation unit is simply not sufficient to allow an expansion beyond its current 19 beds, and therefore it is not able to provide dedicated areas for specialty services or expand the number and diversity of onsite providers and therapists. We outline the specific benefits of the proposed hospital below. Many of the specialty services and features we plan to provide in the proposed hospital simply cannot be accommodated within the existing facilities at PRMCE.

   In addition, there are specific space-related limitations to the current PRMCE Rehabilitation Unit which impact the patient care experience and the ability to provide additional services. These include:

   - The current patient room and bathroom configuration consists of 19 private rooms with two rooms sharing bathrooms. This limits access to patients that can be cared for due to gender or isolation precautions.

   - Patient rooms are outdated, which negatively affects patient experience.

- Patient bathrooms are not adequate for providing rehab services to patients i.e., no shelving for Activities of Daily Living (“ADL”) management, size constraints for patients requiring wheelchairs and walkers or to complete any training with family.

- Cubicles for therapy documentation are located in the main gym, which limits space and patient privacy.

- The therapists are currently required to provide therapy in multiple, smaller gyms that were not designed for inpatient rehabilitation services and contain outdated therapy equipment.

- The current call light system needs modernization throughout the Unit in order to promote increased patient safety and satisfaction.

- The unit does not have a negative pressure room to accommodate isolation patients.

- The second patient gym has an ADL kitchen that is also being utilized for therapy desks and documentation cubicles along with the social worker in a converted closet.

- Social workers are unable to have in-office family/patient meetings due to space limitations, so private family meetings are held in other spaces (i.e., patient room, conference room, or other space not in patient care use).

- Limited storage in the Unit necessitates borrowing space on an adjacent Unit to store therapy equipment and other items.

- Other offices on an adjacent Unit are required for ancillary staff and for nurses to perform follow up calls to patients.

- There is no room in the staff lounge for employee lockers or safe space to store personal valuables.

- There is no outdoor space for multi-surface training with patients.

- No rooms are acceptable for providing in-room dialysis.

The proposed project would address the above limitations of the current PRMCE Rehabilitation Unit.

10. If this project proposes either a partial or full relocation of an existing facility, provide a detailed discussion of the benefits associated with relocation.

As stated above, the proposed project is not a relocation per se, but rather a new freestanding inpatient rehabilitation facility which will be followed by the closure of the 19 rehabilitation beds at PRMCE.

However, given the concurrent closure of PRMCE's 19 rehabilitation beds, this project does contain the spirit of a relocation, and it is thus appropriate to discuss the benefits of the location of the proposed project.

A dedicated rehabilitation hospital will allow NWRH to create an exceptional healing environment for rehabilitation patients. The all-private room facility configuration allows space for each patient's comfort and treatment needs. The room design enables nurses and therapists the sufficient space for treatment and equipment while also providing space for the patient's family to be present. Rooms are designed to optimally meet the needs of each patient and enhance their quality of care.

The main therapy suite is located on the first floor, complete with a therapy gym, rooms for multiple therapy protocols, private therapy rooms, cooking therapy room, and an ADL therapy suite. The outdoor courtyard adjacent to the therapy suite also allows for therapy to take place outdoors, to include maneuvering sidewalks, greenspace, and other outdoor areas. These specialized therapy areas provide patients with the opportunity to receive extensive, high quality targeted rehabilitation therapy to help them to maximize functionality in order to return to everyday activities and enhance quality of life.

This suite includes a full range of therapy equipment tailored to each patient's unique needs. It also incorporates state-of-the-art technology such as Ekso GT™ exoskeleton that augments strength to help patients stand and relearn to walk, improving their step patterns, weight shifting and posture. In addition, it mobilizes patients earlier in their rehabilitation. Research studies show that this breakthrough technology helps improve walking distance, balance, and overall patient satisfaction.

The proposed rehabilitation hospital provides a designated area on the second floor for stroke and traumatic brain injury patients. This specific facility design includes separate dining and therapy areas that address the specific needs of these patient populations. In addition, the facility layout enables the nurses to more effectively care for each of these special patient populations. Isolation and special care rooms are placed within each of these wings to better serve patients requiring enhanced care or infection control protocols.

This facility design has been implemented at several Kindred rehabilitation hospitals throughout the country with significant success in enhancing patient outcomes and improving quality of life.

11. Provide a copy of the following policies:

- **Admissions policy**
- **Charity care or financial assistance policy**
- **Patient rights and responsibilities policy**
- **Non-discrimination policy**
- **End of life policy**
- **Reproductive health policy**
- **Any other policies directly associated with patient access**

Please see Exhibit 9 for a draft of NWRH's Charity Care Policy. Exhibit 10 contains a draft of the NWRH Admissions and Patient Rights & Responsibilities Policy, and Exhibit 11 a draft of its Non-Discrimination Policy.

