

EVALUATION OF THE CERTIFICATE OF NEED APPLICATION SUBMITTED BY LEGACY HEALTH SYSTEMS PROPOSING TO AMEND CERTIFICATE OF NEED #1263 DUE TO INCREASE IN APPROVED CAPITAL EXPENDITURE AND THE REMOVAL OF A CONDITION ATTACHED TO THE CERTIFICATE.

APPLICANT DESCRIPTION

Legacy Health Systems located at 1919 Northwest Lovejoy Street in the City of Portland within the state of Oregon, is a not-for-profit, public benefit corporation with no members and a 501(c)(3) exempt organization. Legacy Health Systems (LHS) has five healthcare subsidiaries in Oregon consisting of four hospitals and one home care association. Each subsidiary of LHS in Oregon is also a not-for-profit public benefits corporation and 501(c)(3) exempt organization. In Washington, LHS provides healthcare services through its home health agency, Legacy Visiting Nurses Association and Legacy Salmon Creek Hospital located at 2211 Northeast 139th Street within the city of Vancouver. Listed below are LHS subsidiary corporations in Oregon and Washington. [Source: Amendment Application, Page 2, and CN Historical records]

Legacy Health Systems Subsidiaries

Legacy Salmon Creek Hospital	Vancouver, Washington
Legacy Visiting Nurses Association	Washington
Legacy Meridian Park Hospital	Portland, Oregon
Legacy Emmanuel Hospital	Portland, Oregon
Legacy Good Samaritan Hospital	Portland, Oregon
Legacy Meridian Park Hospital	Portland, Oregon
Legacy Mount Hood Medical Center	Portland, Oregon
Legacy Emmanuel Hospital	Portland, Oregon
Legacy Visiting Nurses Association	Portland, Oregon

Legacy Salmon Creek Hospital holds a three-year accreditation from the Joint Commission¹ and supplemental information provided to the department in July 2010, stated the hospital currently has a total of 220 licensed beds. Listed in the Table 1 below, is the hospital bed capacity breakdown. [Source: Supplemental Information received July 9, 2010, Page 1]

**Table 1
Legacy Salmon Creek Hospital Capacity Bed Breakdown**

Bed Type	Approved Bed Capacity
24hr assigned and set-up General Medical/Surgical	195
Intermediate Care Nursery Level II	10
Neonatal Intensive Care Level III	15
Total Licensed Beds (Sum of above)	220

¹ The Joint Commission is an independent, not-for-profit organization that accredits and certifies more than 17,000 health care organizations and programs in the United States. Joint Commission accreditation and certification is recognized nationwide as a symbol of quality that reflects an organization's commitment to meeting certain performance standards.

BACKGROUND INFORMATION

In 2001, LHS submitted a Certificate of Need application proposing to establish a 220-bed acute care hospital in the city of Vancouver. On March 15, 2002, the department issued an "Intent to issue a Certificate of Need" to LHS approving construction of the acute care hospital with an estimated capital expenditure of \$161,880,000².

On May 1, 2003, the department issued CN#1263 to Legacy Health Systems. CN#1263 was issued with the five conditions restated below. [Source: Department Evaluation dated May 1, 2003]

1. Legacy Health System 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. Legacy Health System will use reasonable efforts to provide charity care in an amount comparable to the average amount of charity care provided by all hospitals in the Southwest Washington Region during the three most recent years. Currently, these amounts are 1.05% of gross revenue and 2.21% of adjusted revenue. Legacy Health System will maintain records documenting the amount of charity care it provides and demonstrating its compliance with its charity care policies and applicable laws.
2. Prior to offering NICU Level III services, Legacy Health System shall provide the department with a signed copy of the Medical Director's agreement consistent with the terms of the draft agreement provided in the application.
3. No debt of the parent corporation shall be assigned to LHS-Clark County hospital as stated in the application.
4. Prior to the provision of services at LHC-Clark County, Legacy shall provide a signed management agreement consistent with the terms of the draft agreement provided in the application.
5. Construction of the facility is to be in two phases. Phase one shall consist of 165 beds. Phase two shall consist of 55 beds. If phase two is not completed by 2015, any remaining bed authorization not meeting licensing requirements shall be forfeited.

