



STATE OF WASHINGTON
DEPARTMENT OF HEALTH
Olympia, Washington 98504

June 12, 2017

CERTIFIED MAIL # 7016 0910 0000 3454 9337

Sarah Brown, Vice President
Confluence Health
820 North Chelan Street
Wenatchee, Washington 98801

RE: Certificate of Need Application #17-20

Dear Ms. Brown:

We have completed review of the Certificate of Need application submitted by Confluence Health proposing to establish an ambulatory surgery center in Moses Lake, within Grant County. Enclosed is a written evaluation of the application.

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

Project Description

This certificate approves the establishment of a two operating room ambulatory surgery center located in Moses Lake, within Grant County. Services provided are endoscopic and pain management services that can be appropriately performed in an outpatient setting.

Conditions

1. Approval of the project description as stated above. Confluence Health further agrees that any change to the project as described in the project description is a new project that requires a new Certificate of Need.
2. The types of procedures provided at Moses Lake ASC are limited to the endoscopic and pain management procedures described in the application.
3. Moses Lake ASC will provide charity care in compliance with its charity care policies reviewed and approved by the Department of Health, or any subsequent policies reviewed and approved by the Department of Health. Moses Lake ASC will use reasonable efforts to provide charity care in the amount identified in the application. This amount is 2.20% gross revenue and 4.47% of adjusted revenue. Moses Lake ASC will maintain records of charity care applications received and the dollar amount of charity care discounts granted. The department requires these records to be available upon request.

4. Moses Lake ASC will provide annual reports to the Certificate of Need Program showing the number of patients, charity care dollar amounts, and percentages for both gross and adjusted revenue. The reports shall be provided in a document prescribed by the Certificate of Need Program. The charity care reporting will continue through year three of operation of the Certificate of Need approved surgery center or year 2020 whichever is longer.
5. Confluence Health will submit annual budgets (required under WAC 246-454-030) that include budgeted charity care amounts for Moses Lake ASC that is at least comparable to the amount identified in the application or exceeding the average amount of charity care provided by the four hospitals in Grant County that would be affected by this project, whichever is greater.

Approved Costs

There is no estimated capital expenditure associated with this project.

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

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

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

Mailing Address:

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

Physical Address:

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

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

Sincerely,



Steve Bowman, PhD, MHA
Director, Office of Community Health Systems

Enclosure

EVALUATION DATED JUNE 12, 2017, FOR THE CERTIFICATE OF NEED APPLICATION SUBMITTED BY CONFLUENCE HEALTH PROPOSING TO ESTABLISH AN AMBULATORY SURGERY CENTER IN MOSES LAKE, WITHIN GRANT COUNTY

APPLICANT DESCRIPTION

Confluence Health is an integrated healthcare delivery system that includes two hospitals, twelve clinics, and more than 40 medical specialties and primary care to provide comprehensive medical care throughout North Central Washington. With over 270 physicians and 150 advanced practice clinicians, Confluence Health serves an area of approximately 12,000 square miles. Below is a listing of the two hospitals, two ambulatory surgery centers, one home health agency, and twelve medical clinics within Washington State. [source: Application, p7 and Confluence Health website]

Hospitals

Central Washington Hospital, Wenatchee
Wenatchee Valley Hospital, Wenatchee

Ambulatory Surgery Centers

Moses Lake ASC
Omak ASC

Home Health Agency

Central Washington Hospital Home Care Services

Clinics

Brewster Clinic, Brewster
Cashmere Clinic, Cashmere
Central Washington Clinic, Wenatchee
East Wenatchee Clinic, East Wenatchee
Ephrata Clinic, Ephrata
Methow Valley Clinic, Winthrop
Moses Lake Clinic, Moses Lake
Omak Clinic, Omak
Royal City Clinic, Royal City
Tonasket Clinic, Tonasket
Waterville Clinic, Waterville
Wenatchee Valley Clinic, Wenatchee

PROJECT DESCRIPTION

This project focuses on the Moses Lake Clinic located at 840 East Hill Avenue in Moses Lake, within Grant County. Moses Lake Clinic is a multispecialty clinic with more than 100 physicians associated with it. The clinic has been operational since at least 1996. The clinic provides a variety of outpatient healthcare services, including gastroenterology, optometry, podiatry, ophthalmology, urology, orthopedic, pediatric, and family medicine. The Moses Lake Clinic also includes an on-site ambulatory surgery center (ASC). [source: Confluence Health website-Omak Clinic]

On March 6, 1996, the Certificate of Need program issued an exemption to Wenatchee Valley Clinic for the establishment of an ASC. At that time, hospitals qualified for an exemption from Certificate of Need review, even if the surgery center was not located on the hospital campus or attached to the hospital. Certificate of Need program historical files do not indicate when the surgery center became operational. [source: CN historical files]

On March 13, 2012, Central Washington Hospital and Wenatchee Valley hospital affiliated and created a new corporation known as Confluence Health. The affiliation required prior Certificate of Need review. Confluence Health submitted its application on September 6, 2012. The Certificate of Need Program reviewed the project and released its approval on December 20, 2012. At that time, the program should have notified Confluence Health that its operation of the Moses Lake ASC no longer qualified for an exemption. This oversight by the Certificate of Need Program was discovered in early year 2016. After written communication and coordination with representatives of Confluence Health, this application was submitted in December 2016. [source: CN historical files]

The Moses Lake ASC is currently operational and both ORs are completely built out. Since Moses Lake ASC became operational in 1996, it has solely provided endoscopy and pain management services. This project does not propose a change in the types of services to be provided or an increase in the number of ORs. As a result, there is no capital expenditure associated with this project. [source: Application, p7 & p14]

If this project is approved, Confluence Health intends to continue operations at the ASC. Commencement and completion of the project would occur simultaneously and immediately upon CN approval. [source: Application, p16]

APPLICABILITY OF CERTIFICATE OF NEED LAW

Confluence Health's application is subject to review as the construction, development, or other establishment of a healthcare facility under the provisions of Revised Code of Washington (RCW) 70.38.105(4)(a) and Washington Administrative Code (WAC) 246-310-020(1)(a).

EVALUATION CRITERIA

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

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

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

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

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

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

- (i) Nationally recognized standards from professional organizations;*
- (ii) Standards developed by professional organizations in Washington State;*
- (iii) Federal Medicare and Medicaid certification requirements;*
- (iv) State licensing requirements;*
- (v) Applicable standards developed by other individuals, groups, or organizations with recognized expertise related to a proposed undertaking; and*
- (vi) The written findings and recommendations of individuals, groups, or organizations with recognized expertise related to a proposed undertaking, with whom the department consults during the review of an application.”*

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

TYPE OF REVIEW

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

APPLICATION CHRONOLOGY

Action	Confluence Health Moses Lake ASC
Letter of Intent Submitted	September 28, 2016
Application Submitted	December 22, 2016
Department’s pre-review activities <ul style="list-style-type: none"> • DOH 1st Screening Letter • Applicant's Responses Received • DOH 2nd Screening Letter • Applicant's Responses Received 	January 17, 2017 February 8, 2017 March 2, 2017 March 24, 2017
Beginning of Review	March 31, 2017
End of Public Comment <ul style="list-style-type: none"> • Public comments accepted through end of public comment • No public hearing requested or conducted 	May 5, 2017
Rebuttal Comments Received ¹	May 22, 2017
Department's Anticipated Decision Date	July 6, 2017
Department's Actual Decision Date	June 12, 2017

AFFECTED PERSONS

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

“...an “interested person” who:

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

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

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

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

¹ Confluence Health did not submit rebuttal comments during this review.

- (f) *Any person residing within the geographic area to be served by the applicant; and*
- (g) *Any person regularly using health care facilities within the geographic area to be served by the applicant.*

No entities requested or received interested or affected person status for this project.