B. Financial Feasibility (WAC 246-310-220)
Financial feasibility is based on the criteria in WAC 246-310-220.

1. **Provide documentation that demonstrates the immediate and long-range capital and operating costs of the project can be met. This should include but is not limited to:**

    - **Utilization projections. These should be consistent with the projections provided under the Need section. Include all assumptions.**
    - **A current balance sheet at the facility level.**
    - **Pro forma balance sheets at the facility level throughout the projection period.**
    - **Pro forma revenue and expense projections for at least the first three full calendar years following completion of the project. Include all assumptions.**
    - **For existing facilities, provide historical revenue and expense statements, including the current year. Ensure these are in the same format as the pro forma projections. For incomplete years, identify whether the data is annualized.**

    Please see Exhibit 12 for pro forma financial statements for the proposed project, including balance sheets and revenue and expense statements. The pro forma financial statements are based on the utilization forecast above.

2. **Identify the hospital's fiscal year.**

    The inpatient rehabilitation hospital's fiscal year is the calendar year.

3. **Provide the following agreements/contracts:**

    - **Management agreement**
    - **Operating agreement**
    - **Development agreement**
    - **Joint Venture agreement**

    Note, all agreements above must be valid through at least the first three full years following project completion or have a clause with automatic renewals. Any agreements in draft form must include a document signed by both entities committing to execute the agreement as submitted following CN approval.

    Please see Exhibit 3 for a copy of the Management Agreement between NWRH and CHC Management Services, LLC, and Exhibit 13 for a copy of the Operating Agreement between NWRH and Kindred Development 12, LLC. The Operating

Agreement in Exhibit 13 also functions as the Joint Venture agreement between Kindred and Providence Health and Services-Washington dba PRMCE.

4. **Provide documentation of site control. This could include either a deed to the site or a lease agreement for the site. If a lease agreement is provided, the terms must be for at least five years with options to renew for a total of 20 years.**

   The owner of the site for the proposed project is PMB Lynnwood, LLC. Please see Exhibit 14 for the property summary listing PMB Lynnwood, LLC as the site owner, a draft lease and development agreement between NWRH and PMB Lynnwood, LLC, and a term sheet signed by both parties.

5. **Provide county assessor information and zoning information for the site. If zoning information for the site is unclear, provide documentation or letter from the municipal authorities showing the proposed project is allowable at the identified site. If the site must undergo rezoning or other review prior to being appropriate for the proposed project, identify the current status of the process.**

   Please see Exhibit 15 for county assessor information and zoning information for the site documenting the appropriate zoning for the proposed site.

6. **Complete the table on the following page with the estimated capital expenditure associated with this project. If you include other line items not listed below, include the definition of the line item. Include all assumptions used to create the capital expenditure estimate.**

Item	Cost
a. Land Purchase	
b. Utilities to Lot Line	
c. Land Improvements	
d. Building Purchase	
e. Residual Value of Replaced Facility	
f. Building Construction	
g. Fixed Equipment (not already included in the construction contract)	
h. Movable Equipment (includes shipping/installation)	$2,757,745
i. Architect and Engineering Fees	
j. Consulting Fees	$100,000
k. Site Preparation	
l. Supervision and Inspection of Site	
m. Any Costs Associated with Securing the Sources of Financing (include interim interest during construction	
1. Land	
2. Building	

3. Equipment	
4. Other	
n. Washington Sales Tax	$242,255
Total Estimated Capital Expenditure	$3,100,000

Please see Exhibit 18 for the equipment list of the proposed project. This separately identifies the equipment costs, sales tax, and shipping/installation for each item of moveable equipment.

We note that Washington State sales tax as presented above is calculated net of shipping/installation and warehouse costs.

7. Identify the entity responsible for the estimated capital costs. If more than one entity is responsible, provide breakdown of percentages and amounts for all.

Kindred Healthcare will cover all project-related capital expenditures, including equipment expenditures and start-up expenses, from its corporate reserves. Please see Exhibit 16 for a letter of financial commitment and Exhibit 17 for Kindred's audited financials showing sufficient reserves.

8. Identify the start-up costs for this project. Include the assumptions used to develop these costs. Start-up costs should include any non-capital expenditure expenses incurred prior to the facility opening or initiating the proposed service.

Startup costs are identified below. These costs are paid by Kindred as part of its contribution.

