

REVIEW OF THE CERTIFICATE OF NEED APPLICATION SUBMITTED ON BEHALF OF RENAL CARE GROUP NORTHWEST, INC PROPOSING TO ADD THREE STATIONS TO THE EXISTING SEVENTEEN-STATION KIDNEY DIALYSIS FACILITY KNOWN AS THE MOSES LAKE DIALYSIS CENTER.

PROJECT DESCRIPTION

Renal Care Group Northwest, Inc (RCGNW) also known as Inland Northwest Renal Care Group, LLC (IN-RCG) is owned by Renal Care Group (RCG). On March 31, 2006, through stock acquisition Fresenius Medical Care Holdings, Inc (FMCHI) became the sole owner of RCG. IN-RCG is an indirect subsidiary of Fresenius Medical Care—AG (FMCAG), a German corporation. RCGNW currently owns and operates or manages dialysis centers throughout the Northwestern United States and its regional office is located in Portland, Oregon. The regional office is responsible for the operations of facilities under three separate legal entities. These entities include Pacific Northwest Renal Services (PNRS), IN-RCG and Renal Care Group of the Northwest, Inc.

RCGNW currently owns and operates or manages eleven kidney dialysis treatment facilities in the following Washington State Counties—Clark¹, Spokane², Thurston, Lewis, Mason, Grays Harbor, Grant and Okanogan.³ [Source: Certificate of Need files] RCGNW proposes to add three kidney dialysis stations to the existing seventeen-stations at the Moses Lake Dialysis Center. Fresenius Medical Care Holdings, Inc. the sole owner of RCG conducts its operations through five subsidiaries listed below.

- National Medical Care, Inc.
- Fresenius USA Marketing, Inc.
- Fresenius USA Manufacturing Inc.
- SRC Holding Company
- Fresenius USA Inc.

One of the entities listed above National Medical Care, Inc. also conducts its operations through two subsidiaries: QualiCenter Inland Holdings, Inc. and QualiCenters, Inc. These two entities; serves as the corporate parents of QualiCenters Northwest, LLC (QCNLLC). This entity provides kidney dialysis services in one Washington State facility⁴.

The capital expenditure estimated for the expansion of the Moses Lake Dialysis Center is \$52,586. RCGNW anticipates that within three months of the issuance of a Certificate of Need or by January 1, 2008, facility expansion will be completed and services commenced. [Source: Application, page 9]

APPLICABILITY OF CERTIFICATE OF NEED LAW

This project is subject to Certificate of Need (CN) review as the increase in the number of dialysis stations at an existing kidney disease treatment facility falls under the provisions of Revised Code of Washington (RCW) 70.38.105(4)(h) and Washington Administrative Code (WAC) 246-310-020(1)(e).

¹ PNRS Salmon Creek and Forth Vancouver

² IN-RCG Northpointe, Spokane Kidney Center and Spokane Valley

³ RCGNW Lacey, Chehalis, Shelton, Aberdeen and Moses Lake and IN-RCG Omak.

⁴QualiCenters Walla Walla

CRITERIA EVALUATION

To obtain Certificate of Need approval, each 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 246-310-284 (the dialysis station projection methodology and standards).⁵

APPLICATION CHRONOLOGY

January 30, 2007	Letter of Intent Submitted
February 28, 2007	Application Submitted
March 30, 2007 through April 17, 2007	Screening Activities and Responses
April 26, 2007	Department Begins Review of Application
May 31, 2007	End of Public Comment
July 30, 2007	Department's Decision Date

AFFECTED PARTIES

There are no affected persons.

SOURCE INFORMATION REVIEWED

- Renal Care Group Northwest, Inc Certificate of Need Application dated January 30, 2007.
- Renal Care Group Northwest, Inc supplemental information
- Licensing and/or survey data provided by the Department of Health's Office of Health Care Survey
- Licensing and/or survey data provided by out of state health care survey programs.
- Utilization data provided by the Northwest Renal Network
- Data obtained from the Internet regarding health care providers.
- Population data obtained from the Office of Financial Management.
- Certificate of Need historical files

CONCLUSION

For the reasons stated in this evaluation, Renal Care Group Northwest, Inc proposal for the addition of three in-center dialysis stations to the existing Moses Lake Dialysis Center is consistent with the application criteria of the Certificate of Need Program. Therefore a Certificate of Need for three in-center dialysis stations is approved. The approved capital expenditure associated with the 3-station expansion is \$52,556.

