

**EVALUATION OF THE FOLLOWING CERTIFICATE OF NEED APPLICATION
PROPOSING TO ADD 4 DIALYSIS STATIONS TO THE
CHILDREN'S HOSPITAL AND REGIONAL MEDICAL CENTER
WITHIN KING COUNTY PLANNING AREA #1**

PROJECT DESCRIPTION

Children's Hospital and Regional Medical Center (CHRMC) is owned by Children's Health Care System, a Washington not-for-profit, public benefit 501(c)(3) tax exempt organization, founded in 1907 as Children's Orthopedic Hospital. CHRMC provides health care services through its main hospital campus in Seattle's Laurelhurst neighborhood, through local satellite clinics, via partnerships with other hospitals in Washington, Alaska, Montana and Idaho and a home care agency.

CHRMC is a tertiary provider of pediatric care that draws patients from throughout Washington, Alaska, Idaho and Montana for acute care, hematology/oncology, infectious disease, organ transplantation, rehabilitation, cardiology, and other specialized pediatric services. [Children's website]

This application proposes to add 4 dialysis stations to the existing 5 stations at the hospital, for a facility total of 9 outpatient dialysis stations. The dialysis unit at Children's primarily serves pediatric patients. Currently, the ages for the patients in the dialysis unit range from 0-20. Approximately 60% are 14 or younger. The 4 stations would be added in two phases described below. [Application, p13]

Phase One

Space for the 2 stations planned in Phase one will come through a remodel of the existing 5 station center located within the hospital. Construction will include 90 sq/ft of new space and a remodeling of 500 sq/ft of the existing facility's footprint.

Phase Two

After the completion of the dialysis unit's remodel in Phase 1, the remaining 2 stations will be made operational within two existing patient rooms of the hospital. No construction is required for this phase of the project. The total number of outpatient dialysis stations would then be nine (9). Children's intends to move these 2 new stations into the dialysis unit once a master plan to expand the hospital reach completion. [Application, p15; February 15, 2008 Supplemental Information, p2]

The capital expenditure associated with the addition of the 4 stations is \$552,105. In Phase 1, Children's anticipates adding and remodeling approximately 600 sq/ft of the existing dialysis unit to provide improvements and space for the 2 additional stations. Phase two will use 2 existing patient rooms currently equipped to accept the new stations. If this project is approved, Children's anticipates the Phase 1 stations to become operational in February 2009 and the Phase 2 stations to be activated no later than late 2010. Under this timeline, fiscal year 2010 will be considered the facility's first full year of operation of all stations proposed. [Children's Application, p41, February 15, 2008 Supplemental Information, p2]

Breakdown Of Children's Costs	Total
Building Construction	\$ 387,500
Fixed & Moveable Equipment	\$ 65,000
Professional Fees	\$ 60,000
Taxes	\$ 39,605
Total Estimated Capital Costs	\$ 552,105

APPLICABILITY OF CERTIFICATE OF NEED LAW

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

CRITERIA EVALUATION

To obtain Certificate of Need approval, Children's 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). Additionally, Children's must demonstrate compliance with applicable kidney disease treatment center criteria outlined in WAC 246-310-280 through 284.¹

APPLICATION CHRONOLOGY

As directed under WAC 246-310-282(1) the department accepted this project under the Kidney Disease Treatment Centers-Concurrent Review Cycle #4. A chronologic summary of the review is shown below.

October 31 2007	Letter of Intent Submitted
November 30, 2007	Application Submitted
December 1, 2007 through	Department's Pre-Review Activities <ul style="list-style-type: none"> • 1st screening activities and responses • 2nd screening activities and responses
April 20, 2008	
April 21, 2008	Department Begins Review of the Application <ul style="list-style-type: none"> • public comments accepted throughout the review
May 27, 2008	End of Public Comment (no public hearing or rebuttal)
July 28, 2008	Department's Anticipated Decision Date
July 28, 2008	Department's Actual Decision Date

CONCURRENT REVIEW AND AFFECTED PERSONS

As directed under WAC 246-310-282(1) the department accepted this project under the Kidney Disease Treatment Centers-Concurrent Review Cycle #4. No other kidney disease treatment center applications were reviewed for the King County planning area #1 during

¹ Each criterion contains certain sub-criteria. The following sub-criteria are not discussed in this evaluation because they are not relevant to this project: WAC 246-310-210(3), (4), (5), and (6); WAC 246-310-286; WAC 246-310-287; and WAC 246-310-288.