SOURCE INFORMATION REVIEWED

- Confluence Health's Certificate of Need application received December 22, 2016
- Confluence Health's first screening response received February 8, 2017
- Confluence Health's second screening response received March 24, 2017
- Public comments received by the department through the close of business on May 5, 2017
- Year 2016 Annual Operating Room/Procedure Room Use Survey collecting 2015 data for Grant County
- Year 2012 Office of Financial Management population estimates, medium series
- Department of Health Integrated Licensing and Regulatory System database [ILRS]
- Licensing and/or survey data provided by the Department of Health's Investigations and Inspections Office
- Licensing data provided by the Medical Quality Assurance Commission, Nursing Quality Assurance Commission, and Health Systems Quality Assurance Office of Customer Service
- 2017 GI Endoscopy Coding and Reimbursement Guide
- 42 Code of Federal Regulations (CFR) 413.65-Requirements for a determination that a facility or an organization has provider-based status
- Confluence Health website at www.confluencehealth.org
- Joint Commission website at www.jointcommission.org
- Certificate of Need historical files

CONCLUSIONS

For the reasons stated in this evaluation, the application submitted by Confluence Health proposing to establish an ambulatory surgery center in Moses Lake, within Grant County is consistent with applicable review criteria of the Certificate of Need Program, provided that Confluence Health agrees to the following in its entirety.

Project Description

This certificate approves the establishment of a two-operating room ambulatory surgery center located in Moses Lake, within Grant County. Services provided are endoscopic and pain management services that can be appropriately performed in an outpatient setting.

Conditions:

1. Approval of the project description as stated above. Confluence Health further agrees that any change to the project as described in the project description is a new project that requires a new Certificate of Need.
2. The types of procedures provided at Moses Lake ASC are limited to the endoscopic and pain management procedures described in the application.
3. Moses Lake ASC will provide charity care in compliance with its charity care policies reviewed and approved by the Department of Health, or any subsequent policies reviewed

and approved by the Department of Health. Moses Lake ASC will use reasonable efforts to provide charity care in the amount identified in the application. This amount is 2.20% gross revenue and 4.47% of adjusted revenue. Moses Lake ASC will maintain records of charity care applications received and the dollar amount of charity care discounts granted. The department requires these records to be available upon request.

4. Moses Lake ASC will provide annual reports to the Certificate of Need Program showing the number of patients, charity care dollar amounts, and percentages for both gross and adjusted revenue. The reports shall be provided in a document prescribed by the Certificate of Need Program. The charity care reporting will continue through year three of operation of the Certificate of Need approved surgery center or year 2020 whichever is longer.
5. Confluence Health will submit annual budgets (required under WAC 246-454-030) that include budgeted charity care amounts for Moses Lake ASC that is at least comparable to the amount identified in the application or exceeding the average amount of charity care provided by the four hospitals in Grant County that would be affected by this project, whichever is greater.

Approved Costs:

There is no estimated capital expenditure associated with this project.

CRITERIA DETERMINATIONS

A. Need (WAC 246-310-210)

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

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

WAC 246-310-270(6)

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

Confluence Health

In response to this standard, Confluence Health provided the following statements. [source: Application, p14]

“The existing facility currently provides endoscopy and pain management procedures. The CN-approved facility will maintain two operating rooms and will continue providing the same health care services.”

Confluence Health also provided a copy of the single line drawing for the surgery center. [source: Application, Exhibit 7]

Public Comments

None

Rebuttal Comments

None

Department Evaluation

The application provided documentation and statements to demonstrate the surgery center has two ORs. During the review of this project, the Department of Health’s Construction Review Services complete a ‘technical assistance’ review and on-site visit of the surgery center. The on-site visit confirmed two ORs at the center. [source: CRS #60728991] **This sub-criterion is met.**

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

The methodology in WAC 246-310-270(9) divides Washington States into 54 secondary health services planning areas. The numeric methodology provides a basis of comparison for existing OR capacity for both outpatient and inpatient ORs in a planning area using the current utilization of existing providers.

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

- (a) Whether a surplus or shortage of ORs is predicted to exist in the target year; and
- (b) If a shortage of ORs is predicted, the shortage of dedicated outpatient and mixed-use rooms are calculated.

Data used to make these projections specifically exclude special purpose and endoscopy operating rooms and procedures.

Confluence Health Numeric Methodology

Confluence Health provided the following information regarding the numeric methodology. [source: Application, pp19-23 and Exhibit 9]

“As shown in Table 6 below, there are 6 CN-approved ORs in the Grant County Planning Area, including 6 inpatient/mixed use ORs and 1 CN-approved outpatient OR at Quincy Valley Medical Center (“QVMC”). However, there were no cases or minutes reported for that QVMC outpatient OR. Furthermore, while licensed, non-CN-approved outpatient ORs have been identified (see Exhibit 4) and their outpatient surgery volumes included in the methodology to determine planning area surgery use rates, their ORs have not been included in the count of ORs in Table 6.”

Table 6 of Applicant’s Methodology

Facility Name	Number of ORs		
	Inpatient	Outpatient	Mixed Use
<i>Coulee Medical Center</i>	<i>0</i>	<i>0</i>	<i>2</i>
<i>Samaritan Healthcare</i>	<i>0</i>	<i>0</i>	<i>4</i>
<i>Quincy Valley Medical Center</i>	<i>0</i>	<i>1</i>	
<i>Columbia Basin Hospital</i>	<i>0</i>	<i>0</i>	<i>0</i>
Total		1	6

After identifying planning area inpatient/mixed use and outpatient surgical capacity, surgery volumes by licensed surgery center were obtained from two sources:

- (1) When available, data from the Program's 2016 Annual Ambulatory Surgery Survey for Surgical Procedures Performed during CY2015 ("Survey") was utilized. This information was used for all CN-approved facilities, as well as the one CN-exempt facility (the Moses Lake ASC).*
- (2) Samaritan Healthcare did not submit a response to the Program's 2016 or 2015 Survey. Therefore, the Program's 2014 Survey responses were used.*

Based on the estimated inpatient and outpatient surgery cases for 2015 and the Grant Planning Area 2015 population, the surgical use rate was calculated at 45.77 surgeries per 1,000 population (Exhibit 9). It should be noted that it is likely this use rate will increase over the forecast period for at least two reasons:

- (1) The planning area population is becoming older, as discussed above. Older persons have a much higher surgery use rate than younger persons; hence, as the population ages, other things being equal, the surgery use rate will rise.*
- (2) Surgical services are shifting to outpatient settings due to improved clinical practices/technologies that allow surgeries to be performed on an outpatient basis. This change in clinical practice also induces an increase in the outpatient surgery use rate. As such, a 45.77 use rate per 1,000 residents for ambulatory surgeries, held constant, is a conservative approach and may be underestimating future demand for outpatient surgeries.*

As noted above, 2019 will be the third full year of operation for the purposes of the need methodology.

The model shows a projected net surplus of 2.7 mixed use ORs in Grant Planning Area in 2019. However, the proposed project does not seek to expand scope of service or add additional outpatient ORs, but to receive CN-approval for the existing Moses Lake ASC without changing from its current mix of services (i.e. endoscopy and pain management procedures). [emphasis in original]

Public Comments

None

Rebuttal Comments

None

Department's Numeric Methodology

WAC 246-310-270(2) identifies 54 separate planning areas for the state. Moses Lake ASC is located in Grant County, which is one planning area for the methodology. According to the department's historical records, there are four hospitals and one surgery center located in the Grant County planning area. Table 1 below shows the planning area providers. [source: CN historic files and DOH ILRS database]

Table 1
Grant County Planning Area Surgical Providers

Facility	City	Facility Type
Columbia Basin Hospital	Ephrata	Hospital
Coulee Medical Center	Grand Coulee	Hospital
Quincy Valley Medical Center	Quincy	Hospital
Samaritan Healthcare	Moses Lake	Hospital
Moses Lake ASC (applicant)	Omak	ASC

[source: ILRS]

For the four hospitals, all known OR capacity and inpatient/mixed-use procedures are included in the methodology calculations for the planning area.

Because there is no mandatory reporting requirement for utilization of ASCs or hospital ORs, the department sends an annual utilization survey to all hospitals and known ASCs in the state. This application was submitted on December 22, 2016. The most recent utilization survey was mailed in August 2016 and collected data for year 2015. The data provided in the utilization survey is used, if available. For Grant County, all four hospitals submitted responses.