Pre-Opening Expenses	
Preopen Staff Wages & Salaries	$459,220
Benefits	$87,252
Recruiting/Relocation	$125,000
Supplies	$200,000
Other*	$169,500
Total	**$1,040,972**

9. Identify the entity responsible for the start-up costs. If more than one entity is responsible, provide a breakdown of percentages and amounts for all.

Please see our response to Question 7 above.

10. **Provide a non-binding contractor's estimate for the construction costs for the project.**

    There are no construction costs associated with the proposed project. Thus, this question is not applicable.

11. **Provide a detailed narrative supporting that 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 in the planning area.**

    The capital expenditures by NWRH are very modest since the developer will build and lease the building to NWRH. These buildout costs are then paid back through the lease payments over the lease term. NWRH will be principally reimbursed by payers either from set fee schedules, such as Medicare, its largest payer, or by negotiated rates with commercial payers.

12. **Provide the projected payer mix for the hospital by revenue and by patients using the example table below. Medicare and Medicaid managed care plans should be included within the Medicare and Medicaid lines, respectively. If "other" is a category, define what is included in "other."**

Payer Mix	Percentage by Gross Revenue	Percentage by Patient
Medicare	70.6%	70.6%
Medicaid	9.2%	9.2%
Commercial	17.6%	17.6%
Self-Pay/Other	1.2%	1.2%
Charity Care	1.4%	1.4%
Total	100%	100%

    We note that our financial model includes a Charity Care placeholder within its Gross Revenue schedule, of which the "revenue" is deducted back out in the contractual allowances schedule.

13. **If this project proposes the addition of beds to an existing facility, provide the historical payer mix by revenue and patients for the existing facility. The table format should be consistent with the table shown above.**

    This project does not propose an expansion of bed capacity to an existing facility. Thus, this question is not applicable.

14. **Provide a listing of all new equipment proposed for this project. The list should include estimated costs for the equipment. If no new equipment is required, explain.**

Please see Exhibit 18 for an equipment list for the proposed project.

15. **Identify the source(s) of financing and start-up costs (loan, grant, gifts, etc.) and provide supporting documentation from the source. Examples of supporting documentation include: a letter from the applicant's CFO committing to pay for the project or draft terms from a financial institution.**

    If this project will be debt financed through a financial institution, provide a repayment schedule showing interest and principal amount for each year over which the debt will be amortized.

    Please see our response to Question 7 above.

16. **Provide the most recent audited financial statements for:**
    - **The applicant, and**
    - **Any parent entity**

    Please see Exhibit 17 for audited financials for Providence St. Joseph Health over the period 2018 to 2019 and audited financials for Kindred Healthcare, LLC for the years, 2020, 2019 and the period July 2, 2018 to December 31, 2018. Exhibit 17 also includes audited financials for Kindred Hospital Company, a carve-out business of Kindred Healthcare, Inc., for the period January 1, 2018 to July1, 2018.

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

Projects are evaluated based on the criteria in WAC 246-310-230 for staffing availability, relationships with other healthcare entities, relationships with ancillary and support services, and compliance with federal and state requirements. Some of the questions within this section have implications on financial feasibility under WAC 246-310-220.

1. **Identify all licensed healthcare facilities owned, operated, or managed by the applicant. This should include all facilities in Washington State as well as any out-of-state facilities. Include applicable license and certification numbers.**

   Please see Exhibit 19 for a list of Kindred and Providence facilities.

2. **Provide a table that shows full time equivalents (FTEs) by type (e.g. physicians, management, technicians, RNs, nursing assistants, etc.) for the facility. If the facility is currently in operation, include at least the most recent full year of operation, the current year, and projections through the first three full years of operation following project completion. There should be no gaps. All FTE types should be defined.**

Table 12: Staffing Schedule (FTEs)