⁵ 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), (6); and WAC 246-310-240, (3); WAC 246-310-286; WAC 246-310-287; and WAC 246-310-288.

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(1) and (2) and 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 dialysis patients residing in the planning area using verified utilization information obtained from the Northwest Renal Network.⁶

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 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 5 annual change periods), the department 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)]

RCGNW Application of the Numeric Methodology

RCGNW proposes to add three additional kidney dialysis stations to the existing seventeen-stations at the Moses Lake Dialysis Center in Grant County. Based on the calculation of the annual growth rate in the planning area as described above, non-linear regression was used to project need. Given that the facility would be located in Grant County, the number of projected patients was divided by 4.8 to determine the number of stations needed in the planning area.

⁶ 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]

Table 1 below is a summary of RCGNW application of the numeric methodology. [Source: Application pages 14-15]

Table 1
Summary of RCGNW Numeric Methodology

	Year 2007	Year 2008	Year 2009	Year 2010
In-center Patients	89	92	103	116
Patient: Station Conversion Factor	4.8	4.8	4.8	4.8
Total Station Need	18.5	19.16	21.45	24.16
Total Station Need Rounded Up	19	20	21	25
Minus # of CN Approved Stations	17	17	17	17
Net Station Need / (Surplus)	2	3	4	8

As shown in Table 1 above, RCGNW projected a need for 8 dialysis stations in year 2010. Based on the results of the methodology, RCGNW requested 3 dialysis stations rather than the net result of 8 stations as shown in the above.

Department’s Application of the Numeric Methodology

Based on the calculation of the annual growth rate in the planning area as described above, the department also used non-linear regression to project need for the planning area. Given that the facility would be located in Grant County, the number of projected patients is divided by 4.8 to determine the number of stations needed in the planning area.

Table 2 below is a summary of the department’s application of the numeric methodology. [Source: Appendix A attached to this evaluation]

Table 2
Summary of Department’s Numeric Methodology

	Year 2007	Year 2008	Year 2009	Year 2010
In-center Patients	89	92	103	116
Patient: Station Conversion Factor	4.8	4.8	4.8	4.8
Total Station Need	18.5	19.16	21.45	24.16
Total Station Need Rounded Up	19	20	21	25
Minus g # of CN Approved Stations	17	17	17	17
Net Station Need / (Surplus)	2	3	4	8

As shown in Table 1 above, the department also projected need for 8 dialysis stations in year 2010. Based on the numeric methodology alone, additional stations are needed in the Grant County planning area.

WAC 246-310-284(5) requires that all CN approved stations in the planning area must be operating at 4.8 in-center patients per station before new stations can be added. The most recent quarterly modality report, or successor report, from the Northwest Renal Network (NRN) as of the first day of the application submission period is to be used to calculate this standard. The first day of the application submission period was February 1, 2007. [Source: WAC 246-310-282] The quarterly modality report from NRN available at that time was December 31, 2006, which became available on January 20, 2007. The applicant’s Moses Lake facility is the only dialysis

facility in Grant County. That facility was operating at 5.24 patients per in-center station based on the required NWRN data. Therefore this sub-criterion is met.

WAC 246-310-284(6) requires RCGNW be operating at 4.8 in-center patients per approved station by the end of year three (2010). RCGNW provided its projected utilization as a 20-station facility. A summary of RCGNW's projected utilization for year 2010 is shown in Table 3 below. RCGNW projects to be operating above the 4.8 standard by the end of the third year of operation, or year 2010. Based on the above information, this standard is met. [Source: Application Page 16]

**Table 3
Facility Utilization Data**

Facility Name	# of Stations	# of Pts	Pts/Station
Moses Lake Dialysis Center	20	108	5.40

Based on the above information, the application submitted on behalf of RCGNW proposing to add 3 stations at the Moses Lake Dialysis Center is consistent with this criterion. 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.