For the Moses Lake ASC, the facility received an exemption (considered a Certificate of Need-exempt ASC) and the use of this ASC is restricted to physicians that are employees or members of the clinical practices that operate the facility. For Certificate of Need-exempt ASCs, the number of surgeries, but not ORs, is included in the methodology for the planning area. Since the surgery center no longer qualifies for the exemption, the department would consider including the facility in the methodology. However, the procedures provided at the ASC are solely endoscopic. The numeric methodology deliberately excludes endoscopy facilities OR capacity and procedures from the

numeric methodology.² As a result, the ORs and procedures for Moses Lake ASC will not be counted in the numeric methodology.

The data points used in the department's numeric methodology are identified in Table 2. The methodology and supporting data used by the department is provided in Appendix A attached to this evaluation.

**Table 2
Department's Methodology Assumptions and Data**

Assumption	Data Used
Planning Area	Grant County
Population Estimates and Forecasts	Age Group: 15 years and older OFM Population Data released year 2012, medium series: Year 2015 – 71,398 Year 2019 – 77,812
Use Rate	Divide calculated surgical cases by 2015 population results in the service area use rate of 54.035/1,000 population
Year 2015 Total Number of Surgical Cases	0 – Inpatient 3,858 – Outpatient 3,858 – Total Cases
Percent of surgery: ambulatory vs. inpatient	Based on DOH survey: 100.0% ambulatory (outpatient); 0.0% inpatient
Average minutes per case	Based on DOH survey: Outpatient cases: 80.45 minutes Inpatient cases: 0 minutes
OR Annual capacity in minutes	68,850 outpatient surgery minutes; 94,250 inpatient or mixed-use surgery minutes (per methodology in rule)
Existing providers/ORs	Based on listing of Grant County Providers: 1 dedicated outpatient ORs 6 mixed use ORs
Department's Methodology Results	Surplus of 3.14 mixed-use ORs

Based on the assumptions described in Table 2 above, the department's application of the numeric methodology indicates a surplus of 3.14 mixed-use ORs in year 2019.

When comparing the applicant's and department's methodologies, the difference appears to be the result of information from Samaritan Healthcare. It is true that Samaritan Healthcare did not submit OR utilization survey responses for years 2014 and 2015. On January 31, 2017, Samaritan Healthcare submitted its 2015 survey responses. As a result the department was able to use the information in its own numeric methodology. The resulting difference is the amount of surplus: the applicant's 2.70 surplus vs the department's 3.14 surplus.

² WAC 246-310-270(9)(iv).

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

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

Confluence Health

After acknowledging that its numeric methodology resulted in a surplus of ORs for Grant County, Confluence Health provided the following information related to this sub-criterion. [source: Application, p18 & p23 and February 8, 2017, screening response, p2 and p5]

"This project requests conversion of WVH's existing two-operating suite ambulatory surgery center located in Moses Lake to a certificate of need approved ASF. Although the Moses Lake ASC is currently operational and has been CN-exempt, this request is a good faith response to the Department of Health issuing a Hold letter indicating that the ASC was subject to Certificate of Need Review. As no construction is needed for this project, the project will be complete upon CN approval."

CN approval will also open the ASF to all physicians in the community who are credentialed and privileged as a member of WVH's medical staff. This will improve Grant Planning Area residents' access to a full complement of all endoscopy and pain procedures, as non-WVH physicians gain access to the Moses Lake ASC. Further, because freestanding ASFs are more efficient and cost-effective in comparison to hospital outpatient surgery departments, the contractual rates for purchasers can be lower in a freestanding setting which translates to cost savings for the patients.

*In summary, we recognize WAC 246-310-270(4) states "Operating rooms should ordinarily not be approved in planning areas where the total number of operating rooms available for both inpatient and outpatient surgery exceeds the area need. However, **our situation is extraordinary** given that:*

- (1) the Moses Lake ASC has been in operation since 1996;*
- (2) it is the only outpatient ASC in the Grant Planning Area, thus, is the only provider of convenient, low cost outpatient care, which is preferred by patients;*
- (3) we are not requesting a change in scope of services; and*
- (4) this request is driven only by a change of ownership and the ensuing request by the Department to become CN-approved.*

Further, as mentioned above, market demand for surgeries is moving away from inpatient to outpatient surgeries due to advances in medical practice that allow physicians to perform safe, high-quality procedures in an outpatient setting, as well as patient expectations and preferences for more care being available in an ambulatory setting. There also is growing demand by payers and other stakeholders to move care delivery to lower cost care settings, as appropriate. Our ASC meets these needs.

The quote referenced above was concerning the general market trend within the healthcare industry and not the Grant Planning Area specifically, although the same factors affect resident in Grant County, as well. The general drivers of this change in utilization patterns from an inpatient setting to ambulatory and freestanding facilities include evolving reimbursement and payment reform, enhanced focus for cost control, and advances in medical and procedural techniques and technology. [emphasis in original]

It should be noted that the Grant County Planning Area includes three critical access hospitals: Coulee Medical Center, Quincy Valley, and Columbian Hospital. It also includes Samaritan Healthcare, a 47-bed general medical hospital. In this county, there are few inpatient surgeries taking place since these hospital providers are so small in size. If Planning Area residents do need surgeries, and if they are complex surgeries, residents out-migrate to larger hospitals. Inpatient statistics from CHARS demonstrate this.”

The Moses Lake ASC services are billed under freestanding ASC rates, not as a HOPD (“hospital outpatient department”). Even if the ASC were to be added to the hospital’s acute care license, the location of the ASC is geographically too far away from the WVH main campus to establish it as a “provider based” hospital outpatient department for purposes of billing the Medicare program under hospital rates. See 42 C. F. R. § 413.65(e)(3) and Section 603 of the Bipartisan Budget Act of 2015 Relating to Payment for Certain Items and Services Furnished by Off-Campus Provider Based Departments of a Hospital.”

Public Comment

During the review of this project, the department received 23 letters expressing support for the surgery center. One of the letters was submitted by a Confluence Health physician. Below is an excerpt from the physician’s letter. [source: Jason Lake, MD public comment, p1]

“I also understand these CN requests are in response to the Department of Health requesting that WVH obtain CN approvals. These two approvals will allow the Moses Lake and Omak ASCs’ continued operations; they will each maintain their procedure/operating rooms and will continue providing the same health care services. CN approvals will create ambulatory surgery facilities that will be open to all physicians in Moses Lake and Omak and surrounding communities and towns who are credentialed and privileged as a member of our medical staff, improving local access for other local surgeons. Further, because freestanding ASFs are more efficient and cost-effective in comparison to hospital outpatient surgery departments, the contractual rates for purchasers are lower in a freestanding setting which translates to cost savings for the patients.”

Twenty-one letters were a form letter. Each form letter was signed by a community member and submitted for public comment. Below is a restatement of the contents of the form letter.

“I am a patient of Confluence Health. I understand that Confluence Health/Wenatchee Valley Hospital has submitted a certificate of need request for its ambulatory surgical center and that this is necessary for the surgery center to remain in my area.

I would like to express my support for this service to remain here. The convenience of having my procedure done locally by my physician that I trust is an enormous benefit to myself as well as others in my rural community.”

The form letter was signed by patients residing within Grant County, which includes the cities of Moses Lake, Soap Lake, and Warden. A few of the letters were signed by patients residing outside of Grant County, such as Ellensburg in Kittitas County and Palouse in Whitman County. Both counties are adjacent to Grant County.

Samaritan Healthcare also provided a letter of support. Excerpts from the letter that focus on this review criterion is below. [source: Samaritan Healthcare, April 13, 2017, public comment, p1]

“Confluence has been a good partner of Samaritan's over the years. We acknowledge the need for its ASC to continue, and to operate in compliance with current CN requirements. However, given the current and projected surplus of ASC capacity in Grant County, and given that we at Samaritan serves the same service area and has capacity to serve additional patients in our existing operating rooms, we respectfully request that the CN be approved with two conditions. The first condition would be to limit Confluence to the procedures noted in Table 2 of its CN application. We understand that this type of limitation is a relatively standard condition on an ASC CN.