	H2 2023	2024	2025	2026	2027
ADC (Rounded down)	**25**	**26**	**27**	**28**	**29**
Registered Nurse	17.2	17.9	18.6	19.2	19.9
Licensed Practical Nurse	7.4	7.7	8.0	8.2	8.5
Nursing Aide	16.4	17.0	17.7	18.3	19.0
Physical Therapists	2.7	3.0	3.0	3.0	3.0
Physical Therapist Assistant	2.4	2.1	2.3	2.5	2.7
Physical Therapy Techs	1.4	1.5	1.5	1.5	1.5
Occupational Therapist	2.7	3.0	3.0	3.0	3.0
Certified Occupational Therapy Assist.	2.4	2.1	2.3	2.5	2.7
Occupational Therapy Techs	1.4	1.5	1.5	1.5	1.5
Speech Language Therapists	1.8	2.0	2.0	2.0	2.0
Respiratory Therapists	-	-	-	-	-
Pharmacist	1.3	1.4	1.4	1.4	1.4
Pharmacy Techs	0.8	1.0	1.0	1.0	1.0
Case Managers/Social Worker	1.7	2.0	2.0	2.0	2.0
Central Supply/Purchasing	1.0	1.0	1.0	1.0	1.0
Dietary Supervisor	1.0	1.0	1.0	1.0	1.0
Registered Dietitians	0.9	1.0	1.0	1.0	1.0
Cooks	2.3	2.5	2.5	2.5	2.5
Dietary Aides	2.1	2.5	2.5	2.5	2.5
Dietary Clerks	0.8	1.0	1.0	1.0	1.0
Maintenance Supervisor	0.8	1.0	1.0	1.0	1.0
Housekeeping Supervisor	0.8	1.0	1.0	1.0	1.0
Housekeepers	3.5	3.4	4.0	4.0	4.0
Switchboard Operators	1.9	2.1	2.1	2.1	2.1

Accounting Clerk	1.0	1.0	1.0	1.0	1.0
Business Office Coordinator	0.8	1.0	1.0	1.0	1.0
Admissions Coordinator	0.9	1.0	1.0	1.0	1.0
Medical Records Director	0.9	1.0	1.0	1.0	1.0
Medical Records Coders	0.8	1.0	1.0	1.0	1.0
Chief Clinical Officer / Director of Nursing	1.0	1.0	1.0	1.0	1.0
Nurse Manager	1.0	1.0	1.0	1.0	1.0
Nurse Coordinator(PPS)	0.8	1.0	1.0	1.0	1.0
Unit Secretary	2.5	2.8	2.8	2.8	2.8
Chief Executive Officer	1.0	1.0	1.0	1.0	1.0
Controller	1.0	1.0	1.0	1.0	1.0
HR Director	1.0	1.0	1.0	1.0	1.0
Dir CQPI	0.8	1.0	1.0	1.0	1.0
Director of Therapy	0.8	1.0	1.0	1.0	1.0
Administrative Secretary	1.0	1.0	1.0	1.0	1.0
Dir Business Development	1.0	1.0	1.0	1.0	1.0
Business Development Liaisons	3.7	4.0	4.0	4.0	4.0
Total FTEs	**94.8**	**100.5**	**103.1**	**105.2**	**107.4**

Source: Applicant

3. Provide the basis for the assumptions used to project the number and types of FTEs identified for this project.

Based on the prior experience of Kindred, NWRH projects staffing based on the projected ADC over the forecast, rounded down to the nearest integer. This rounded ADC is presented in the first row of Table 12. Staffing for nurses (including the occupational categories Registered Nurse, Licensed Practical Nurse, and Nursing Aide) is determined based on calculated ratios, while staffing across the other occupational categories is based on a proprietary staffing matrix, developed by Kindred based on its historical experience for use in its rehabilitation facilities. FTE requirements for each of the occupational categories is calculated each month of the forecast, and then averaged across months to obtain the annual counts.

Staffing for nursing positions is calculated based on the expected number of hours per day nursing services are required. Based on Kindred's historical experience and industry standards, NWRH anticipates 8.5 hours of nursing services per patient day. Of these 8.5 hours, 42% are assumed to be filled with RNs, 18% with LPNs, and 40% with Nursing Aides. An ADC of 25, for example, would imply 212.5 hours of nursing services (25*8.5) each day. Of these 212.5 hours, there would then be 89.25 by RNs (212.5*42%), 38.25 by LPNs (212.5*18%), and 85.0 by Nursing Aides (212.5*40%). Adding in 10% of non-productive time and dividing by the ratio of 40/7 (full time hours over a 7-day week) results in, for an ADC of 25, 17.18 RN FTEs, 7.36 LPN FTEs, and 16.36 Nursing Aide FTEs.

4. **Identify key staff (e.g. chief of medicine, nurse manager, clinical director, etc.) by name and professional license number, if known.**

   NWRH will fill its key staffing positions after CN approval when the facility is closer to opening.

5. **Describe your methods for staff recruitment and retention. If any barriers to staff recruitment exist in the planning area, provide a detailed description of your plan to staff this project.**

   NWRH does not anticipate any staffing challenges. Providence has multiple resources available to assist with the identification and recruitment of appropriate and qualified personnel. Experienced recruitment teams within Providence can and do recruit qualified staff. It has had success in recruiting for critical-to-fill positions with recruiters that offer support on a national level as well as local level. Providence also posts career listings on the Providence web site and job postings on multiple search engines and listing sites. It provides educational programs with local colleges and universities as well as the Providence University in Great Falls, MT. Additionally, PRMCE is actively involved in the training of future health care personnel and partners with many educational institutions throughout the Northwest to serve as a training site for students from various disciplines who wish to prepare themselves for a future in a healthcare related field. These training programs provide a large pool of new health care professionals to the community and will serve as an ongoing source for recruiting new personnel to NWRH.