RCGNW is currently a provider of health care services to residents of Washington State, 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 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.

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 RCGNW asserts, "All individuals identified as being in need of dialysis services have access to MLDC. IN-RCG's admission policies prohibit discrimination on the basis of race, income, ethnicity, sex or handicap." [Source: Application, page 17] The Admission policy provided as Exhibit 10 to RCGNW application prohibits discrimination on the basis of race, color, religion, sex national origin, age, disability, or any other characteristic protected by law.

A copy of RCGNW's charity care policy in Exhibit 10 of the application clearly states the income levels at which charity care is provided, as well as the other objective criteria used by RCGNW to determine eligibility. A review of the pro-forma income statements provided as

attachment 12 includes charity care at 1% of total revenue. The department reviewed the historical financial statements provided by the applicant in exhibit 13. Those statements contain charity care expenses.

Based on the above information, the department concludes that all residents of the service area would have reasonable access to the health services at the Moses Lake Dialysis Center. 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.

The applicant anticipates the expansion will start and be completed within three months of issuance of a Certificate of Need or by January 1, 2008 [Source: Application, page 9] Based on this timeline, year 2008 would be MLDC’s first full calendar year of operation with 20 stations.

Summarized in Table 4 below, is the first four years of projected financial revenue, expenses, and net income for the Moses Lake Dialysis Center as a 20-station dialysis facility [source: Application Exhibit 12]

**Table 4
Moses Lake Dialysis Center
Projected Revenue and Expenses 2007 – 2010**

	Year One 2007	Year Two 2008	Year Three 2009	Year Four 2010
# of stations	20	20	20	20
# of treatments	13,884	14,352	16,068	16,848
# of patients	89	92	103	108
Utilization rate	4.45	4.60	5.15	5.40
Patient Revenue	\$4,449,544	\$4,599,529	\$5,149,473	\$5,399,447
Total Operating Expense	\$3,611,506	\$3,729,649	\$4,162,841	\$4,359,745
Net Profit or (Loss)	\$838,038	\$869,880	\$986,632	\$1,039,702
Operating Revenue per Treatment	\$320.48	\$320.48	\$320.52	\$320.48
Operating per Treatment	\$260.12	\$259.87	\$259.11	\$258.77
Net Profit per Treatment	\$60.36	\$60.61	\$61.41	\$ 61.71

As shown in Table 4 above, at the projected volumes identified by RCGNW the facility would be operating the 20-station dialysis center at a profit starting from the first year of expansion to the end of the fourth years of operation.

Based on the above information, the department concludes that the project’s 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.

RCGNW identified the capital expenditure associated with the expansion of the existing dialysis center by three additional stations to be \$52,556. [Source: Application page 24] The capital expenditure is summarized in table 5 below.

**Table 5
RCGNW Capital Cost**

Item	Cost
Building Construction	\$15,850
Moveable Equipment (including taxes)	\$36,706
Total	\$52,556

The department recognizes that the majority of reimbursements for dialysis services are through Medicare ESRD entitlements. To further demonstrate compliance with this sub-criterion, RCGNW also provided the sources of patient revenue shown in the chart below. [Source: Application, page 8]

RCGNW Source of Revenue

Source of Revenue	Percentage of Revenue
Medicare	88%
State (Medicaid)	4.4%
Other	7.6%
Total	100%

As shown above, the Medicare and State (Medicaid) entitlements are projected to equal 92.4% of the revenue at MLDC. 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 for the proposed project was compared to those of recent kidney dialysis proposals, the average cost per dialysis is reasonable.

Based on the information provided, the department concludes that the cost of this project would not result in an unreasonable impact to the costs and charges for health services within the service area. This sub-criterion is met.

- (3) The project can be appropriately financed.