Review Cycle #4. Therefore, as allowed under WAC 246-310-282(5), this application was converted to a regular review.

Throughout the review of this project, no entity sought or received affected person status under WAC 246-310-010.

SOURCE INFORMATION REVIEWED

- Children's Certificate of Need application submitted November 30, 2007
- Children's supplemental information dated February 15, 2008
- Children's supplemental information dated April 14, 2008
- Public comment received during the course of the review
- Years 2001 through 2006 historical kidney dialysis data obtained from the Northwest Renal Network
- Year 2007 Northwest Renal Network 3rd Quarter Data
- Licensing and/or survey data provided by the Department of Health's Office of Health Care Survey
- Data obtained from Children's Hospital webpage (www.seattlechildrens.org)
- Certificate of Need historical files

CONCLUSION

Children's Hospital and Regional Medical Center

For the reasons stated in this evaluation, the application submitted on behalf of Children's proposing to establish a 4 station dialysis center in the city of Seattle within King County planning area #1 is consistent with applicable criteria of the Certificate of Need Program, and a Certificate of Need is approved.

Condition

The 4 additional stations are operated solely to provide care to pediatric care of patients between the ages of 0 and 14 years

The approved capital cost for this project is \$552,105.

A. Need (WAC 246-310-210)

Based on the source information reviewed, the department determines that Children's has met the need criteria in WAC 246-310-210(1) and the applicable kidney disease treatment center standards and methodology in WAC 246-310-284.

- (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 246-310-284 contains the methodology for projecting numeric need for dialysis stations within a planning area. This methodology, adopted January 1, 2007, projects the need for kidney dialysis treatment stations through a regression analysis of the historical number of adult dialysis patients residing in the planning area using verified utilization information obtained from the Northwest Renal Network.²

The first step in the methodology calls for the determination of the type of regression analysis to be used to project resident in-center station need. [WAC 246-310-284(4)(a)] This is derived by calculating the annual growth rate in the planning area using the year-end number of resident in-center adult patients for each of the previous six consecutive years, concluding with the base year. In planning areas experiencing high rates of growth in the dialysis population (6% or greater growth in each of the last five annual change periods), the method uses exponential regression to project future need. In planning areas experiencing less than 6% growth in any of the last five annual change periods, linear regression is used to project need.

Once the type of regression is determined as described above, the next step in the methodology is to determine the projected number of resident in-center stations needed in the planning area based on the planning area's previous five consecutive years NRN data, again concluding with the base year. [WAC 246-310-284(4)(b) and (c)]

WAC 246-310-284(5) identifies that for all planning areas except Adams, Columbia, Douglas, Ferry, Garfield, Jefferson, Kittitas, Klickitat, Lincoln, Okanogan, Pacific, Pend Oreille, San Juan, Skamania, Stevens, and Wahkiakum counties, the number of projected patients is divided by 4.8 to determine the number of stations needed in the planning area. For the specific counties listed above, the number of projected patients is divided by 3.2 to determine needed stations. Additionally, the number of stations projected as needed in the target year is rounded up to the nearest whole number.

Finally, once station need has been calculated for the project years, the number of CN approved in-center stations are then subtracted from the total need, resulting in a net need for the planning area. [WAC 246-310-284(4)(d)]

² Northwest Renal Network was established in 1978 and is a private, not-for-profit corporation independent of any dialysis company, dialysis unit, or transplant center. It is funded by Centers for Medicare and Medicaid Services, Department of Health and Human Services. Northwest Renal Network collects and analyzes data on patients enrolled in the Medicare ESRD programs, serves as an information resource, and monitors the quality of care given to dialysis and transplant patients in the Pacific Northwest. [source: Northwest Renal Network website]

Children's asserts that the methodology described above was designed to address the needs of an adult dialysis population. For example, as the applicant states, "Unlike a typical adult dialysis center, Children's patients come from a much broader geographic service area. Our in center dialysis patients come primarily from the Puget Sound area (King, Pierce and Snohomish Counties)". [Application, p18]