Secondly, we request that the CN Program limit Confluence to two rooms at the current location. We are aware of the March 16, 2017 effective date of revisions to WAC 246-310-020(1)(a) (iii). Effectively, the new rules require that any CN approved ASC that intends to expand the number of operating rooms be reviewed as the establishment of a new ASC. As such, this requested condition would assure the decision is in conformance with the new requirement.”

Department Evaluation

This project does not propose to increase the types of surgeries provided or the number of ORs at Moses Lake ASC; rather, the project requests that Confluence Health maintain its current operations of the ASC at the same site to allow for continued access to endoscopic and pain management services for patients.

Confluence Health intends to license the ASC under Revised Code of Washington (RCW) 70.230, rather than under the Wenatchee Valley Hospital license. Regardless of the licensure, Confluence Health is precluded from including a hospital facility fee in its patient billing because the surgery center is more than 35 miles from Wenatchee Valley Hospital. [source: 42 CFR 413.65(e)(3)] As a result, Confluence Health would be reimbursed at the ambulatory surgery rates, rather than hospital outpatient department rates, which results in reduced overall costs of healthcare to the community. This conclusion is supported by a cost comparison review between ambulatory surgery and hospital outpatient departments. [source: 2017 GI Endoscopy Coding and Reimbursement Guide]

The department concurs with Samaritan Healthcare’s suggestions for two conditions. If the project is approved, the department would limit Moses Lake ASC to the two ORs currently in operation. The limitation is identified in the project description of an approval. The department would include a condition limiting the procedures performed at the surgery center to the endoscopic and pain management procedures currently performed at Moses Lake ASC. The condition is stated below.

- The types of procedures provided at Moses Lake ASC are limited to the endoscopic and pain management procedures described in the application.

In summary, based on information provided in the application and Confluence Health’s agreement to the condition identified above, this project meets the sub-criterion for approval of an ASC in Grant County. **This sub-criterion is met.**

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

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

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

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

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

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

Confluence Health

Confluence Health provided copies of the following policies specifically used at all of Confluence Health's affiliates, including the Moses Lake and Omak ASCs operated by Wenatchee Valley Hospital. [source: Application, Exhibits 11, 12, 13, and 14]

- Charity Care Policy-Approved April 2016
- Admissions Policy-Approved July 2016
- Non-Discrimination Policy-Approved October 2016
- Patient Rights and Responsibilities: Hospital and Clinic Patients-Approved April 2014

In addition, Confluence Health provided a copy of the following Admission Policy specific to its surgery centers in Omak and Moses Lake.

- ASC Nursing Admission Assessment and Care Plan – Approved August 2014

The policy focuses on patients receiving outpatient procedures and outlines roles and responsibilities for the the patient and the surgery center.

Moses Lake ASC is currently Medicare and Medicaid certified. Confluence Health provided its current and projected sources of revenue by payer at the surgery center. A breakdown of revenue sources is shown in Table 3. [source: Application, p15]

**Table 3
Moses Lake ASC
Current and Projected Payer Mix**

Revenue Source	Current	Projected
Medicare	40.7%	40.7%
Medicaid	14.1%	14.1%
Commercial	43.6%	43.6%
L & I/Other	1.6%	1.6%
Total	100.0%	100.0%

In addition to the policies and payer mix information, Confluence Health provided the following information related to uncompensated care provided by its hospitals. [source: Application, 27]

“WVH and its affiliated management services organization, Confluence Health, provides services across the continuum of care in the North Central Washington region. WVH/Confluence Health patients are treated and cared for regardless of gender, ethnicity, disabilities or their ability to pay. Our goal is to deliver high-quality, safe, compassionate, and cost-effective care close to home. WVH/Confluence Health takes seriously its responsibility to provide access to the services, expertise and facilities needed by our communities. In accordance with our mission, WVH and Confluence Health are committed to meeting community and regional health needs.”

Moses Lake ASC will provide charity care consistent with the Confluence Health policy, included as Exhibit 11. As discussed below, Moses Lake's pro forma financial forecast includes the provision of charity care at 2.02% of gross revenues, consistent with the three-year Central Washington regional average. This approach should be conservative, since with the implementation of the Affordable Care Act ("ACA") in Washington, the numbers of uninsureds has fallen, and as a result, charity care figures beginning in 2013, have also fallen. The 2014 figure was only 68% of the 2013 charity care average, and 60% of the 2012 average for the Region.

Further, Table 8 demonstrates that Confluence Health's hospitals have comparable three-year charity care averages, as a percent of adjusted revenues, compared to the Central Washington region as a whole.”

Below is a recreation of Table 8 provided in Confluence Health's application.

Region/Hospital	% of Total Revenue			
	2012	2013	2014	3 Year Average 2012-2014
<i>Central Washington Hospital</i>	<i>2.11%</i>	<i>1.94%</i>	<i>1.49%</i>	<i>1.81%</i>
<i>Wenatchee Valley Hospital</i>	<i>1.82%</i>	<i>1.70%</i>	<i>Late Reporting</i>	<i>1.75%</i>
<i>Central Washington Region Totals</i>	<i>2.49%</i>	<i>2.16%</i>	<i>1.48%</i>	<i>2.02%</i>

Region/Hospital	% of Adjusted Revenue			
	2012	2013	2014	3 Year Average 2012-2014
<i>Central Washington Hospital</i>	<i>6.79%</i>	<i>5.29%</i>	<i>5.29%</i>	<i>6.04%</i>
<i>Wenatchee Valley Hospital</i>	<i>4.12%</i>	<i>3.55%</i>	<i>Late Reporting</i>	<i>3.81%</i>
<i>Central Washington Region Totals</i>	<i>5.77%</i>	<i>4.94%</i>	<i>3.68%</i>	<i>4.78%</i>

Public Comments

None

Rebuttal Comments

None

Department Evaluation

Confluence Health has been providing healthcare services to the residents of Chelan County for many years through its two hospitals: Wenatchee Valley Hospital and Central Washington Hospital, both located in Wenatchee. The Admission Policy provided for the two hospitals and the Moses Lake ASC includes the following statement:

“No admission will be denied based on race, creed, age, sex, sexual preference, religious status, color, national origin, disability or financial status.”

The ‘ASC Nursing Admission Assessment and Care Plan’ provided in conjunction with the Admission Policy includes the following statement:

“It is the policy of Confluence Health-Wenatchee Valley Hospital Ambulatory Surgery Centers to have a system in place to develop an individualized nursing plan of care for patients undergoing outpatient procedures, based on initial and ongoing nursing assessment. WVH ASC procedure room nursing staff will document individualized nursing assessment and plan care in an interdisciplinary manner, to include periodic assessment for risk of falls, skin conditions, pressure ulcers, pain medication use, therapeutic effects and side or adverse effects.”

The policy provides the guidelines to be followed by staff of the surgery center, including pre- and post-surgical patient assessment processes for the following standard nursing assessment elements: fall risk, skin condition, mental status, pain status, and medication use/effects.

The Non-Discrimination Policy includes the following language.

“It is the policy of Confluence Health and its affiliates to provide equal access to its facilities and services without unlawful discrimination on the basis of race, color, national origin, disability, age, sex, sexual orientation, creed, religion, marital status, veteran or military status, or any other status protected by law.

This policy applies to all members of the workforce, including employees, medical staff members, contracted service providers, volunteers, representatives, and any other individuals providing services on behalf of Confluence Health or its affiliates.”

The Non-Discrimination Policy also includes a section for ‘*complaints and grievances*’ to be used if a patient or staff believes they have been subject to discrimination.

The Patient Rights and Responsibilities Policy includes the following language.