The source of financing for this facility is RCGNW cash reserves. The department reviewed RCGNW's historical financial statements for years 2005 through 2006, to determine if the funds necessary to finance the project are available. [Source: Application, Exhibit 14] That review shows RCGNW's financial reserves are more than adequate to fund the 3 additional stations.

The department concludes that RCGNW's application to expand the existing facility by 3 additional stations can be appropriately financed. 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 (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 implement this project RCGNW proposes to hire the equivalent of 1.50 new employees staff the dialysis center. The proposed staff increase for the dialysis center is shown in Table 6 below.

**Table 6
Moses Lake Dialysis Center FTE Increase**

Type of Personnel	2007 Current	Proposed FTE's	Total FTE's
Nurse Manager	1	-	1
Outpatient RN	3.25	-	3.25
PCT	9	1.50	10.50
Equipment Tech	1	-	1
Social Worker	0.75	-	0.75
Dietitian	0.75	-	0.75
Secretary	1	-	1
Total	16.75	1.50	18.25

As shown in Table 6 above, RCGNW expects to add 1.50 FTE to the dialysis center. To meet this 1.50 FTE need RCGW expects to increase the work hours of several part time employees. [Source: Application Page 29]

Dr. Curtis Wickre, MD is the facility medical director. RCGNW provided as attachment within the application copies of Dr. Wickre's contracts that indicate the medical director will continue to serve in that capacity.

The department concludes that the applicant has proposed a staffing plan that can reasonably be expected to be accomplished. 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.

In response to this sub-criterion, RCGNW noted that "As this project proposes the expansion of an existing unit, the Moses Lake Dialysis Center already has the appropriate ancillary and support services in place." [Source: Application Page 29] The applicant did not identify vendors for such services as hazardous waste disposal or laundry, but costs for these contracted services were identified in the applicant's pro forma statements and they appear to be consistent with similar applications reviewed by the department.

The department concludes that the applicant currently has appropriate relationships with ancillary and support services and the approval of additional stations is not expected to change 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.

Fresenius, through its subsidiaries RCGNW and QualiCenters, owns or operates the following twelve kidney dialysis treatment facilities in Washington State:

Facility Name	City/County Location	# of Stations
PNRS- Salmon Creek	Vancouver, Clark County	16
PNRS-Ft. Vancouver	Vancouver, Clark County	24
INRCG-North Pointe	Spokane, Spokane County	24
INRCG-Spokane	Spokane, Spokane County	27
INRCG-Spokane Valley	Spokane Valley, Spokane County	20
INRCG-Omak	Omak, Okanogan County	6
RCGNW-Aberdeen	Aberdeen, Grays Harbor County	16
RCGNW-Chehalis	Chehalis, Lewis County	7
RCGNW-Lacey	Lacey, Thurston County	25
RCGNW-Moses Lake	Moses Lake, Grant County	17
RCGNW-Shelton	Shelton, Mason County	6
QualiCenters Walla Walla	Walla Walla, Walla Walla County	12

The facilities identified in the table above with the prefix “INRCG” are owned by RCGNW and Sacred Heart Medical Center, with RCGNW having a majority share and operational responsibility. Those facilities identified with the prefix “PNRS” are owned by RCGNW, Legacy Health Systems, and Oregon Health Sciences University, with RCGNW having a majority share and operational facility. The facilities identified with the prefix “RCGNW” are wholly owned and operated by RCGNW.

The FMC-owned or operated facilities in Washington have collectively been surveyed 33⁷ times in the last six years. Of the 33 surveys, one survey revealed potentially hazardous condition that was promptly corrected and nine surveys revealed no deficiencies. The remaining 23 surveys revealed minor non-compliance issues and the facilities submitted plans of corrections for the non-compliance issues within the allowable response time. [Source: compliance survey data provided by Office of Health Care Survey (OHCS)]

The department’s survey of other states revealed minor non-compliance issues typical of a dialysis facility, related to the care, medical records, and management at the FMC facilities. [Source: Licensing and/or survey data provided by out of state health care survey programs] In summary, in those states that license and/or survey dialysis facilities, FMC submitted plans of

