

EVALUATION OF THE CERTIFICATE OF NEED APPLICATION SUBMITTED ON BEHALF OF KENNEWICK PUBLIC HOSPITAL DISTRICT dba KENNEWICK GENERAL HOSPITAL PROPOSING TO RELOCATE IT'S EXISTING OUTPATIENT ENDOSCOPY SURGICAL SERVICES FROM THE HOSPITAL TO THE MEDICAL MALL WITHIN BENTON COUNTY

PROJECT DESCRIPTION

Kennewick Public Hospital District dba Kennewick General Hospital is a public hospital located in the city of Kennewick, within Benton County. Kennewick General Hospital is a provider of healthcare services to the residents of the tri-cities area located within Benton and Franklin counties and the surrounding areas. For this project, Kennewick General Hospital proposes to relocate its existing endoscopy program located within the hospital campus to the Kennewick Hospital Medical Mall. [Source: Application, Page 8]

The Medical Mall is an off-campus facility owned by the applicant. The Kennewick General Hospital Medical Mall Center was constructed in 2001. Kennewick General Hospital states that spaces would be remodeled at the Medical Mall to accommodate three procedure rooms, support services, three pre-surgical and recovery procedure rooms. The Medical Mall facility the applicant proposes to use to accommodate the relocated endoscopy program is located at 521 North Young Street, within the City of Kennewick in Benton County.

The estimated capital expenditure associated with the relocation of the applicant outpatient endoscopy program from the hospital campus to the Medical Mall is \$2,500,000. Of that amount, 74% is related to space remodeling and 12% is related to fixed and moveable equipment and 14% is related fees and taxes. [Source: Application, Page 25]

If this project is approved, Kennewick General Hospital anticipates that it be would be operational by January 2009. Under this timeline, year 2010 would be the second full calendar year of operation and year 2011 would be the third full year of operation. [Source: Application, Page 11] For ease of reference, the department would refer to Kennewick Public Hospital District dba Kennewick General Hospital as "KGH" and endoscopy program to be relocated as Kennewick General Hospital Medical Mall or "KGHMM".

APPLICABILITY OF CERTIFICATE OF NEED LAW

This project is subject to Certificate of Need review as the establishment of a new health care 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).

CRITERIA EVALUATION

To obtain Certificate of Need approval, the applicant must demonstrate compliance with the criteria found in WAC 246-310-210 (need); 246-310-220 (financial feasibility); 246-310-230 (structure and process of care); 246-310-240 (cost containment) and WAC 246-310-270 (ambulatory surgery).¹

APPLICATION CHRONOLOGY

April 8, 2008	Letter of Intent Submitted
June 30, 2008	Application Submitted
July through August 14, 2008	Department's Pre-Review Activities 1 st screening activities and responses
August 21, 2008	Department Begins Review of Application
September 25, 2008	End of Public Comment No Public Hearing Requested or Conducted
October 9, 2008	Rebuttal Documents Received at Department
November 24, 2008	Department's Anticipated Decision Date
January 22, 2008	Department's Actual Decision Date

AFFECTED AND INTERESTED PERSONS

Throughout the review of this project, Tri-Cities Endoscopy Center claimed affected person status under WAC 246-310-010.

SOURCE INFORMATION REVIEWED

- KGH Certificate of Need Application received June 30, 2008
- KGH supplemental information received August 14, 2008
- Benton/Franklin counties ASC operating room utilization survey response
- Public comments received from Tri-Cities Endoscopy Center September 25, 2008
- KGH rebuttal comments received October 9, 2008
- Office of Financial Management population data for Benton/Franklin counties planning areas
- Licensing and/or survey data provided by the Department of Health's Office of Health Care Survey

¹ Each criterion contains certain sub-criteria. The following sub-criteria are not relevant to this project: WAC 246-310-210(3), (4), (5), and (6).

CONCLUSION

For the reasons stated in this evaluation and with agreement to the following conditions, Kennewick Public Hospital District dba Kennewick General Hospital Certificate of Need application proposing to relocate its existing outpatient patient endoscopy services from the hospital to the Medical Mall within the city of Kennewick in Benton County is approved. Provided that Kennewick Public Hospital District dba Kennewick General Hospital agrees to the conditions outlined below, a Certificate of Need would be issued with the following conditions.