“It is the Policy of Confluence Health (CH) and affiliated providers and organizations (Central Washington Hospital and Clinics, Wenatchee Valley Hospital and Clinics, Wenatchee Valley Medical Group) to comply with Federal and State guidelines to establish and maintain an atmosphere of interaction between staff and patients that reflects a

fundamental concern with and respect for patients' rights, in compliance with state and federal laws and accrediting agencies and regarding patient rights, including:

- 1. Washington State WAC 246-320-141, Patient Rights*
- 2. Centers for Medicare & Medicaid Services 42 CFR Part 482.13, Hospital Conditions of Participation: Patients' Rights*
- 3. Centers for Medicare & Medicaid Services 42 CFR Part 416.50, Ambulatory Surgical Center Conditions for Coverage: Patients' Rights*
- 4. Center for Medicare & Medicaid Services 42 CFR Part 484.10, Home Health Agencies: Patients' Rights*
- 5. Center for Medicare & Medicaid Services 42 CFR Part 418.52, Hospice: Patients' Rights*
- 6. Center for Medicare & Medicaid Services 42 CFR Part 483.10 Skilled Nursing Facility (TCU): Patients' Rights*
- 7. Commission on Accreditation of Rehabilitation Facilities (CARF), Medical Rehabilitation Standards: Rights of Persons Served”*

This policy provides the assurance that patients are informed of their rights and responsibilities and the healthcare facility intends to respect patients' rights. The Moses Lake and Omak ASCs are referenced in the document under section (C), which states:

“Ambulatory Surgery Centers: The ASC will provide the patient or their representative with a verbal and written notice of the statement of Patient Rights and Responsibilities in advance of the date of their ASC procedure.”

A review of the department website confirms that the policies listed above are posted to the Department of Health website as required under WAC 246-320-141. Though not required to be provided as part of this application review, Confluence Health's End of Life and Reproductive Health policies are also posted to the department website.

Moses Lake ASC's current Medicare revenues are approximately 41% of total revenues. Confluence Health does not anticipate any changes in Medicare percentages if this project is approved. Additionally, financial data provided in the application shows Medicare revenues.

Focusing on Medicaid revenues, Confluence Health expects no change from the approximately 14% currently provided at Moses Lake ASC if this project is approved. The financial data provided in the application also shows Medicaid revenues.

Commercial and other revenues are also expected to remain the same at 45% for the surgery center.

The Charity Care Policy provided in the application has been reviewed and approved by the Department of Health's Charity Care and Hospital Financial Data Program (CCHFDP). The policy outlines the process one would use to obtain financial assistance or charity care. The policy was approved in April 2016. This is the same policy posted to the department's website for Wenatchee Valley Hospital and Cascade Medical Center. The pro forma financial documents provided in the application include a charity care 'line item' as a deduction of revenue

WAC 246-310-270(7)

WAC 246-310-270(7) requires that ASCs shall implement policies to provide access to individuals unable to pay consistent with charity care levels reported by the hospitals affected by the proposed ASC. For charity care reporting purposes, Washington State is divided into five regions: King

County, Puget Sound (less King County), Southwest, Central, and Eastern. Wenatchee Valley Hospital is located in Chelan County; Moses Lake ASC is located in Grant County. Both Chelan and Grant counties are within the Central Region.

Currently there are 21 hospitals operating within the region. Of the 21 hospitals, some did not report charity care data for years reviewed. The chart below shows the hospitals that did not report for specific years.

2013	2014	2015
Quincey Valley Hospital Wenatchee Valley Hospital	Quincey Valley Hospital Wenatchee Valley Hospital Sunnyside Community Hospital	Quincey Valley Hospital Wenatchee Valley Hospital Sunnyside Community Hospital

As shown in the chart above, Wenatchee Valley Hospital did not report its charity care data for all three years. Hospitals affected by the Moses Lake ASC located in Grant County are: Columbia Basin Hospital in Ephrata, Coulee Medical Center in Grand Coulee, Quincy Valley Hospital in Quincy, and Samaritan Healthcare in Moses Lake.

Table 4 compares the three-year historical average of charity care provided by the hospitals currently operating in the Central Region (with the exception of those that did not report) and Moses Lake ASC’s projected charity care percentages for year 2019. The table also compares Moses Lake ASC’s historical and projected percentages of charity care with the combined percentage of the three hospitals located and Grant County and reported data for years 2013 through 2015.³ [source: Application, Exhibit 15A and HFCC Program’s 2013-2015 charity care summaries]

**Table 4
Charity Care Percentage Comparisons**

	Percentage of Total Revenue	Percentage of Adjusted Revenue
Central Region Historical Average	1.50%	3.67%
Three of Four Grant County Hospital’s Averaged	1.70%	3.08%
Moses Lake ASC Historical Average	0.0%	0.0%
Moses Lake ASC Projected Average	2.02%	4.47%

As noted in Table 4 above, the Central Regional average is slightly lower than the three Grant County hospitals combined. The table shows that Moses Lake ASC has not historically provided charity care. In response to the department’s inquiry about lack of charity care at the surgery center, Confluence Health provided the following statements. [source: February 8, 2017, screening response, p8]

“Please note, in years prior to 2016, there was no allocation of bad debt or charity care down to the department-level, thus, the Moses Lake ASC financial statement did not include these two Deductions from Revenue figures.”

For this project Confluence Health projects that Moses Lake ASC would provide charity care above the Central Region average, above the average for the three hospitals that reported data in Grant County, and above the amount that could be documented as historically provided at the surgery center. Given that Moses Lake ASC’s lack of documented charity care and Confluence Health’s

³ Quincy Valley Hospital did not report data and could not be included in the calculations.

lack of reported charity care for Wenatchee Valley Hospital, if this project is approved, the department would attach two conditions to the approval. One condition would require the surgery center to provide charity care at a certain percentage and the second condition would require Moses Lake ASC to report its charity care percentage and dollars to the Certificate of Need Program through year three of operation of the Certificate of Need approved surgery center or year 2020 whichever is longer.

The specific charity care conditions are below.

- Moses Lake ASC will provide charity care in compliance with its charity care policies reviewed and approved by the Department of Health, or any subsequent policies reviewed and approved by the Department of Health. Moses Lake ASC will use reasonable efforts to provide charity care in the amount identified in the application. This amount is 2.20% gross revenue and 4.47% of adjusted revenue. Moses Lake ASC will maintain records of charity care applications received and the dollar amount of charity care discounts granted. The department requires these records to be available upon request.
- Moses Lake ASC will provide annual reports to the Certificate of Need Program showing the number of patients, charity care dollar amounts, and percentages for both gross and adjusted revenue. The reports shall be provided in a document prescribed by the Certificate of Need Program. The charity care reporting will continue through year three of operation of the Certificate of Need approved surgery center or year 2020 whichever is longer.
- Confluence Health will submit annual budgets (required under WAC 246-454-030) that include budgeted charity care amounts for Moses Lake ASC that is at least comparable to the amounts identified in the application or exceeding the average amount of charity care provided by the four hospitals in Grant County that would be affected by this project, whichever is greater.

Based on the information provided in the application and with Confluence Health's agreement to the conditions stated above, the department concludes **this sub-criterion is met.**

- (3) The applicant has substantiated any of the following special needs and circumstances the proposed project is to serve.
- (a) The special needs and circumstances of entities such as medical and other health professions schools, multidisciplinary clinics and specialty centers providing a substantial portion of their services or resources, or both, to individuals not residing in the health service areas in which the entities are located or in adjacent health service areas.

Department Evaluation

This sub-criterion is not applicable to this application.

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

Department Evaluation

This sub-criterion is not applicable to this application.

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

Department Evaluation

This sub-criterion is not applicable to this application.

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

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

Department Evaluation

This sub-criterion is not applicable to this application.

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

Department Evaluation

This sub-criterion is not applicable to this application.

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

Department Evaluation

This sub-criterion is not applicable to this application.

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

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

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

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

Confluence Health

Confluence Health provided the following assumptions to determine the projected number of procedures at Moses Lake ASC. [source: Application, p25]

1. First, the average annual procedure volume during 2014-2016 was calculated; incorporating the annualized 2016 case figures as shown in Table 2 [of the application].
6. The average annual growth rate for the Grant County Planning Area resident population for 2015-2020 (1.7%) was applied to the 2016 annualized procedure total from Table 2 to project 2017 procedure counts.