   NWRH will continue to implement PRMCE's recruitment strategies and build on established affiliations with area schools to continue to provide clinical rotations for these students. As a result of these partnerships, PRMCE and Kindred expect to have access to sufficient staff levels for NWRH.

6. **For new facilities, provide a listing of ancillary and support services that will be established.**

   NWRH plans to purchase the following services from PRMCE:
   - Laboratory
   - Medical imaging
   - Non-invasive cardiac testing/EKG
   - Wound care
   - GI Lab/Endoscopy
   - Pastoral care
   - After hours pharmacy

7. **For existing facilities, provide a listing of ancillary and support services already in place.**

This question is not applicable.

8. **Identify whether any of the existing ancillary or support agreements are expected to change as a result of this project.**

   This question is not applicable.

9. **If the facility is currently operating, provide a listing of healthcare facilities with which the facility has working relationships.**

   This question is not applicable.

10. **Identify whether any of the existing working relationships with healthcare facilities listed above would change as a result of this project.**

    This question is not applicable.

11. **For a new facility, provide a listing of healthcare facilities with which the facility would establish working relationships.**

    As a joint venture between Kindred and PRMCE, NWRH will have working relationships with other facilities within the Providence network. This includes PRMCE, which will refer patients requiring rehabilitation services to NWRH, as well as accept patients from NWRH requiring acute care services. Please see Exhibit 20 for a draft transfer agreement between NWRH and PRMCE. Furthermore, NWRH will have a working relationship with Swedish Edmonds, as both are part of the Providence network.

12. **Provide an explanation of how the proposed project will promote continuity in the provision of health care services in the planning area, and not result in an unwarranted fragmentation of services.**

    As a joint venture between Kindred and PRMCE, NWRH will utilize the relationships of both organizations in developing collaborative relationships with providers to expand program offerings and ensure access and continuity of appropriate care for residents of Snohomish County. NWRH will coordinate patient access to Providence and other planning area entities and community providers to ensure continuity of care during hospital discharge to other levels of care as well as when other facilities need to transfer patients to NWRH for more advanced rehab care. Those providers include hospitals, hospice, home care, long-term care facilities, psychiatric care, assisted living and other providers.

13. **Provide an explanation of how the proposed project will have an appropriate relationship to the service area's existing health care system as required in WAC 246-310-230(4).**

    Please see our response to Question 12, above.

14. **Identify whether any facility or practitioner associated with this application has a history of the actions listed below. If so, provide evidence that the proposed or existing facility can and will be operated in a manner that ensures safe and adequate care to the public and conforms to applicable federal and state requirements.**

    a. **A criminal conviction which is reasonably related to the applicant's competency to exercise responsibility for the ownership or operation of a health care facility; or**
    b. **A revocation of a license to operate a healthcare facility; or**
    c. **A revocation of a license to practice as a health profession; or**
    d. **Decertification as a provider of services in the Medicare or Medicaid program because of failure to comply with applicable federal conditions of participation.**

       Neither NWRH nor its members, Providence Health & Services-Washington and Kindred Development 12, L.L.C., has a history of the actions described in WAC 246-310-230(5)(a). Patient care at NWRH will be provided in conformance with all applicable federal and state requirements.

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

Projects are evaluated based on the criteria in WAC 246-310-240 in order to identify the best available project for the planning area.

1. **Identify all alternatives considered prior to submitting this project. At a minimum include a brief discussion of this project versus no project.**

   Prior to submitting this application, two alternatives to the proposed project were considered. These included (1) doing nothing and keeping the 19-bed rehabilitation unit at PRMCE and (2) constructing a second 21-bed rehabilitation unit in addition to the unit at PRMCE. We have provided a comparison of these alternatives to the proposed project in our response to the question below.

   In an earlier version of this application (CN 19-72), an additional alternative of expanding PRMCE to a 40-bed unit was proposed. Furthermore, in the screening responses to CN 19-72, the Department requested NWRH also consider the conversion of PRMCE into a Level I provider with 19 beds and implementing the proposed project in phases. None of these potential alternatives are functionally or financially feasible, so were not considered as realistic alternatives to the proposed project. As discussed elsewhere in the application, space constraints prevent financially prudent expansion of the existing PRMCE rehabilitation unit. Given its existing size, it is not possible for PRMCE to be a Level I provider. Level I certification requires specific physician subspecialties on location, which is not functionally feasible in a 19-bed unit. Lastly, implementing the proposed project in phases, rather than minimizing initial operating losses, would instead result in a longer period over which operating losses would be incurred.