In addition, the applicant notes care issues that distinguish their patients from those using adult-focused facilities. "Both clinically and in terms of environment of care, pediatric dialysis is different because pediatric patients have unique clinical, social, emotional and educational needs". In particular, "pediatric dialysis patients come more frequently and have longer treatment types than adult patients". [Application, p18]

In addition to particulars in the care of pediatric dialysis patients, Children's provided the following discussion points to support a request for exception to the need standard. [Application p9 & 24]

- While the hospital is located in the King County planning area #1, it serves a much larger geographic area. In particular the applicant identifies a service area of Western & Central Washington;
- Given the unique needs of pediatric patients, 3 shifts per day (4.8 standard) would compromise the quality of care and the quality of life of the pediatric patients;
- As the only dedicated pediatric dialysis provider in the state, the hospital needs to ensure access and availability; and
- The applicant believes that there are no existing providers that are available and accessible to the patients we propose to serve.

In reference to the availability of pediatric care, Children's contends that they are the sole provider of pediatric dialysis care in the region and regularly receives patients from around the state. This statement is affirmed through comment received from Northwest Kidney Centers, the operator of the two other facilities immediately available in King County planning area #1. NKC states, "Northwest Kidney Centers provides services to adults from local and neighboring communities. Conversely, Children's provides pediatric dialysis services (which we are not able to do)". [Public Comment]

Department Response

In this instance, the Department would concur with the applicant regarding the applicability of the need methodology prescribed in WAC 246-310-284 to pediatric dialysis needs. The methodology outlined above was designed to address the needs of adult dialysis patients. Many of the assumptions used to derive the methodology standards, such as appropriate utilization rates and planning areas, were established with statistical constants among an adult population.

Contributing to the concerns surrounding the appropriateness of an adult need methodology to pediatric facilities are issues not prevalent in other facilities. Complications such as a higher rate of pediatric patients in which home peritoneal treatments are not a care option and advances available in the care of newborns and high acuity patients awaiting transplants each require care needs not experienced in adult facilities. [February 15, 2008 Supplemental Information, p1]

Accordingly, the applicant cannot be expected to demonstrate need for pediatric service based upon the adult ESRD methodology. Rather, the Department does accept the rationale presented by Children's to justify a request for additional stations to serve children age 0-14 years. As cited by the applicant, "Children's patients range in age from 0 to 20 years with approximately 60% between the ages of 0-14". If this project is approved, the Department would include a condition that the additional stations be operated solely to provide care to pediatric care of patients between the ages of 0 and 14 years.

Therefore, based on the above information, the application submitted by Children's proposing to add 4 stations to Children's Hospital dialysis unit appears to be substantiated in the conditions particular to pediatric dialysis care. The Department will defer to the applicant's history and expertise in the area of pediatric care to establish that need exists for additional capacity. Provided Children's agrees to the condition outlined above, this sub-criterion would be 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.

As previously stated, Children's currently provides health care services to residents of the State of Washington including low-income, racial and ethnic minorities, handicapped and other underserved groups. To determine whether all residents of the service area would continue to have access to an applicant's proposed services, the department requires applicants 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, Children's provided a copy of its current Admission policy that would also continue to be used at the hospital and dialysis unit. The document outlines the practice to provide care for all patients presented for treatment, regardless of age or residency. The Admission criteria states that any patient needing medically necessary care will be accepted to a Children's' facility without regard to race, sex, creed, ethnicity, disability, or ability to pay. [Application, Exhibit 8]

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.

Children's currently provides services to Medicare and Medicaid eligible patients at the hospital and dialysis unit. It intends to continue to provide services to Medicare and Medicaid eligible patients. A review of the anticipated revenue indicates that the facility expects to continue to receive both Medicare and Medicaid reimbursements. [Application, p14]

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.