Conditions

1. Kennewick Public Hospital District dba Kennewick General Hospital's endoscopy program to be relocated to the Medical Mall is limited to only endoscopic type services as described within the application and relied upon by the department in this evaluation.
2. Kennewick Public Hospital District dba Kennewick General Hospital will ensure that the Kennewick General Hospital Medical Mall endoscopy program will provide charity care in compliance with the charity care policies provided in its Certificate of Need application and the requirements of the applicable law. Kennewick Public Hospital District dba Kennewick General Hospital will use reasonable efforts to provide charity care in an amount comparable to the average amount of charity care provided by hospitals located in the Central Washington Region during the three most recent years. For historical years 2004-2006, these amounts are 1.56% of gross revenue and 3.71% of adjusted revenue. Kennewick General Hospital Medical Mall endoscopy program will maintain records documenting the amount of charity care it provides and demonstrating its compliance with its charity care policies and applicable law.

The approved capital expenditure associated with the relocation of KGH endoscopy program from the hospital main campus to the Medical Mall facility is \$2,500,000.

A. Need (WAC 246-310-210)

Based on the source information reviewed, the department determines that the applicant has met the need criteria in WAC 246-310-210 and WAC 246-310-270.

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

To demonstrate compliance with this criterion KGH states, “While we do not believe that the methodology contained in WAC 246-310-270 (9) can be used for dedicated endoscopy projects, KGH has run the methodology simply as one indicator of need. The methodology predicts a surplus of 5.2 mixed use OR’s in 2011. Regardless, KGH concludes that the historical application of the methodology is not appropriate for justifying the need for this project because the methodology excludes special procedure rooms from both the count of supply and use. Additionally, the data collection instrument used by the DOH also excludes from its count of “supply”, endoscopy rooms. In addition, the 1987 State Health Plan states explicitly that “gastroenterology suites” should be excluded from the count of capacity. Therefore, since none of the volume or the rooms associated with KGH’s existing activity are included in the DOH’s use rate or count supply, the methodology can not accurately quantify need. However, and beyond any doubt, it can be ascertained that KGH’s own internal need supports this CN request”. [Source: Application, Page 20]

For this project, KGH proposes to relocate its outpatient endoscopy program from its hospital campus by remodeling spaces within the Medical Mall. The Medical Mall facility currently has space dedicated to providing freestanding ambulatory surgery center (ASC) services. The ASC located within the Medical Mall received CN #1249 on October 7, 2002. On June 1, 2008, this ASC and its space at the medical mall were removed from the hospital license. It is now known as High Desert ASC and is operational as a joint venture between the hospital and groups of physicians. It remains in the same location offering the same services in the medical mall.

Within the application, KGH stated that the population data used to project endoscopic services need in the planning area was obtained from the Office of Financial Management. KGH asserted that the population data demonstrated that the Benton/Franklin planning area is expected to experience significant future growth. In addition, KGH listed its historical patient origin for its existing endoscopic services. The patient origin data shows that approximately 59% of the patients using the existing exempt facility reside within the city of Kennewick in Franklin County. [Source: Application, Page 16]

KGH asserted that the department’s numeric methodology outlined in WAC 246-310-270(9) is not a fair predictor of need for dedicated endoscopic OR’s proposed in this project. However, as required by application guidelines, KGH states that it applied the ASC numeric methodology to this project. The assumptions used by KGH are summarized below. [Source: Application, Exhibit 6]

Assumption	Data Used
Planning Area	Benton/Franklin
Population Estimates and Forecasts	OFM population projections; Target year 2011
Use Rate	Divide 2007 estimated current surgical cases by estimated 2007 populations results in the service area use rate of 49.94/1,000 population
Percent of surgery ambulatory vs. inpatient	76% ambulatory (outpatient) and 24% inpatient
Average minutes per case	Outpatient – 90 and Inpatient 112 –minutes
Annual capacity in minutes	68,850 outpatient surgery minutes; 94,250 inpatient or mixed-use surgery minutes (per methodology in rule)
Existing providers and dedicated OR capacity	7 existing providers identified in the application and 21 mixed used inpatients ORs.

In summary using the assumptions outlined above, KGH concluded a surplus of 5.20 mix use OR's in target year 2011. The department uses the methodology found in WAC 216-310-270, which divides Washington State into 54 separate planning areas as guidance for determining need for additional ASC or OR's in a planning area. WAC 246-310-270(9) estimates a planning area OR's need using the multi-steps as defined therein. It relies on a variety of assumptions to determine the existing capacity of dedicated outpatient and mixed-use operating rooms by subtracting from current capacity the forecasted number of surgeries expected to be performed in the planning area during the targeted year. The result is then examined to determine the followings.