Footnote: The population figures used in this utilization forecast are the same used in the need model (i.e. OFM Medium Series Forecasts 2010-2040).

2. The remaining year-over-year growth rate was derived from 2015-2020 and 2020-2025 average annual population growth rates. Therefore, the 2015-2020 growth rate (1.7%) was applied to the 2018 to 2020 case counts, by year, while the 2020-2025 growth rate (1.6%) was applied to the 2021-2022 cases, by year.

The annualized case volume from 2016 is a reasonable and conservative baseline. Further, a very modest growth rate is applied that is driven only off forecasted planning area population growth. Therefore, the use rate and market share will be conservative projections.

Using the assumptions stated above, Confluence Health projected the number of procedures broken down by CCS code for years 2017 through 2022. Table 5 shows the projections for years 2017 through 2020. [source: Application, p24 and February 8, 2017, screening response, p3]

Table 5
Moses Lake ASC Projected Procedures for Years 2017 through 2020

Procedure	CY 2017	CY 2018	CY 2019	CY 2020
Colonoscopy and Biopsy	1,522	1,548	1,573	1,599
Upper Gastrointestinal Endoscopy, Biopsy	292	296	301	306
Endoscopy and Endoscopic Biopsy of the Urinary Tract	107	109	111	113
Esophageal Dilatation	126	128	130	132
Insertion of catheter or spinal stimulator and injection into spinal canal	111	113	115	117
All Other Procedures ⁴	162	165	168	170
Total	2,320	2,359	2,398	2,437

Tables may not add due to rounding

The assumptions Confluence Health used to project revenue, expenses, and net income for its Moses Lake ASC for projection years 2018 through 2025 are below. [source: Application, pp29-31]

⁴ All other cases include those cases with less than five throughout a five-year period. Examples include removal of urinary obstruction, Proctoscopy and anorectal biopsy, and Procedures on the urethra. [source: February 8, 2017, screening response, p3]

1. Inflation of gross and net revenues was excluded from the models.
2. Revenues were calculated using actual revenue statistics from the Moses Lake ASC.
3. Deductions from revenue were calculated based on Moses Lake ASC payer reimbursement figures from 2015 actuals, by payer. Contractual allowances, by payer are included in Exhibit 15.
4. Bad debt is assumed constant at 1.5% of gross revenues, consistent with 2015 actuals.
5. Charity care is assumed constant at 2.02% of gross revenue. It should be noted this figure is consistent with the Central Washington regional charity care average of 2.02% over the 2012-2014 period.
6. The payer percentages for gross revenues is provided in the table below. The payer mix is based on Moses Lake ASC actuals.

Payer	Gross Revenue	% of Total
Medicare	\$ 1,096,819	40.7%
Medicaid	\$ 381,397	14.1%
Commercial/Health Care Contractor	\$ 1,175,806	43.6%
L&I	\$ 5,196	0.2%
Other	\$ 37,702	1.4%
Total	\$ 2,696,920	100.0%

7. 'Drugs and Pharmaceuticals', 'Medical Supplies', 'Chargeable Supplies ', and 'Other Supplies' were calculated on a per case basis, driven off Moses Lake ASC actuals (2015). These per unit costs were extrapolated forward based on the utilization forecast for the ASC.
8. Staffing requirements are based on 2015 FTE counts at Moses Lake ASC. The number of FTEs, by type are included in Table 10, below. Detailed FTE tables are also included in Exhibit 15.
9. Wage and salary figures are specific to each group of FTEs and are based on Moses Lake ASC 2015 actuals. It is assumed a FTE works 2,080 hours per year.
10. Benefits and payroll tax costs were calculated as 28.5% of total wages and salaries, based on 2015 actuals at the Moses Lake ASC.
11. B&O taxes were calculated at 1.6% of net revenue.
12. Depreciation has been explained above.
13. Lease costs include lease fees and landlord-allocated operating expenses. The lease fee was \$16.21 per rentable square foot ("RSF"), based on the master lease agreement in 2013, provided in Exhibit 5. In accordance with the lease agreement, the 2013 figure (\$16.21 per RSF) was increased to 2015 dollars (\$16.73/RSF) based on the consumer price index for the Seattle metropolitan area, based on Bureau of Labor Statistics (BLS) data. The lease cost per RSF is inflated 1.4% per year from 2015 forward, based on the 2015 annual increase in the consumer price index for the Seattle metropolitan area. As Exhibit 7 shows, the total square footage for the Moses Lake ASC is 3,670 RSF.
14. An indirect cost allocation was estimated to be 15% of net revenue, as provided by the applicant. This allocation accounts for allocated costs for WVH administration, finance, including billing and collection, human resources, legal, etc.
15. Inflation was not included in any operating expense forecasts.

Confluence Health projected revenue, expenses, and net income for Moses Lake ASC for projection years 2017 through 2022. Table 6 shows years 2017 through 2020. [source: February 8, 2017, Revised Exhibit 15B]

Table 6
Moses Lake ASC
Projections for Years 2017 through 2020

	CY 2017	CY 2018	CY 2019	CY 2020
Net Revenue	\$ 1,257,868	\$ 1,278,661	\$ 1,299,797	\$ 1,321,281
Total Expenses	\$ 1,256,414	\$ 1,264,044	\$ 1,271,801	\$ 1,279,683
Net Profit / (Loss)	\$ 1,454	\$ 14,617	\$ 27,996	\$ 41,598

The 'Net Revenue' line item is total gross revenue, minus contractual adjustments, bad debt, and charity care. The 'Total Expenses' line item includes all expenses related to the ASC, including all staff salaries/wages and lease expenses. This line item also includes allocated costs averaging \$193,410 annually in each of the four years.

Since the Moses Lake ASC is owned and operated under Wenatchee Valley Hospital, Confluence Health also provided its projected revenue, expenses, and net income for the hospital and the Moses Lake ASC. Table 7 shows projection years 2017 through 2020. [source: February 8, 2017, screening response, Exhibit 20]

Table 7
Wenatchee Valley Hospital and Moses Lake ASC
Projections for Years 2017 through 2020

	CY 2017	CY 2018	CY 2019	CY 2020
Net Revenue	\$ 333,733,516	\$ 333,754,308	\$ 333,775,444	\$ 333,796,929
Total Expenses	\$ 331,074,902	\$ 331,078,530	\$ 331,082,219	\$ 331,085,970
Net Profit / (Loss)	\$ 2,658,614	\$ 2,675,778	\$ 2,693,225	\$ 2,710,959

Confluence Health has also submitted a Certificate of Need application proposing to establish an ASC in Omak within Grant County. During the review of this project, the department requested Confluence Health provide its projected revenue, expenses, and net income for the hospital, the Omak ASC, and the Moses Lake ASC. Table 8 below shows projection years 2017 through 2020. [source: Omak ASC March 24, 2017, screening response, p5]

Table 8
Wenatchee Valley Hospital, Omak ASC, and Moses Lake ASC
Projections for Years 2017 through 2020

	CY 2017	CY 2018	CY 2019	CY 2020
Net Revenue	\$ 334,995,217	\$ 335,018,709	\$ 335,042,558	\$ 335,066,765
Total Expenses	\$ 332,317,305	\$ 332,325,466	\$ 332,333,757	\$ 332,342,175
Net Profit / (Loss)	\$ 2,677,912	\$ 2,693,243	\$ 2,708,801	\$ 2,724,590

Public Comments

None

Rebuttal Comments

None

Department Evaluation

To evaluate this sub-criterion, the department first reviewed the assumptions used by Confluence Health to determine the projected number of procedures for the Moses Lake ASC. Since the surgery center is currently operational, Confluence Health based the majority of its assumptions on current operations. This approach is reasonable.

Confluence Health based its revenue and expenses for the Moses Lake ASC on the assumptions referenced above and used its current operations as a base-line for the revenue and expenses for the hospital. This approach is also reasonable.