To demonstrate compliance with this sub-criterion, Children’s provided a copy of its current Charity Care policy that would also continue to be used at the hospital and dialysis unit. The policy clearly outlines the procedure to determine eligibility. Children’s also demonstrated its intent to provide charity care to residents by including a ‘charity care’ line item as a deduction from revenue within the Pro Forma income statements documents. [Application, Exhibit 8; April 14, 2008 Supplemental Information, Exhibit 1]

The department concludes that all residents of the service area would have adequate access to the health services at the proposed Children’s Hospital facility. This sub-criterion is met.

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

Based on the source information reviewed, the department determines that Children’s 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.

Children’s anticipates commencement of services for this facility to be no later than the summer of 2009. Based on this timeline and the projected release of this evaluation, 2010 would be Children’s’ first full year of operation for the Children’s Hospital facility.

For financial review of applications, the department requests data for the first three full years following project completion. Using the financial information provided as part of the completed application, Table 1 below illustrates the projected revenue, expenses, and net income in fiscal years 2010-2012 for the Children’s Hospital. [Children’s February 15, 2008 Supplemental Information, Exhibit 1]

**Table 1
Proposed Children’s Hospital Dialysis Center
Projected Revenue and Expenses**

	Year 1 FY2010	Year 2 FY2011	Year 3 FY2012
# of Stations	7	9	9
# of Treatments	3,509	3,965	4,481
# of Patients	19	21	23
Utilization Rate	2.71	2.33	2.56
Net Revenue [1]	\$ 3,177,883	\$ 3,591,008	\$ 4,057,839
Total Expense [2]	\$ 3,224,703	\$ 3,575,397	\$ 3,962,586
Net Profit or (Loss)	-\$ 46,820	\$ 15,611	\$ 95,253
Net Patient Revenue/Treatment	\$ 905.64	\$ 905.68	\$ 905.57
Total Operating Exp./Treatment	\$ 918.98	\$ 901.74	\$ 884.31
Net Profit (Loss) per Treatment	\$ (13.34)	\$ 3.94	\$ 21.26

[1] includes deductions for bad debt, charity care and allocated costs;

[2] includes deductions for amortization and depreciation costs

As shown in Table 1 above, at the projected volumes identified in the application, Children’s expanded unit would show an initial loss, but would be operating at a profit as a 9-staion facility in years two and three.

As outlined above, Children’s is proposing to add 4 dialysis stations to the existing 5 stations at the hospital, for a facility total of 9 outpatient dialysis stations. The stations would be added in two phases. To accommodate the 2 stations added during Phase 1, the existing unit will be remodeled but will remain in its current location. Line drawings for the dialysis unit, both current and proposed, appear to account for space necessary to house the requested stations. [Application, Exhibits 5 & 6]

Based on the above information, the department concludes that Children’s’ projected revenues are reasonable and 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.

The capital expenditure associated with the expansion of the Children’s Hospital facility is \$552,105 of which 70% is related to construction, 12% for both fixed and moveable equipment; and the remaining 18% is related fees and taxes. The capital cost breakdown is reprinted below. [Children’s Application, p41]

Breakdown Of Children’s Costs	Total	% of Total
Building Construction	\$ 387,500	70%
Fixed & Moveable Equipment	\$ 65,000	12%
Professional Fees	\$ 60,000	11%
Taxes	\$ 39,605	7%
Total Estimated Capital Costs	\$ 552,105	100.00%

For further review, the department recognizes that the majority of reimbursements for dialysis services are through Medicare ESRD entitlements. To demonstrate compliance with this sub-criterion, Children’s also provided the sources of patient revenue shown in Table 2 below. [Application, p14]

**Table 2
Anticipated Revenue Sources**

Source of Revenue	% of Revenue
Medicare	73
State (Medicaid)	20
Other	7
Total	100 %

As shown above, the Medicare and State (Medicaid) entitlements are projected to equal 92% of the revenue at Children’s’ expanded unit. The department concludes that the majority of revenue is dependent upon entitlement sources that are not cost based reimbursement and are not expected to have an unreasonable impact on charges for services. Further, the cost per dialysis treatment for the proposed project was compared to those of recent kidney dialysis proposals and the average cost per dialysis is reasonable.

Based on the information provided, the department concludes that the costs of Children’s project, if approved as proposed, would probably not result in an unreasonable impact to the costs and charges for health care services. This sub-criterion is met.