2. **Provide a comparison of this project with alternatives rejected by the applicant. Include the rationale for considering this project to be superior to the rejected alternatives. Factors to consider can include, but are not limited to: patient access to healthcare services, capital cost, legal restrictions, staffing impacts, quality of care, and cost or operation efficiency.**

Table 13: Alternatives Analysis: Promoting Access to Healthcare Services	
Option:	**Advantages/Disadvantages:**
No project – Continuation of 19-Bed PRMCE Unit	• There is no advantage to continuing as presently in terms of improving access. (Disadvantage ("D")) • Snohomish County will continue to have the lowest bed-to-population ratio among counties with rehabilitation services in Washington State, which itself has one of the lowest bed-to-population ratios in the United States. (D)
CN Approval for 21-Bed Rehab Hospital	• Allows for a 21-bed rehabilitation hospital in Snohomish County, in addition to the 19-bed rehabilitation unit at PRMCE. This would increase the number of rehabilitation beds available in Snohomish County and improve resident access. (Advantage ("A")) • Neither the 19-bed rehabilitation unit at PRMCE nor the 21-bed rehabilitation hospital would be large enough to support the staffing necessary for a Level I Rehabilitation designation, so Snohomish County residents would continue with deficient access to Level I rehabilitation services. (D) • Neither the 19-bed rehabilitation unit at PRMCE nor the 21-bed rehabilitation hospital would be large enough to support a separate unit for stroke and traumatic brain injury patients, so Snohomish County residents needing such services would continue with deficient access to the specialty services possible within such a unit. (D)
CN Approval for 40-Bed Rehab Hospital (Requested project)	• Allows for a 40-bed rehabilitation hospital in Snohomish County which would coincide with the closing of the PRMCE rehabilitation unit. This would increase the number of rehabilitation beds available in Snohomish County and improve resident access. (A) • The proposed 40-bed rehabilitation hospital would be large enough to support the staffing necessary for a Level I Rehabilitation designation, so Snohomish County residents would have improved access to Level I rehabilitation services. (A) • The proposed 40-bed rehabilitation hospital will contain a separate unit for stroke and traumatic brain injury patients, so Snohomish County residents needing such services would have improved access to the specialty services possible within such a unit. (A)

Table 14: Alternatives Analysis: Promoting Quality of Care	
Option:	**Advantages/Disadvantages:**
No project – Continuation of 19-Bed PRMCE Unit	• Continuing as presently conveys no advantages or disadvantages from a quality-of-care perspective. (Neutral ("N"))
CN Approval for 21-Bed Rehab Hospital	• CN Approval for a new 21-bed rehabilitation hospital, together with the 19-bed rehabilitation unit at PRMCE, would allow an expansion of rehabilitation services within Snohomish County, thereby improving planning area access to rehabilitation services. This improves quality of care for planning area residents. (A) • A new rehabilitation hospital would incorporate state-of-the-art technology and reflect the developments in rehabilitation care. (A) • A 21-bed hospital, relative to a 40-bed hospital, would be limited in its ability to provide specialty rehabilitation services and offer a separate unit for stroke and traumatic brain injury patients. (D)
CN Approval for 40-Bed Rehab Hospital (Requested project)	• CN Approval for a new 40-bed rehabilitation hospital would allow an expansion of rehabilitation services within Snohomish County, thereby improving planning area access to rehabilitation services. This improves quality of care for planning area residents. (A) • A new rehabilitation hospital would incorporate state-of-the-art technology and reflect the developments in rehabilitation care. (A) • The proposed 40-bed hospital will provide specialty rehabilitation services and offer a separate unit for stroke and traumatic brain injury patients. (A)

Table 15: Alternatives Analysis: Promoting Cost and Operating Efficiency	
Option:	**Advantages/Disadvantages:**
No project – Continuation of 19-Bed PRMCE Unit	• Under this option, there would be no impacts on costs or efficiency of the existing PRMCE rehabilitation unit—the unit would continue as present. (N) • However, as described elsewhere in the application, without the project Snohomish County residents will continue to outmigrate to providers in King and other counties. This requires otherwise unnecessary travel to obtain needed rehabilitation services at out-of-area providers. (D)
CN Approval for 21-Bed Rehab Hospital	• A new 21-bed rehabilitation hospital, together with the 19-bed rehabilitation unit at PRMCE, would improve planning area access to rehabilitation services, reducing resident outmigration for needed rehabilitation services. (A) • Establishment of a new hospital, separate from the rehabilitation unit at PRMCE, would require significant capital expenditure and duplicative services to meet the inpatient rehabilitation needs of the patients at each location. This would create inefficiencies in care delivery and unnecessary expense. (D)
CN Approval for 40-Bed Rehab Hospital (Requested project)	• A new 40-bed rehabilitation hospital would improve planning area access to rehabilitation services, reducing resident outmigration for needed rehabilitation services. (A) • A 40-bed hospital will allow economies of scale in the provision of inpatient rehabilitation care. This eliminates the need to create duplicative services across multiple sites improving efficiency and reducing unnecessary expense. (A)