- (a) Whether a surplus or shortage of OR's is predicted to exist in the target year, and
- (b) if a shortage of OR's is predicted, the shortage of dedicated outpatient and mixed-use rooms are calculated.
- (c) data used to make these projections specifically exclude endoscopy rooms and procedures.²

KGH proposes to relocate its current endoscopy services to the hospital medical mall to serve the residents of Benton and Franklin counties planning area. There are a total of seventeen facilities located within the proposed planning area with OR capacity including KGH hospital facility and its existing ASC at the medical mall. Listed below are the seventeen facilities within the planning area.

Hospital/City	ASC/City
Kennewick General Hospital, Kennewick	High Desert Surgery Center ³
Kadlec Medical Center, Richland	Tri-Cities Digestive Health Center, Richland
Lourdes Medical Center, Pasco	Northwest Ambulatory Physicians, Richland
Prosser Memorial Hospital, Prosser	Pacific Cataract & Laser Institute, Kennewick
	Tri-Cities Endoscopy Center, Kennewick
	Tri-City Orthopedic Center, Richland
	Tri-City Regional Surgery Center, Richland
	Columbia Basin Pediatric Dentistry, Kennewick
	Columbia River Eye Center, Richland
	Retina Laser Eye Center, Kennewick
	Tri-City Anesthesia Management, Richland
	Richard Ehlers, MD—Ehlers Eye Surgery, Kennewick
	Hoyeol Yang MD, PS, Richland

² WAC 246-310-270(9) (a) (iv).

³ This ASC was previously KGH's CON approved ASC located at the medical mall. KGH removed this space from under the hospital license effective June 1, 2008. This ASC is now a joint venture between the hospital and a group of physicians. It remains in the same space, providing the same services.

According to CN historical information and the information provided by KGH, there are four hospitals located within the Benton/Franklin planning area and all four have inpatient and outpatient OR capacity. Of the thirteen ASC's located within the planning area, ten are CN exempt facilities. The ten CN exempt ASC's were established as part of a physician's or group clinical practice and only physicians that are employees or members of the clinical practice may use these ASC's. These ten ASC's therefore do not meet the ASC definition found in WAC 246-310-010. The remaining three ASC's within the planning area are CN approved.

During the review of this project, the department conducted an ASC's utilization survey within the Benton and Franklin counties planning area to determined need. The utilization survey requested information from ten ASCs known to be providers of ambulatory surgical services in Benton and Franklin counties.⁴ Of the ten ASCs surveyed, Tri-Cities Endoscopy Center is the only ASC that responded. According to the department's record, Tri-Cities Endoscopy Center is a CN exempt ASC. Its use is limited to only physicians of the clinical practice. The department did not receive survey responses from the other ASCs surveyed within the planning area.

The numeric portion of the methodology requires a calculation of annual capacity of existing ORs outpatient and inpatient and it excludes specialized dedicated rooms. Examples of 'dedicated' rooms are open heart surgery rooms, delivery rooms, cystoscopic rooms, and endoscopic rooms. Given that endoscopic rooms are specifically excluded from the utilization calculations and this project proposes to establish an ASC dedicated to endoscopic procedures, the numeric methodology would not project need for the OR's specific to this project.

The department recognizes that dedicated outpatient's endoscopy ASC's are deliberately excluded from the numeric methodology outlined in WAC 246-310-270(9). In conclusion, the department concurs with the applicant that the numeric methodology outlined in WAC 246-310-270(9) is not a predictor of need for dedicated outpatient endoscopic ASCs.

During the review of this project, the department received utilization survey response and public comments from Tri-Cities Endoscopy Center, a CN exempt ASC located within KGH planning area. Summarized below are the comments from Tri-Cities Endoscopy Center.

Tri-Cities Endoscopy Center Comments

- *"If KGH is allowed to build a 2.5 million dollar gastroenterology ASC, we could see the utilization of our gastroenterology center decrease by approximately 50 percent".*
- *"KGH already has 2 GI procedure rooms at the KGH campus that are not used to their maximum capacity. Our estimates are that KGH currently utilizes the GI procedure room less than 20 percent of capacity".*
- *"KGH is a public hospital and should utilize tax dollars to do something that the community really needs and not duplicate the services that we already have.*

⁴ Utilization requests were not provided to KGH or the KGH Medical Mall because utilization information for KGH was provided within the application.