(3) The project can be appropriately financed.

As previously stated, the capital expenditure associated with the expansion of Children’s 5-station unit is \$552,105. The applicant reports that the total project costs will be financed with board designated reserves. Audited financial statements supplied as part of the application indicate that the organization has sufficient funds available to make an expansion as proposed. [Application, Appendix 2]

Based on the information provided, the department concludes the expansion of the dialysis unit would not adversely affect the financial stability of Children’s Hospital and Regional Medical Center as a whole. 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 Children’s has met the structure and process (quality) 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.

To staff the unit expansion, Children’s proposes to initially recruit the equivalent of an additional FTE in the first partial year of services (2009). The FTE count and ratios remain constant through 2011 and 2012 when an additional FTE is added during each year. A breakdown of the proposed FTEs is shown in Table 3 below. [Application, p44]

**Table 3
Children’s Hospital Dialysis Center Projected FTEs**

FTEs	Current	Partial Yr 2009	Year 1 2010	Year 2 2011	Year 3 2012	Total
Medical Director	Contracted Position					
Director - RN	0.30	0.00	0.00	0.00	0.00	
Admin/Program Asst. III	0.30	0.00	0.00	0.00	0.00	0.30
Sr. Social Worker	0.30	0.10	0.00	0.10	0.10	0.60
Clinical Dietician	0.35	0.10	0.00	0.10	0.10	0.65
RN	4.55	0.80	0.00	0.80	0.80	6.95
Clinical Nurse Specialist	0.15	0.00	0.00	0.00	0.00	0.15
FTE Total	5.95	1.00	0.00	1.00	1.00	8.65

As shown above, the bulk of the staffing positions include registered nurses, dietitians, and social workers. The additional staff appears to be scheduled to support the second phase of the expansion and the anticipated growth in patient volume. Children’s believes that its reputation as a nationally recognized provider of high quality tertiary services in pediatric care will minimize any difficulty in recruiting qualified personnel to fill these positions. Additional support services particular to pediatric care may also be supplied through a vibrant and active volunteer base.

Children's has identified Dr. Joseph Flynn as the Medical Director for the unit throughout the expansion. The applicant supplied a job description that outlines Dr. Flynn's roles and responsibilities in this capacity. Documents identifying Dr. Flynn's compensation and the hospital's commitment to retain Dr. Flynn's service for the necessary term allows for the necessary medical director coverage. [Application, Exhibit 2; February 15, 2008 Supplemental Information, Attachment 3; April 14, 2008 Supplemental Information, Exhibit 2]

Based on this information, the department concludes that adequate staffing for the Children's Hospital facility is available or can be recruited. This sub-criterion is met.

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

Information provided in the application indicates that Children's currently offers the ancillary and support services necessary in-house. As detailed by the applicant, Children's has a number of service specialties that assist in providing quality healthcare to a pediatric population. Through additional efforts designed to provide services in areas such as child development and family support, the hospital has supplemented the necessary medical care with an understanding of children coping with chronic illness. All are a part of the hospital's current services and will continue to be available to the dialysis unit. [Application, p46]

Therefore, the department concludes that there is reasonable assurance that Children's Dialysis Unit will continue to have access to the ancillary and support services within the hospital, and approval of this project would not affect those 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.

As stated in the project description portion of this evaluation, CHRMC is a tertiary provider of pediatric care that draws patients from throughout Washington, Alaska, Idaho and Montana for acute care, hematology/oncology, infectious disease, organ transplantation, rehabilitation, cardiology, and other specialized pediatric services. The dialysis unit located on the hospital's main campus. As part of its review, the department must conclude that the proposed services would be provided in a manner that ensures safe and adequate care to the public³. To accomplish this task, the department reviews Children's' quality of care compliance history for all four facilities.