PROJECT DESCRIPTION

LHS proposes to amend CN#1263 for two reasons:

- an increase in capital cost, and
- remove a condition attached to CN#1263

Increase In Cost

Under CN Program rules, if the capital costs of a project increase the greater amount of \$50,000 or 12% above the approved costs, an amended CN is required. Within its amendment application, LHS identified an increase in capital expenditure from \$161,880,000 to \$200,357,568 equating to approximately 24% increase. [Source: Amendment Application, Page 23]

² In accordance with WAC 248-03-030(4), the department may not issue a Certificate of Need for a new hospital until it has received a copy of a determination of non-significant or a final environmental impact statement pertaining to the site for the hospital. The department may however, commit to issuing the Certificate of Need

Removal of a Condition

CN #1263 was issued with five conditions. LHS proposes to remove condition #3 which states:

No debt of the parent corporation shall be assigned to LHS-Clark County hospital as stated in the application.

APPLICABILITY OF CERTIFICATE OF NEED LAW

This project is subject to review under WAC 246-310-570(1)(e) because the costs of the project have increased beyond the amount allowable in WAC 246-310-570. This project is also subject to review under WAC 246-310-570(1)(d) because LHS requests the removal of Condition #3 attached to Certificate of Need #1263.

CRITERIA EVALUATION

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

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

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

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

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

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

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

The review for an amendment project is limited to only those criteria that would be affected by the amendment, provided that the amendment does not significantly alter the project. LHS states that Phase One of the project was completed in August 2005 when 165 beds were brought into service. Phase Two was completed in 2009 when 55 beds were added. [Source: Amendment Application, Page 15] Although LHS's project experienced capital expenditure increase of

approximately 24%, the project was not significantly altered under CN rules. As a result, this review will focus on financial feasibility (WAC 246-310-220) and cost containment (WAC 246-310-240). Additionally, all terms and conditions of the initial approval that are not requested to be explicitly modified as part of an applicant's request for an amendment remain in effect.

APPLICATION CHRONOLOGY

December 7, 2009	Letter of Intent submitted
March 24, 2010	Application submitted
March 25, 2010	Department's Pre-Review Activities
through July 18, 2010	<ul style="list-style-type: none">• 1st screening activities and response
July 19, 2010	Department Begins Review of the Amendment Application
	<ul style="list-style-type: none">• public comments accepted throughout review• no public hearing conducted under the expedited review rules
August 9, 2010	End of Public Comment
August 19, 2010	Rebuttal Comments Submitted ³
September 10, 2010	Department's Anticipated Decision Date
October 21, 2010	Department's Actual Decision Date

AFFECTED PERSONS

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

"...an "interested person" who:

- (a) is located or resides in the applicant's health service area;
- (b) testified at a public hearing or submitted written evidence; and
- (c) requested in writing to be informed of the department's decision."

Throughout the review of this project, no entities sought and received affected person status under WAC 246-310-010(2).

SOURCE INFORMATION REVIEWED

- Legacy Health System Certificate of Need amendment application submitted March 24, 2010
- Legacy Health System supplemental information received July 9, 2010
- Quarterly Progress Reports for CN#1263 completed and submitted by Legacy Health System [Initial quarterly report beginning in March 2002, and thereafter for years 2003 through 2009 plus March and June 2010 quarterly reports.]
- The department's March 15, 2002, initial evaluation approving LHS's application to build a 220-bed hospital
- Certificate of Need #1263 issued on May 1, 2003
- Department of Health's Hospital and Patient Data Systems (HPDS) financial feasibility analysis dated August 26, 2010
- Joint Commission website [www.jointcommission.org]

³ Since no public comments were submitted, no rebuttal comments were submitted.

CONCLUSION

For the reasons stated in this evaluation, the application submitted on behalf of Legacy Health Systems proposing to amend Certificate of Need #1263 because of increase in approved costs is approved. An amended Certificate of Need shall be issued with an approved capital expenditure of \$200,357,568. Additionally, the amended Certificate of Need should be issued with the following revision to condition #3.

Conditions

The department agrees with LHS assertions that Condition #3 is no longer applicable. Therefore, Condition #3 is removed. However, the following conditions continue to remain in effect as applicable.