- *“The number of estimated procedures has to be verified as it is obviously overestimated”.*

[Source: Ambulatory Surgery Center Survey response and comments received from Tri-Cities Endoscopy Center, PLLC September 25, 2009]

Summarized below are the responses provided to the department by KGH regarding Tri-Cities Endoscopy Center (TCH) comments.

- *“Without any substantiation, TEC puts forth the claim that we have unused capacity at hospital. This is simply inaccurate. The reality is that we are proposing to relocate outpatient volume from the hospital to the new facility simply because we do not have sufficient space to accommodate the growing service”.* [Source: Rebuttal comments received October 9, 2008, page 2]
- *“As noted in our application, we have experienced an 84% increase in GI volume over the past few years and have problems accommodating these patients in our current facilities. Our utilization projections are based upon KGH historical volume coupled with incremental volume associated with the long-awaited addition of two new gastroenterologists to the community”.*

[Source: Rebuttal comments received October 9, 2008, pages 1 and 2]

The department’s response

TCH did not provide any documentation to support its assertions that utilization at its facility would decrease by half if KGH’s project is approved. Therefore, the department has no way to evaluate this assertion. TCH also comments that two of KGH GI procedure rooms at the main campus are being used less than 20 percent of the time. Again, TCH provided no documentation to support its claim. KGH states its utilization projections are based upon its historic volume and the anticipated addition of two gastroenterologists to the community. The department concludes these projections are reasonable. Moving the current GI outpatient endoscopy service from the main campus to the Medical Mall is not expected to have an unreasonable impact on providers in the planning area. KGH states that it intends to provide only endoscopic procedures at the Medical Mall facility. To ensure services are provided as described within the application, the department would condition the approval of this project as follows.

Condition:

- *Kennewick Public Hospital District dba Kennewick General Hospital’s endoscopy program to be relocated to the Medical Mall is limited to only endoscopic type services as described within the application and relied upon by the department in this evaluation.*

Based on the source information reviewed, the department concludes that 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.

KGH is currently a provider of health care services to residents of Benton and Franklin counties, including low-income, racial and ethnic minorities, handicapped and other underserved groups. As a healthcare services provider, KGH currently participates in the Medicare and Medicaid programs.

To determine whether all residents of the service area would continue to have access to the relocated endoscopy as well as other healthcare services provided by the applicant, the department required KGH to provide a copy of its current or proposed admission policy.

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 any assurances regarding access to treatment.

To demonstrate compliance with this sub-criterion, KGH provided a copy of its current Admission Policy that would also be used for patients receiving endoscopic services at the Medical Mall. The Admission policy provided outlines the process and criteria that KGH uses to admit patients for treatment and care. The policy states that any patient requiring care will be accepted for treatment at any KGH healthcare facilities without regard to gender, age, disability, race, ethnicity, religion or source of payment. [Source: August 14, 2008 supplemental information, Attachment 2]

To determine whether low income residents would have access to the proposed services, the department uses the facility's Medicaid eligibility or contracting with Medicaid as the measure to make that determination. To determine whether the elderly would have access or continue to have access to the proposed services, the department uses Medicare certification as the measure to make that determination.

As a healthcare service provider, KGH currently provides services to Medicare and Medicaid eligible patients. Documents provided in the application demonstrate that KGH intends to maintain this status. For this project, a review of the policies and data provided by KGH identifies that the applicant's financial resources includes both Medicare and Medicaid revenues. [Source: Application, Exhibits 7 and 8]

A facility's charity care policy should confirm that all residents of the service area including low-income, racial and ethnic minorities, handicapped and other underserved groups have, or would have, access to healthcare services of the applicant. The policy should also include the process one must use to access charity care at the facility.