In the 'project description' section of this evaluation, the department stated that Confluence Health also submitted a Certificate of Need application for its Omak ASC. For that reason, the department required Confluence Health to provide a projected revenue and expense statement for the hospital and both surgery centers. Confluence Health provided the statement and explained the differences in the expense line items for each of the surgery centers.

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

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

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

Confluence Health

This project does not propose a change in the types of services to be provided or an increase in the number of ORs. As a result, there is no capital expenditure associated with this project. [source: Application, p7 & p14]

This sub-criterion is not applicable to this application.

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

WAC 246-310 does not contain specific source of financing criteria as identified in WAC 246-310-200(2)(a)(i). There are also no known recognized standards as identified in WAC 246-310-200(2)(a)(ii) and (b) that directs how a project of this type and size should be financed. Therefore, using its experience and expertise the department compared the proposed project's source of financing to those previously considered by the department.

Confluence Health

This project does not propose a change in the types of services to be provided or an increase in the number of ORs. As a result, there is no capital expenditure associated with this project. [source: Application, p7 & p14]

This sub-criterion is not applicable to this application.

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

Based on the source information reviewed and agreement to the conditions identified in the conclusion section of this evaluation, the department determines that Confluence Health met the applicable structure and process of care criteria in WAC 246-310-230.

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

WAC 246-310 does not contain specific WAC 246-310-230(1) criteria as identified in WAC 246-310-200(2)(a)(i). There are also no known recognized standards as identified in WAC 246-310-200(2)(a)(ii) and (b) that directs what specific staffing patterns or numbers of FTEs [full time equivalents] that should be employed for projects of this type or size. Therefore, using its experience and expertise the department concludes that the planning would allow for the required coverage.

Confluence Health

Confluence Health provided the following statements related to this sub-criterion. [source: Application, 34]

“The proposed project does not require addition of staff as a result of CN approval. This facility offers an attractive work environment, hours and pay, attracting local residents who are highly qualified. We do not expect any staffing challenges that would disrupt our ability to achieve our goals and objectives relative to the Moses Lake ASC.”

Confluence Health also provided the following FTE table for current and projected operations of Moses Lake ASC. [source: Application, p34]

**Table 9
Moses Lake ASC Current and Projected FTE Table**

FTE	2017-Current	2020-Projected
Manager/Supervisor	0.90	0.90
RN-Patient Care	4.80	4.80
LPN-Patient Care	1.00	1.00
CAN/MCA/MA-Patient Care	0.40	0.40
Receptionist/Secretary	1.70	1.70
Total	8.80	8.80

Public Comments

None

Rebuttal Comments

None

Department Evaluation

Moses Lake ASC is currently operational. This project does not propose an increase in the types of procedures or number of ORs. Staffing for Moses Lake ASC is based on the current utilization of the center. All key staff is already in place.

Information provided in the application demonstrates that Confluence Health is a well-established provider of healthcare services in Chelan, Okanogan, and Grant counties. Based on the above information, the department concludes that Confluence Health has the necessary staff in place and

has the ability and expertise to recruit and retain a sufficient supply of qualified staff for this project. **This sub-criterion is met.**

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

WAC 246-310 does not contain specific WAC 246-310-230(2) criteria as identified in WAC 246-310-200(2)(a)(i). There are known recognized standards as identified in WAC 246-310-200(2)(a)(ii) and (b) that a facility must meet when it is to be Medicare certified and Medicaid eligible. Therefore, using its experience and expertise the department assessed the applicant’s ability to establish and maintain appropriate relationships.

Confluence Health

In response to this sub-criterion, Confluence Health provided the following statements. [source: Application, p34 and February 8, 2017, screening response, p6]

“The Moses Lake ASC currently provides endoscopy and pain management procedures and related services. Thus, our services already include all necessary resources. Further, WVH is a significant provider within the North Central Washington region. Our existing contracts with other local providers sufficiently support the services offered at the Moses Lake ASC and meet all demands of patient care.

No changes would be expected as a result of this project, given our request is to continue present operations, but with certificate of need approval.”

Confluence Health also provided a listing of its current ancillary and support service vendors already in place. [source: February 8, 2017, screening response, p5]

Type of service	Vendor Name
<i>Biomedical Equipment</i>	<i>Olympus Erbe Medical</i>
<i>Disposable Med/Surg Supplies</i>	<i>Owens & Minor</i>
<i>Emergency Generator</i>	<i>Cummings Northwest</i>
<i>Fire/Safety/Security</i>	<i>Simplex Grinnell</i>
<i>Fluids</i>	<i>Baxter</i>
<i>Water</i>	<i>Crystal Water</i>
<i>Medical Gas</i>	<i>Norco</i>
<i>Monitors</i>	<i>GE Medical</i>
<i>Linens</i>	<i>Cintas</i>
<i>Office Supplies</i>	<i>Office Depot</i>
<i>Other Med/Surg Supplies</i>	<i>Boston Scientific, Cardinal Health, Cook Medical</i>
<i>Reusable Instrumentation</i>	<i>Sklar Vmueller</i>

Public Comments

None

Rebuttal Comments

None

Department Evaluation

Moses Lake ASC has been operational since approximately 1996 and affiliated with Confluence Health since 2012. All ancillary and support services are already in place. Confluence Health does not expect the existing ancillary and support agreements to change as a result of this project.

Based on the information reviewed in the application, the department concludes that there is reasonable assurance that Confluence Health will continue to maintain the necessary relationships with ancillary and support services if this project is approved. **This sub-criterion is met.**

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

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

Confluence Health

Confluence Health provided the following statement related to this sub-criterion. [source: Application, p34]

“WVH does not have any such convictions as defined in WAC 246-310-230 (5) (a).”

Public Comments

None

Rebuttal Comments

None

Department Evaluation

As part of this review, the department must conclude that the proposed services provided by an applicant would be provided in a manner that ensures safe and adequate care to the public.⁵ To accomplish this task, the department reviewed the quality of care compliance history for the healthcare facilities owned, operated, or managed by Confluence Health or its subsidiaries.

Washington State Survey Data

The two Confluence Health hospitals are Wenatchee Valley Hospital and Central Washington Hospital, both in in Wenatchee. According to Department of Health files, neither hospital holds Joint Commission accreditation.⁶

⁵ WAC 246-310-230(5).

⁶ *The Joint Commission has accredited hospitals for more than 60 years. ...Approximately 77 percent of the nation's hospitals are currently accredited by The Joint Commission, and approximately 88 percent of hospitals that are accredited in the United States are accredited by The Joint Commission.* [source: Joint Commission website at jointcommission.org] Joint Commission accreditation is not required to obtain Certificate of Need approval.

Using its own internal databased, the department reviewed historical survey data for healthcare facilities associated with Confluence Health. The survey data is summarized by facility in the table below.

**Table 10
Confluence Health and Affiliated Healthcare Entities**

Facility	Survey Dates	Comments
Wenatchee Valley Hospital, including Moses Lake ASC and Omak ASC	July 2010 August 2012	Both ASCs were licensed under the Wenatchee Valley Hospital license and surveyed during the hospital survey
Central Washington Hospital	May 2020 April 2013 May 2015	
	March 2010 July 2013 November 2015	Medicare and Medicaid certified home health agency owned and operated by Central Washington Hospital.

In addition to the facilities identified above, the department also review the compliance history of the physicians associated with Moses lake ASC. The table below shows the 13 physicians and their credential status.

**Table 11
Moses Lake ASC Physicians**

Name	Credential #	Status
Paul J. Ballinger	00030682	Active
Travis M. Clark	00043882	Active
Mitchell L. Cohen	00028854	Active
Jonathan E. Dominguez	00037649	Active
Wallace S. Gibbons	00024544	Active
Inku Hwang	00048654	Active
Bert S. Ivey	60217654	Active
Jennifer E. Jorgensen	00045512	Active
Jason M. Lake	60197811	Active
John F. Long	00001806	Active
Jeffrey M. Monda	00033413	Active
Alan C. Smith	00019579	Active
Cecilia K. Trydestam	60458584	Active

As shown in the table above, all physicians associated with the Moses Lake ASC have an active credential in good standing.