1. Legacy Health System 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. Legacy Health System will use reasonable efforts to provide charity care in an amount comparable to the average amount of charity care provided by all hospitals in the Southwest Washington Region during the three most recent years. Currently, these amounts are 1.05% of gross revenue and 2.21% of adjusted revenue. Legacy Health System will maintain records documenting the amount of charity care it provides and demonstrating its compliance with its charity care policies and applicable laws.
2. Prior to offering NICU Level III services, Legacy Health System shall provide the department with a signed copy of the Medical Director's agreement consistent with the terms of the draft agreement provided in the application. [Condition met August 29, 2005]
3. *Condition #3 has been met and is removed from the amendment certificate*
4. Prior to the provision of services at Legacy Salmon Creek, Legacy Health System shall provide a signed management agreement consistent with the terms of the draft agreement provided in the application. [Condition met August 29, 2005]
5. Construction of the facility is to be in two phases. Phase one shall consist of 165 beds. Phase two shall consist of 55 beds. If phase two is not completed by 2015, any remaining bed authorization not meeting licensing requirements shall be forfeited.

A. 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.

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

LHS Initial Application Summary

In its March 15, 2002, evaluation supporting the issuance of CN #1263, the department concluded that this sub-criterion was met based on the following factors:

- 1) financial ratio analysis provided by the department's Hospital and Patient Data Systems (HPDS) dated March 11, 2002; and
- 2) a review of LHS December 31, 2000, audited financial report. [Source: Department's initial evaluation, Page 20-24]

LHS Amendment Application Review

Within its amendment application, LHS provided updated pro forma revenue and expense summaries and balance sheets to demonstrate that even with the increase in capital costs, the immediate and long range capital and operating costs of the project could be met. LHS states within the amendment application that it completed the project in October 2009 and provided its projected income statement for years 2010 through 2012. The projected income statement shows that even with a 24% increase in capital expenditure, LHS expects profit for the three years immediately following the completion of the project. A review of LHS projected income statement by HPDS shows the hospital is expected to be profitable. Summarized in the Table 2 below, is LHS balance sheet for FY2009.

**Table 2
Legacy Health Systems FY2009**

Assets		Liabilities	
Current Assets	\$291,328,000	Current Liabilities	\$150,748,000
Board Designated	\$375,216,000	Long Term Debt	\$401,637,000
Property/Plant/Equipment	\$648,667,000	Other Liabilities	\$195,081,000
Other Assets	\$46,120,000	Equity	\$613,865,000
Total Assets	\$1,361,331,000	Total Liabilities and Equity	\$1,361,331,000

To assist the department in its evaluation of this sub-criterion, HPDS provided a summary of the short and long-term financial feasibility of LHS as a whole, which includes a financial ratio analysis. The analysis assesses the financial position of an applicant, both historically and prospectively. The financial ratios typically analyzed are 1) long-term debt to equity; 2) current assets to current liabilities; 3) assets financed by liabilities; 4) total operating expense to total operating revenue; and 5) debt service coverage. If a project's ratios are within the expected value range, the project can be expected to be financially feasible.

For this amended application, HPDS compared LHS current and projected ratios with the most recent year's financial ratio guidelines for hospital operations. Table 3 below shows the ratio comparison for current year (2009) through 2012. [Source: HPDS Analysis, Page 2]

Table 3
HPDS Current and Projected Debt Ratios Analysis for Legacy Health Systems

Category	Trend ⁴	State 2008	Current 2009	Actual 2010	Budget 2011 ⁵	Forecast 2012
Long Term Debt to Equity	B	0.527	0.654	-		
Current Assets/Current Liabilities	A	1.946	1.933	1.721		
Assets Funded by Liabilities	B	0.432	0.406	0.048		
Operating Expense/Operating Revenue	B	0.949	0.969	0.944	0.939	0.932
Debt Service Coverage	A	4.717				
Definitions:	Formula					
Long Term Debt to Equity	Long Term Debt/Equity					
Current Assets/Current Liabilities	Current Assets/Current Liabilities					
Assets Funded by Liabilities	Current Liabilities + Long Term Debt					
Operating Expense/Operating Revenue	Operating Expenses / Operating Revenue					
Debt Service Coverage	Net Profit+Depr and Interest Exp/Current Mat. LTD and Interest Exp					

After reviewing the ratios shown in Table 3 above, staff from HPDS provided the following analysis.