KGH demonstrated its intent to provide charity care at the Medical Mall by submitting its current charity care policy used at its existing healthcare facilities. The charity care policy outlines the process a patient would use to access service. Further, KGH included a 'charity care' line item as a deduction from revenue within the cost center pro-forma financial data provided. [Source: Application, Exhibits 7 and 8]

For charity care reporting purposes, the Department of Health's Hospital and Patient Data Systems (HPDS), divides Washington State into five regions: King County, Puget Sound (less King County), Southwest, Central, and Eastern. KGHMM is located in Benton/Franklin secondary planning area within Central Washington⁵ region. According to the 2004-2006⁵ charity care data obtained from HPDS, the three-year average for the Central Washington Region is 1.56% for gross revenue and 3.71% for adjusted revenue. The three-year charity care data reported by KGH is 0.73% of gross revenue and 1.49% of adjusted revenue. [Source: HPDS 2004-2006 charity care summaries] KGH pro-forma financial data indicate that KGHMM will provide charity care at approximately 1.83% of gross revenue, and 4.47% of adjusted revenue. [Application, Exhibit 8]

⁵ Year 2007 charity care data is not available as of the writing of this evaluation.

The averages projected at KGH's relocated ASC are above the average charity care provided in the Central Washington Region. To ensure KGH would provide the percentages projected in the application, if this project is approved, a condition related to the percentage of charity care to be provided at the KGHMM is necessary.

Condition

- *Kennewick Public Hospital District dba Kennewick General Hospital will ensure that the Kennewick General Hospital Medical Mall endoscopy program will provide charity care in compliance with the charity care policies provided in its Certificate of Need application and the requirements of the applicable law. Kennewick Public Hospital District dba Kennewick General Hospital will use reasonable efforts to provide charity care in an amount comparable to the average amount of charity care provided by hospitals located in the Central Washington Region during the three most recent years. For historical years 2004-2006, these amounts are 1.56% of gross revenue and 3.71% of adjusted revenue. Kennewick General Hospital Medical Mall endoscopy program will maintain records documenting the amount of charity care it provides and demonstrating its compliance with its charity care policies and applicable law.*

Based on the source information reviewed and KGH's agreement to the condition related to charity care, the department concludes this sub-criterion is met.

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

Based on the source information reviewed, the department determines that the applicant has met the financial feasibility criteria in WAC 246-310-220.

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

If this project is approved, KGH anticipates that it be would be operational by January 2009. Under this timeline, year 2010 would be the second full calendar year of operation and year 2011 would be the third full year of operation. [Source: Application, Page 11] To determine whether KGH would meet its immediate and long range operating costs, the department reviewed its balance sheets and projected revenue and expense statements for the first three full years of operation.

The information provided by KGH to the department regarding this sub-criterion states, "*The GI Center will be operated as a department of the hospital and no pro-forma balance sheet is prepared for individual cost centers*". [Source: Application, Page 27] Summarized in Table 1 below, are the projected revenues and expenses for the first three full years of operation using data from the cost center pro-forma provided by KGH. [Source: Application, Exhibit 8]

**Table 1
KGH Revenue and Expense Summary**

	FY 2009	FY 2010	FY 2011
# Of Treatments	3,368	4,069	4,191
Net Revenue*	\$4,070,548	\$4,917,773	\$5,065,222
Total Expense	\$2,410,951	\$2,780,245	\$2,844,516
Net Profit or (Loss)	\$1,659,597	\$2,137,528	\$2,220,706
Net Revenue per Procedure	\$1,208.59	\$1,208.59	\$1,208.59
Total Expenses per Procedure	\$715.84	\$683.27	\$678.72
Net Profit or (Loss) per Procedure	\$492.75	\$525.32	\$529.87

*Includes deductions for charity care and bad debt.

As shown in Table 1 above, at the projected volumes identified, the relocated endoscopic program would be operating at a profit from year one or 2009 through the year 2011. Within its application, KGH states that if this project is approved it would relocate its endoscopy program to remodeled spaces within the Medical Mall. KGH provided documentation demonstrating ownership and operations of the Medical Mall.

The documentation provided identifies the Medical Mall site as Benton County tax parcel #132993000004006 and it also supports the assertions by the applicant that the Medical Mall is owned by the Kennewick General Hospital. [Source: Supplemental Information received August 14, 2008, Attachment 2]

The department verified KGH's ownership of the medical mall. Based on the source information reviewed, the department concludes 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.

KGH identified the capital expenditure associated with the relocation of its outpatient endoscopic program from the hospital campus to the Medical Mall to be \$2,500,000. [Source: Application, Page 25] The applicant states that the proposed project is not expected to have any impact on the operating costs and charges for ambulatory surgery services because pricing are billed under the hospital services umbrella and nothing would change because KGH would be relocating existing services from the main campus to the hospital own Medical Mall. [Source: Application, Page 26] Based on the source information reviewed, the department concludes this sub-criterion is met.