Table 16: Alternatives Analysis: Legal Restrictions	
Option:	**Advantages/Disadvantages:**
No project – Continuation of 19-Bed PRMCE Unit	• There are no legal restrictions to continuing operations as presently at PRMCE. (A)
CN Approval for 21-Bed Rehab Hospital	• Requires certificate of need approval. This requires time and expense. (D)

CN Approval for 40-Bed Rehab Hospital (Requested project)	• Requires certificate of need approval. This requires time and expense. (D) • The time and expense required for CN approval are equal across both the requested project and the alternative of "CN Approval for 20-Bed Rehab Hospital." (N)

3. **If the project involves construction, provide information that supports conformance with WAC 246-310-240(2):**
   - **The costs, scope, and methods of construction and energy conservation are reasonable; and**
   - **The project will not have an unreasonable impact on the costs and charges to the public of providing health services by other persons.**

   Within the prototypical facility design, the developer will incorporate numerous energy saving practices. All glass is high density Low E Glass that is hermetically sealed in the frames which minimizes heat loss. The heating, ventilation and air conditioning units are all Intellipack packaged air units with internal reheat devices that allow a greater use of outside air, which keeps the unit operation low. The building itself is oriented to maximize the daylight and heat load from the sun. This cuts down on heating costs in the winter and allows for more natural light to enter the areas of care. While initial cost is a factor, the long-term operational costs are also considered. For instance, it is more costly on the front end to utilize LED lamps in the light fixtures, however, the lower heat load and lower electrical costs yield a 3-5 year payback which offsets the higher upfront costs.

4. **Identify any aspects of the project that 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.**

   The inpatient rehabilitation hospital is designed to maximize staff efficiency and patient care. The development of a freestanding facility enables NWRH to create an environment most conducive to system efficiency and patient outcomes. Designated patient room wings for stroke and traumatic brain injury patients enable nurses to more effectively care for these special patient populations, and a complete therapy suite on the first floor plus therapy spaces on each floor allow for convenient access for the entire patient population. Additionally, an all-private room and private bathroom facility allows for patients' comfort and treatment needs with maximized privacy as well as adequate space for families.

This building design is a prototypical plan that has been developed with the purpose of operational efficiency and cost reduction. The areas of focus for this facility are the patient care areas that have been sized appropriately to accommodate all the staffing and material needs required to provide superior clinical service to the patients. The building was designed as a two-story structure to keep all the patient services/amenities (Therapy Gym, Dining, Open Courtyard) convenient to the patients in regards to travel distance as well as efficient for the staff.

The construction costs are further managed through the use of efficient building systems. The footprint of the facility allows for fully contained packaged air handler units as well as smaller, more efficient boilers due to the shorter runs of domestic water and ductwork. This yields lower construction costs than typical facilities incur as well as lower operational costs. Additionally, as this is a prototypical design, the inherent knowledge that is gained as each project is completed yields more efficient construction delivery and better cost management.

V. Addendum for Hospital Projects

All Tertiary Services EXCEPT Percutaneous Coronary Intervention (PCI)

The following questions are applicable to ALL tertiary service projects except for elective PCI. There are service-specific sections that follow.

A. General Questions – Applicable to ALL Tertiary Service Projects except for PCI

Project Description

1. Check the box corresponding with the tertiary service proposed by your project:

☐NICU Level II	☐Organ Transplant
☐NICU Level III	☐Open Heart Surgery
☐NICU Level IV	☐Elective PCI*
☐Specialized Pediatric (PICU)	☒PPS-Exempt Rehab Level I (indicate level)
☐Psychiatric (within acute care hospital)	☐Specialty Burn Services

***If you selected "Elective PCI" above, skip this section and move on to the PCI-specific Addendum**

Need

2. If there is a numeric need methodology specific to your service in WAC, provide the WAC-based methodology. If there is no numeric need methodology in WAC, provide and discuss a service-specific numeric need methodology supporting the approval of your project. Include all assumptions and data sources.