“Legacy Health System capital expenditure for this hospital is stated to be \$200,357,568 or 14.7% of total corporate assets in 2009. The system indicates it used reserves to finance this project. When you review 2009 board designated assets compared to total assets, the ratio is favorable compared to other hospitals. Further review shows that while the Legacy Salmon Creek was a large project, it did not adversely impact the parent corporation. The ratios are appropriate for a project like this. Legacy Health System had 3.1% operating profit margin in 2010 while below average is still acceptable Legacy Health System’s financial health overall is about average compared to hospitals in Washington State”. [Source: HPDS Analysis, Page 2 -3]

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

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

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

⁴ “A” is better if the hospital number is above the State number and “B” is better if the hospital number is below the state number.

⁵ LHS did not provide pro-forma balance sheet information for budget year 2011 and forecast year 2012.

LHS Initial Application Summary

In its March 15, 2002, initial evaluation supporting the issuance of CN #1263, the department concluded that this sub-criterion was met based on the following factors:

- 1) LHS documentation and rationale provided for the establishment of the Legacy Salmon Creek Hospital; and
- 2) Construction cost analysis provided by HPDS dated March 11, 2002. [Source: Department's initial evaluation, Page 23]

LHS Amendment Application Review

The total costs for the project increased by \$38,477,568 or 24%, and the majority of those costs are related to construction. LHS's explanation of the increased construction costs within the amendment application is restated below.

"In 2001, when the CN was originally submitted, LHS estimated construction costs (item 'e' in the CN budget) at \$95,450,325 for Phase One. LHS did not include capital cost for completing Phase Two. Construction of Legacy Salmon Creek occurred during a time of soaring costs for construction material both nationwide and Washington State. These increases were attributed to general inflationary pressure coupled with intense and increasing demand for construction material in ...LHS managed costs such that \$95,450,325 for Phase One increased only by 21% to \$115,122,000. The remaining increase of \$11,705,000 is attributed to the fact that CN#1263 only include the costs of shelling in the space for Phase Two, and not the costs associated with completing Phase Two. The architectural costs as well as equipment costs and other fees associated with Phase two were also excluded from the original CN...The total construction cost for Phases one and two is \$126,827,000." [Source: Amendment Application, Page 8]

Additionally, LHS provided a breakdown of the revised construction costs to further demonstrate that cost increase would not result in an unreasonable impact on the costs and charges for health services. A comparison of the costs identified in the initial project and the costs identified in the amendment project is shown in Table 4 below.

Table 4
Legacy Salmon Creek Hospital Initial and Amended Capital Cost Breakdown

		Original Cost	Final Cost
A	Land Purchase	\$4,000,000	\$4,000,000
B	Land Improvement	\$3,714,020	\$3,714,020
C	Building Purchase	\$0	\$0
D	Residual Value of Assets being replaced	\$0	\$0
E	Construction Cost	\$95,450,325	\$126,827,000
F	Moveable Equipment	\$32,000,000	\$34,472,431
G	Fixed Equipment	\$8,000,000	\$9,905,774
H	Architect/Engineer Fees	\$8,000,000	\$9,297,919
I	Consulting Fees	\$ In "H" above	\$ In "H" above
J	Site Preparation	\$ In "B" above	\$ In "B" above
K	Supervision and Inspection	\$ In "B" above	\$ In "B" above
L	Costs Associated with Financing w/Interest	\$0	\$0
M	Washington State Sales Tax	\$10,715,655	\$12,140,424
N	Other (City fees: permits, tap fees etc.)	\$0	\$0
O	Total Estimated Capital Cost (Actual Replacement Cost)	\$161,880,000	\$200,357,568

LHS assertions above that increase in capital expenditure costs is primarily due to its omission of costs associated with the completion of shelled in space in Phase Two appear to be substantiated in the table above. HPDS reviewed the costs identified above and concluded that costs for the project continue to be comparable to past construction costs reviewed. Based on the information provided above, the department concludes this sub-criterion remains met.

(3) The project can be appropriately financed.