Based on the above information, the department concludes that Confluence Health demonstrated reasonable assurance that Moses Lake ASC would continue to operate in compliance with state and federal requirements if this project is approved. **This sub criterion is met.**

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

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

Confluence Health

Confluence Health provided the following statements related to this review criteria. [source: Application, p33]

“The project proposes to convert WVH's two-suite operating room facility in Moses Lake to a CN approved ASF, allowing for increased access to the existing facility. Further, CN approval is beneficial for patients to assure continued access and high quality care. WVH is working with the only local inpatient health provider for inpatient care in Moses Lake, Samaritan Hospital, as required. Please see Exhibit 17, which includes a copy of the transfer agreement with Samaritan Hospital.”

Public Comments

None

Rebuttal Comments

None

Department Evaluation

The letters sent by the patients of Moses Lake ASC provide valuable perspective related to this sub-criterion. The letters express the importance of having access to healthcare services locally in rural communities. No letters of opposition were submitted for this project.

Information in the application demonstrates that as a long-time provider of outpatient endoscopy and pain management services, Moses Lake ASC has the basic infrastructure in place continue operations. As the only ASC in the planning area, it is essential that Confluence Health maintain its current relationships with the existing health care system. To that end, Confluence Health provided information within the application to demonstrate it intends to continue existing relationships and would consider establishing any new relationships as necessary.

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

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

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

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

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

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

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

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

Confluence Health

Step One

For this project, Confluence Health met the applicable review criteria under WAC 246-310-210, 220, and 230. Therefore, the department moves to step two below.

Step Two

Confluence Health provided the following statements related to this sub-criterion. [source: Application, p36]

"The Department has informed WVH that its Moses Lake ASC is no longer CN-exempt because of the corporate changes due to the organization's affiliation. Thus, continuing to operate the Moses Lake ASC as an CN-exempt facility is not an option. The only other option evaluated, besides the project requested, was closing the facility. However, that was not considered given this facility is the only freestanding ASC in the planning area and would limit reasonable access to care by planning area residents, contrary to our mission and goals."

Step Three

This step is applicable only when there are two or more approvable projects. Confluence Health's application is the only application under review for an ASC in the Grant County planning area. Therefore, this step does not apply.

Public Comments

None

Rebuttal Comments

None

Department Evaluation

Information provided in the application demonstrates that there were no other feasible options for Confluence Health other than to submit this application. Confluence Health provided information in the application that supports its rationale for continuing operations at the Moses Lake ASC rather than closure.

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

The department concludes that the project as submitted by Confluence Health is the best available option for the planning area and surrounding communities. **This sub-criterion is met.**

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

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

There is no capital expenditure associated with this project. This sub-criterion is not applicable to this application.

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

There is no capital expenditure associated with this project. This sub-criterion is not applicable to this application.

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

Confluence Health

In response to this sub-criterion, Confluence provided the following statements. [source: Application, p36]

Without CN-approval, ambulatory surgeries would be limited to hospital-based ambulatory surgery facilities, which are higher cost. This was documented by the Department in its 2014 decision to approve the Providence Medical Park ASF, where it stated in its decision:

" ... PHS-W would be reimbursed at the ambulatory surgery rates, rather than hospital outpatient department rates. This action could reduce the overall costs of healthcare to the community. This conclusion is supported by a cost comparison review between ambulatory surgery and hospital outpatient 2014 CMS rates the comparison showed that ambulatory surgery reimbursement rates are lower, and in some cases, significantly lower than hospital reimbursement rates. "

Higher cost to both patients and insurers is increasingly important. As more and more patients move to high deductible health plans, this has become a greater hardship for both physicians and patients to find space in an ASF.”

Public Comments

None

Rebuttal Comments

None

Department Evaluation

This project has the potential to continue improving the delivery of outpatient services to the residents of Grant County and surrounding communities with the continued operation of Moses Lake ASC. The department is satisfied the project is appropriate and needed. **This sub-criterion is met.**

APPENDIX A



**APPENDIX A
ASC Need Methodology
Grant County**

Service Area Population: 2020	77,812	OFM	Age:15+										
Surgeries @ 54.035/1,000:	4,205												
a.i.	94,250	minutes/year/mixed-use OR											
a.ii.	68,850	minutes/year/dedicated outpatient OR											
a.iii.	1	dedicated outpatient OR's x 68,850 minutes =		68,850	minutes dedicated OR capacity	856	Outpatient surgeries						
a.iv.	6	mixed-use OR's x 94,250 minutes =		565,500	minutes mixed-use OR capacity	#DIV/0!	Mixed-use surgeries						
b.i.		projected inpatient surgeries =	0	=	0	minutes inpatient surgeries							
		projected outpatient surgeries =	4,205	=	338,262	minutes outpatient surgeries							
b.ii.		Forecast # of outpatient surgeries - capacity of dedicated outpatient OR's											
		4,205	-	856	=	3,349	outpatient surgeries						
b.iii.		average time of inpatient surgeries		=	0.00	minutes							
		average time of outpatient surgeries		=	80.45	minutes							
b.iv.		inpatient surgeries*average time		=	0	minutes							
		remaining outpatient surgeries(b.ii.)*ave time		=	269,412	minutes							
					269,412	minutes							
c.i.		if b.iv. < a.iv. , divide (a.iv.-b.iv.) by 94,250 to determine surplus of mixed-use OR's											
		USE THIS VALUE											
		565,500											
		-	269,412										
		296,088	/	94,250	=	3.14							
c.ii.		if b.iv. > a.iv., divide (inpatient part of b.iv - a.iv.) by 94,250 to determine shortage of inpatient OR's											
		Not Applicable - Ignore the following values and use results of c.i.											
		0											
		-	565,500										
		(565,500)	/	94,250	=	-6.00							
		divide outpatient part of b.iv. By 68,850 to determine shortage of dedicated outpatient OR's											
		269,412	/	68,850	=	3.91							



**APPENDIX A
ASC Need Methodology
Grant County**

Facility	Special Procedure Rooms	Dedicated Inpatient ORs	Dedicated Outpatient ORs	Mixed Use ORs	Mixed Use min/case	Inpatient Cases in Mixed Use ORs	Inpatient Mins. In Mixed Use ORs	Outpatient Min/Case	Outpatient Cases	Outpatient Mins.	Data Source	
Columbia Basin Hospital-Ephrata	0	0	0	0	0.0	0	0	0.0	0	0	Year 2015 data from 2016 survey. Survey states that hospital has 0 ORs & does not perform surgeries.	
Coulee Medical Center-Grand Coulee	1	0	0	2	0.0	0	0	63.9	292	18,656	Year 2015 data from 2016 survey. Survey states that hospital has 2 mixed use ORs & 1 dedicated endoscopy OR. Minutes per case calculated.	
Quincy Valley Medical Center-Quincy	0	0	1	0	0.0	0	0	0.0	0	0	Year 2015 data from 2016 survey	
Samaritan Healthcare-Moses Lake	0	0	0	4	0.0	0	0	81.8	3,566	291,723	Year 2015 data obtained from year 2016 survey submitted to CN Program on January 31, 2017. Survey states 4 mixed use & 0 dedicated outpatient. Minutes per case calculated.	
Moses Lake ASC (applicant) endoscopy & pain management		0				ENDOSCOPY ORS & MINUTES NOT COUNTED						
Totals	1	0	1	6	0.0	0	0	145.7	3,858	310,379		
					Avg min/case inpatient		0.00	Avg min/case outpatient		80.45		
ORs counted in numeric methodology			1	6				These are mixed use #s			Calculated mixed use #s in outpatient b/c Samaritan Healthcare has mix-use data	
ILRS: Integrated Licensing & Regulatory System												
Population data source: OFM May 2012												
Total Surgeries	3,858											
Area population 2015 [15+]	71,398											
Use Rate	54.035											
Planning Area projected population Year: 2019	77,812											
% Outpatient of total surgeries	100.00%											
% Inpatient of total surgeries	0.00%											