(3) The project can be appropriately financed.

KGH provided the following capital expenditure breakdown for the project. [Source: Application, Page 25]

**Table 2
KGH Outpatient GI Capital Cost**

Item	Cost	% of Total
Building Construction & Tenant Improvements	\$1,861,700	74%
Fixed & Moveable Equipment	\$300,000	12%
Sales Tax and Fees	\$338,300	14%
Total Project Cost	\$2,500,000	100%

KHG states that it will use reserves to finance the project and asserted that no financing costs are associated with the use of reserves. Further, KGH states, "*The construction cost and total capital expenditure were developed utilizing KGH's experience in recent health care construction projects. Over the past few years, KGH has successfully completed several other construction projects including relocation of physical therapy to another building, conversion of old physical therapy space to a short stay unit and is confident that this project will enjoy the same positive outcome*". [Source: Application, Page 26]

A review of the hospitals audited financials shows this project would not have a significant impact on the overall financial health of the hospital. The department concludes use of reserves for this project is appropriate. This sub-criterion is met.

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

Based on the source information reviewed, the department determines that the applicant has met the 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.

KGH anticipates that the relocated outpatient endoscopy program at the Medial Mall would be operational by January 2009. Under this timeline, year 2010 would be the second full calendar year of operation and year 2011 would be the third full year of operation. Currently, KGH operates an endoscopy program at the main hospital campus with 3.8 FTE's. KGH anticipates that it would increase the number of its current staff when it relocates the outpatient endoscopy program to the Medical Mall. Summarized in Table 3 below, is the projected staffing for years 2009 through 2011. [Source: Application, Page 28]

**Table 3
KGH MM FY 2009-2011 FTE's**

Type of Staff	Current FTE's	Year 2009	Year 2010	Year 2011
Clinical Director	0.00	1.00	1.00	1.00
RNs	2.2	4.10	5.00	5.20
LPN's/Tech's	1.6	3.00	3.70	3.80
Scheduler	0.00	0.50	0.50	0.50
Reception/Registration	0.00	1.00	1.00	1.00
Total FTEs	3.80	9.60	11.20	11.50

As shown in Table 3 above, KGH anticipates that it would increase its current FTE's from 3.80 to 9.60 in year 2009 and by year 2011, total FTE's would be 11.50. To demonstrate that staffing is available and accessible for this project, KGH states that it has most key staff in place and is ready to recruit new staff. [Source: Application, Page 29]

KGH stated that historically it has not experienced difficulty in recruiting staff to its institutions because KGH offers an excellent wage and benefit package that is competitive with other healthcare organizations in the greater Tri-Cities area. Within the application, KGH listed several other recruitment and training opportunities such as tuition reimbursement and scholarships, nurse resident/refresher program, site training programs at Bellevue Community College, and other community partnership job training programs.

Based on the source information reviewed, the department concludes that staffing is available and would continue to be available for recruitment when KGH relocates its outpatient endoscopy program to the Medical Mall. 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.

KGH is a major healthcare provider and currently provides both inpatient and outpatient acute care services at the main hospital campus. KGH also provides outpatient endoscopic services. As a healthcare provider, KGH has ancillary and support services in place for its endoscopy program. KGH states that the Medical Mall functions as a department of the main hospital and as such, healthcare services provided at the Medical Mall do not require formal transfer agreements.

Additionally, KGH states that a medical director contract is not required because the endoscopy center would be operated as an outpatient program of the hospital. Further, KGH states that its department of surgery will on an annual basis, select a chair to provide medical directorship for the program. [Source: August 14, 2008, Supplemental information, Page 1] Based on the source information reviewed, the department concludes that KGH has appropriate ancillary and support services relationships. This sub-criterion is met.