Please see Exhibit 7 for the NWRH rehabilitation bed need methodology for Snohomish County.

3. Are there any service/unit-specific policies or guidelines? If yes, provide copies of the policies/guidelines.

Please see Exhibit 20 for a draft of NWRH's Transition Planning Referrals Policy.

Financial Feasibility

4. **Provide the proposed payer mix specific to the proposed unit or service. If this project represents the expansion of an existing unit, provide the current unit's payer mix for reference.**

   Please see our response in Section IV.B, Question 12.

5. **Provide pro forma revenue and expense statements for the proposed unit or service. If this project proposes the expansion of an existing unit, provide both with and without the project.**

   Please see the financial statements for the proposed project in Exhibit 12.

6. **If there is no capital expenditure for this project, explain why.**

   This question is not applicable.

Structure and Process of Care

7. **If applicable for the service proposed, provide the name and professional license number of the proposed medical director. If not already disclosed under WAC 246-310-220(1) above, identify if the medical director is an employee or under contract.**

   NWRH plans for a medical director but will fill this position after CN approval when the facility is closer to opening. The eventual medical director will be under contract.

8. **If the medical director is/will be an employee rather than under contract, provide the medical director's job description.**

   This question is not applicable.

9. **If the medical director is/will be under contract rather an employee, provide the medical director contract.**

   Please see Exhibit 21 for a draft Medical Director Agreement.

10. **Provide the names and professional license numbers of current and proposed credentialed staff for this service/unit.**

    As a new facility, NWRH has no current credentialed staff. NWRH plans to fill these positions after CN approval, thus we are unable to provide any names of proposed staff for the proposed project.

11. **If applicable for the service proposed, provide the existing or proposed transfer agreement with a local hospital.**

    Please see Exhibit 22 for a draft transfer agreement between NWRH and PRMCE.

12. **Will the service/unit proposed comply with any state or national standards? If yes, provide the applicable standard, the rationale for selecting the standard selected, and a detailed discussion outlining how this project will comply with the standard.**

    NWRH will apply for a Level I trauma designation for its 40-bed facility from the Washington Department of Health given project approval. Currently there exist no adult Level I Rehabilitation hospitals or units north of Harborview Medical Center, resulting in a lack of sufficient access to individuals in the North Puget Sound region.

    NWRH will comply with the Level I standard by meeting all the necessary criteria outlined in the DOH Trauma Designation Rehabilitation Application (https://www.doh.wa.gov/Portals/1/Documents/Pubs/346092.pdf). Furthermore, a Level I trauma designation requires that NWRH have and maintain full accreditation by the Commission on Accreditation of Rehabilitation Facilities (CARF). As such, NWRH will also seek and plan to obtain CARF accreditation for the proposed project.

13. **After discharge, what steps are taken to ensure continuity of care for each patient?**

    Please see Exhibit 20 for a draft of NWRH's Transition Planning Policy.

14. **If the proposed service type is already offered in the same planning area, provide a detailed description of the steps that will be taken to avoid unwarranted fragmentation of care within the existing healthcare system.**

    NWRH proposes a 40-bed Level I rehabilitation hospital within the Snohomish County planning area. Currently PRMCE operates a 19 bed Level II rehabilitation unit. These services are similar, however, as described in the introduction and rationale, project description, and elsewhere, the proposed project is a joint venture between PRCME and Kindred, and following the opening of NWRH, PRMCE will close its rehabilitation unit.

    Given approval of the proposed project, NWRH will be the only provider of rehabilitation services within Snohomish County. Furthermore, as a Joint Venture between Kindred and Providence, NWRH will have working relationships with all other Kindred and Providence facilities. This includes 2 of the 4 acute care

hospitals in Snohomish County (PRMCE and Swedish Edmonds). Thus, there will not be an unwarranted fragmentation of care within the existing healthcare system.

B. <u>Psychiatric Unit Projects Only</u>

1. Confirm that the existing or proposed facility will accept ITA patients.

This question is not applicable.

2. Identify if the existing or proposed facility will provide pediatric or geriatric psychiatric services. If yes, identify the number of beds dedicated to each service.

This question is not applicable.

C. Rehabilitation Unit Projects Only

1. What trauma designation is being proposed for this rehabilitation unit?

The trauma designation for the proposed project is Level I.

2. Will there be separate units for separate diagnoses requiring rehabilitation?

Yes, there will be separate units for Stroke and Traumatic Brain Injury patients. Please see the single-line drawings in Exhibit 5.

D. NICU Projects ONLY

1. Describe how this project will adhere to the most recent Washington State Perinatal Level of Care Guidelines.

This question is not applicable.