In regards to the hospital, CHRMC was granted accreditation by the Joint Commission in April, 2005. The Joint Commission accreditation serves a similar purpose to survey by the department, and the department granted a request by the applicant to exclude CHRMC from on-site licensure survey which remains in effect. In reference to the dialysis unit specifically, in the most recent 10 years, the Department of Health's Office of Health Care Survey (OHCS) has completed twelve compliance surveys of the Children's Dialysis Unit. Of the compliance surveys completed, all revealed minor non-compliance issues related to care and

³ WAC 246-310-230(5)

management. These non-compliance issues are typical of a dialysis facility and Children's submitted and implemented acceptable plans of correction. [Office of Health Care Survey]

Joseph Flynn, MD has agreed to provide medical director services at the proposed dialysis center. Children's provided a job description that outlines Dr. Flynn's roles and responsibilities in this capacity. Documents which identify Dr. Flynn's compensation and term of service assure the necessary medical director coverage. A review of the compliance history of Dr. Flynn has shown that his credentials are up to date and reveal no recorded sanctions. [Compliance history provided by Medical Quality Assurance Commission]

Given the compliance history of Children's and the compliance history of the proposed medical director, the department concludes that there is reasonable assurance that the dialysis center would operate in conformance with state and federal regulation. 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.

Children's states, "Because if its location in the hospital, the dialysis unit also has physicians available on site during dialysis treatments". Children's continues, "As needed, dialysis staff/patients can have immediate access to a physician". [Application, p46]

The department also considered Children's' history of providing care to residents in Washington State. The department concludes that the applicant has been providing pediatric dialysis services to the residents of Washington State for many years and has been appropriately participating in relationships with community facilities to provide a variety of medical services. Nothing in the materials reviewed by staff suggests that these same types of relationships would not be continued for this expansion. [Office of Health Care Survey Historical Record]

Additionally, the department traditionally considers the results of the kidney disease treatment center numeric methodology and standards outlined in WAC 246-310-284. As stated in the need section above, application of the numeric methodology designed to address adult dialysis capacity is not necessarily transferable to pediatric focused facilities. Any approval to add 4 stations to the CHRMC dialysis unit are substantiated in the conditions particular to pediatric dialysis care.

Though no additional station need can be forecasted through the use of an adopted methodology, the department can reasonably conclude that the existing facility needs the additional capacity to adequately serve the varying needs of their patients. Further, the department concludes that approval of this project would not fragment dialysis services in the region. 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 considered met.

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

Based on the source information reviewed, the department determines that Children's has met the cost containment criteria in WAC 246-310-240.

(1) Superior alternatives, in terms of cost, efficiency, or effectiveness, are not available or practicable.

Within the application, Children's provided discussion regarding the following five alternatives to this project. [Application, p48-49]

1. File a petition for rulemaking with the Department of Health and request that pediatric specific rules be established

The applicant states that this was initially the preferred option. However, discussions with the Department led the applicant to conclude that the timeline necessary to complete the process would result in an unacceptable delay to address their needs. Further, concluded that current rules may allow for approval of the request. This option was rejected.

2. Relocate the unit outside of the hospital proper

Discussions with clinical and program staff identified daily and necessary interactions with other departments in the hospital. These relationships are needed for the unit to provide the degree of care required to treat the patients in the unit and the hospital. These interactions would be negatively affected by a move. This option was rejected.

3. Wait until the larger campus master plan is completed and the dialysis unit relocated

In addition to the issues cited in option #2, waiting 4 to 5 years for the master plan to be implemented would cause an unreasonable delay in the expansion of service. This option was rejected.

4. Add a third shift

Though not directly addressed, this was reportedly rejected for the same reasons described in the rejection of options 2 & 3. No indication is given that a third shift would unavoidably operate without the support services available throughout the other shifts.

5. Only expand by 2 stations

This was determined to be an interim solution. The applicant believed that the data supplied in the application submitted justified the 4 station expansion. This option was rejected.

Based on Children's' discussion of the five options above, all were rejected before submitting this project for a two phased, 4-station expansion of the existing dialysis unit of the hospital.

The Department is satisfied that adding 4 additional dialysis stations to the existing pediatric dialysis facility is an appropriate option. This criterion is satisfied.

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

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

This project involves construction. This sub-criterion is evaluated within the financial feasibility criterion under WAC 246-310-220(2). Based on that evaluation, the department concludes that this sub-criterion is met.

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

This project involves construction. This sub-criterion is evaluated within the financial feasibility criterion under WAC 246-310-220(2). Based on that evaluation, the department concludes that this sub-criterion is met.