⁷ IN-RCG Omak, 2001 and 2004; PNRS Ft. Vancouver, 2006 (condition-level deficiency regarding water quality testing – acceptable plan of corrections submitted. Follow-up surveys indicate facility in substantial compliance) 2003, 2000 no def; QualiCenters Walla Walla, 2006, 2003, 2000 no def; RCGNW-Aberdeen, 2006 no def; 2004 no def; 2003, 2000; RCGNW-Lacey 2001, 2000, 2004; Shelton 2006 no def; PNRS-Salmon Creek 2006, 2003, 2000 no def; INRCG Spokane Kidney Center 2005, 2003, 2002; INRCG Spokane Valley 2005, 2002, 2001; INRCG-Northpointe 2005, 2002 no def, 1999 no def; RCGNW-Chehalis 2002 no def, 2005, RCGNW-Moses Lake 2000 (condition-level deficiency regarding equipment and electrical—corrections submitted, 2003 no def; 2006 no def .

correction and implemented the required corrections when these non-compliance issues were identified. [Source: Licensing and/or survey data provided by out of state health care survey programs]

On the basis of recent surveys of RCGNW's facilities in the State of Washington, it is reasonable to expect that RCGNW-MLDC would continue to be operated in compliance with the applicable standards and regulations of Washington State.

RCGNW identified Curtis Wickre, MD, as its medical director under a draft contract provided in the application. A review of Dr. Wickre's compliance history with the Department of Health's Medical Quality Assurance Commission reveals no recorded sanctions. [Source: Compliance history provided by Medical Quality Assurance Commission]

Based on RCGNW's compliance history and the compliance history of the Dr. Wickre as medical director, the department concludes that there is reasonable assurance that the MLDC continue to would 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.

RCGNW states that this project involves a small expansion of an existing facility and no change in the provision of health care services is planned. RCGNW states that it will continue its collaborative and comprehensive patient centered approach to the provision of dialysis services in the community. Further, RCGNW stated that all existing working relationships with Samaritan Hospital, Wenatchee Valley Clinic Moses Lake, Columbia Basin College, Grant Transit Authority and other providers in the community will continued to be maintained.

The applicant stated that RCGNW does not maintain formal contracts with the entities identified above. However they did provide a copy of a transfer agreement between the Moses Lake facility and Sacred Heart Hospital [Source: Application page 27 and Exhibit 14]

The department also considered RCGNW's history of providing care to residents in Washington State. The department concludes that the applicant has been providing dialysis services to the residents of Washington State for several 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 approval of this project would change these relationships. [Source: CN historical files]

Additionally, the department considers the results of the kidney disease treatment center numeric methodology and standards outlined in WAC 246-310-284. Application of the numeric methodology shows a need for 8 additional dialysis stations in the Grant County planning area. Within the application, RCGNW demonstrated it met the standards to receive approval to add the needed stations.

Based on this information, the department concludes that approval of this project would promote continuity in the provision of health care for the planning area, and would not result in an unwarranted fragmentation of services. Further, RCGNW demonstrated it has, and will continue to have, appropriate relationships to the service area's existing health care system within the planning area. 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.

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

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

In its application, RCGNW considered and rejected several alternatives to the proposed expansion. The alternatives considered are as follows: do nothing and establish a satellite facility or build a second dialysis center in the area. [Source: Application page 29] RCGNW chose to expand the existing facility because of the growing higher utilization rate and increasing census and the desire to avoid a fourth shift due to limited public transportation, staff availability and the isolation of the facility from the closet facilities in Wenatchee, Pasco and Spokane.

The MLDC is the only facility in the planning area. This facility was operating at 5.24 patients per station as of December 31, 2006 based on the required NWRN data. In the need section of this analysis, the department projected a need for 8 additional stations in the Grant County planning area therefore; the request by RCGNW to add 3 stations is reasonable. The department concludes that expansion of the existing facility is the best available alternative therefore, this 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). 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 sub-criterion is also 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.

APPENDIX A