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

KGH is a provider of both acute and non-acute healthcare services to the residents of Benton and Franklin counties. Within the most recent two years, the Department of Health's Office of Health Care Survey (OHCS), which surveys hospitals within Washington State, has completed two compliance surveys for KGH. The KGH surveys revealed minor non-compliance issues typical of a hospital and KGH submitted plan of corrections for the non-compliance issues within the allowable response time. [Source: Office of Health Care Survey 2007 and 2008 survey data]

KGH also operates a Medicare certified home health agency that serves Benton and Franklin counties. Within the most recent four years, OHCS also completed two compliance surveys for the home health agency. The home health surveys also revealed minor non-compliance issues typical of a home health agency, and, again, KGH submitted and implemented plan of corrections for the non-compliance issues within the allowable response time. [Source: Office of Health Care Survey 2006 and 2007 survey data]

During the review of this project, Tri-Cities Endoscopy Center provided the following comments related to this sub-criterion. *"The number of estimated procedures has to be verified as it is obviously overestimated and we also have concerns that they may not meet the standards of care"*. [Source: Ambulatory Surgery Center Survey response and comments received from Tri-Cities Endoscopy Center, PLLC September 25, 2009, Page 4]

KGH provided the following responses *"Once again, TEC makes broad unsubstantiated statements regarding KGH's standard of care. KHG takes exception to these unfounded allegations—which are without merits—and notes that the Medical Mall GI Center will be operated under the hospital license (meeting all hospital licensing requirements), are certified by Medicare and accredited by JACHO. KGH has an excellent history of quality care and notes that our GI faculties will be held to operating standards far above those that TCEC must comply with"*. [Source: Rebuttal comments received October 9, 2008]

The department's response

Tri-Cities Endoscopy Center did not provide any back-up documentation to support its concerns. Further, the concerns raised by Tri-Cities Endoscopy Center are not substantiated by KGH's historical quality of care and compliance surveys. Based on KGH hospital and home health agency compliance history, the department concludes there is reasonable assurance that the KGH Medical Mall would continue to operate in conformance with state and federal regulations. 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.

To demonstrate compliance with this sub-criterion, the applicant states that as a public hospital district, KGH's mission is focused on meeting health care needs of its districts residents. Further, KGH asserted that the relocation of outpatient gastro intestinal services to the Medical Mall will provide patients with improved access to both facilities. Additionally, KGH states that the proposed center will function as a department of the main hospital and therefore, formal transfer agreements are not required. However, KGH states that it has transfer agreements with both Kadlec Medical Center and Lourdes Medical Centers for all services provided at its healthcare facilities including those at the Medical Mall. The applicant provided copies of those existing transfer agreements with both Kadlec and Lourdes Medical Centers. KGH also asserted that it has community linkages that are long standing and well developed that would be used to promote continuity of services. [Source: Application, Page 30]

As a currently operating hospital, KGH has community linkages with other existing healthcare providers. This project is not expected to change this. Based on the source information reviewed, the department concludes 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 evaluated in sub-section (3) above, and based on that evaluation the department concludes that this sub-criterion is met.

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

Based on the source information reviewed, the department determines that the applicant has 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.
Before submitting this application, KGH considered and rejected two alternatives. The alternatives and KGH's rationale for rejecting them is summarized below. [Source: Application, Page 32]

Expand capacity on the hospital campus

KGH rejected this option because the existing GI services are located in a section of the hospital that is part of the original building built in 1952 and remodeling this old space would be very costly due to design limitation. KGH states that expanding spaces at the hospital campus would create problems after construction because the remodeled space would be undersized by current standards and would not offer ideal access to support services. Additionally, KGH stated, "the entire unit, even after remodel would still be undersized by current standard and would not offer ideal access to support services and still would open into public corridors". [Source: Application, page 32] For these reasons, KGH rejected this option.

Construct a new freestanding

KGH states that it considered this option concurrently with remodeling spaces at the Medical Mall. KGH states, "Constructing a new facility would take longer and cost more and it could potentially be duplicating resources because the Medical Mall currently has sufficient ancillary and support services that would accommodate the GI center". [Source: Application, Page 34]

KGH stated that for these reasons, it chose to remodel space at the Medical Mall because it is the most efficient, cost effective and quickest alternative. Accordingly, since the hospital owns an alternative facility that could be remodeled, relocating the CN exempt GI program to the Medical Mall would appear to be a reasonable option. Based on the source information reviewed, the department concludes the project as proposed is the best available alternative. 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.

As stated in the project description portion of this evaluation, this project involves construction. This sub-criterion is evaluated within the financial feasibility criterion under WAC 246-310-220(2). Within that evaluation, the department determined the sub-criterion was met. Therefore, this sub-criterion would also be considered met.

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

This sub-criterion is also evaluated within the financial feasibility criterion under WAC 246-310-220(2). Within that evaluation, the department determined the sub-criterion was met. Therefore, this sub-criterion would also be considered met.