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

LHS Initial Application Summary

In the initial application, LHS proposed 100% funding using its accumulated reserves. The approved capital expenditure associated with CN #1263 for the establishment of Legacy Salmon Creek Hospital was \$161,880,000. The majority of the approved capital expenditures were related to costs associated with the hospital construction, fixed and moveable equipments and state sales tax.

LHS Amendment Application Review

Information provided to the department by LHS in the amended application shows it used corporate funds to finance the establishment of the 220-bed hospital. Within the amended application, LHS stated construction cost for Phase One of the project increased from \$95,450,325 to \$115,122,000. The remaining increase of \$19,671,675 is the omitted cost of shelling in the space for Phase Two of the project.

Information within the amended application indicated LHS completed the project in October 2009, and the department's initial evaluation concluded LHS had adequate reserves to fund the project directly and the proposed financing was appropriate. [Source: Initial evaluation, released March 15, 2002, Page 24] Within this amendment application, LHS also requests removal of Condition #3 attached to CN #1263, which states: *No debt of the parent corporation shall be assigned to LHS-Clark County hospital as stated in the application.*

To support the removal of the condition stated above the applicant stated, *"LHS has previously had conversations with the CN Program regarding the problems that this condition has created in bonding financing that LHS has undertaken for its Oregon facilities. When LHS sought financing for improvement to its Oregon facilities through bond issues in 2008 and 2009, we learned that in order to obtain financing at competitive interest rates, LHS needs to be able include Legacy Salmon Creek in the Obligated Group...the intent of Condition 3—which was that LHS use only cash reserves and no debt was issued in connection with the construction of the hospital. Accordingly, Legacy Salmon Creek is without debt and carries no debt obligations on its financial statements. LHS, therefore, concludes that Condition 3 is no longer relevant and, with this application, is petitioning for its removal"*. [Source: Amendment Application, Page 8]

Additionally LHS stated, “...the purpose of Condition 3 was to ensure that Legacy Salmon Creek was built using LHS reserves, rather than debt which would be a continuing encumbrance upon the facility and add to its ultimate cost. Legacy Salmon Creek was built entirely from LHS’s fund without debt financing, and the costs of construction were not increased by any interest or principle repayment obligations. Therefore, the financial assumptions (no cost of debt) that the department relied on in approving the CN have been verified and proven, and Condition 3 has been satisfied”. [Source: Supplemental Information received July 9, 2010, Page 3]

The department’s initial approval of the hospital and the attachment of condition #3 to the CN was to prevent LHS from passing its debt to the new hospital. LHS’s documentation within the application demonstrates it has completed the project and did not pass any debt to the new hospital. As a result, this condition has been met and is no longer considered applicable and will be removed from the amendment certificate.

B. 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.

To determine if a proposed project is the best alternative, the department takes a multi-step approach. Step one determines if the application has met the other criteria of WAC 246-310-210 thru 230. If it has failed to meet one or more of these criteria then the project is determined not to be the best alternative, and would fail this sub-criterion.

If the project met WAC 246-310-210 through 230 criteria, the department would move to step two in the process and assess the other options the applicant or applicants considered prior to submitting the application under review. If the department determines the proposed project is better or equal to other options the applicant considered before submitting their application, the determination is either made that this criterion is met (regular or expedited reviews), or in the case of projects under concurrent review, move on to step three.

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

LHS Initial Application Summary

On March 15, 2002, the department concluded LHS’s proposal to establish a new 220-bed hospital within the city of Vancouver was the best available option for the residents of the that community. At project completion in October 2009, Legacy Salmon Creek Hospital is reported by the applicant to operate a total complement of 220 licensed beds. [Source: Supplemental Information received July 9, 2010, Page 1]

LHS Amendment Application Review

To evaluate LHS amendment project, the department begins with the three steps identified above.

Step One

For this project, LHS has met the applicable review criteria under WAC 246-310-220. Therefore, the department moves to step two below.

Step Two

WAC 246-310-570(1)(e) requires a certificate holder to obtain an amended Certificate of Need if the costs for the project increase beyond 12% or \$50,000 [whichever is greater] of the approved costs. Since LHS costs increased by 24% of the approved costs, no other option was available have been available to the applicant for this project.

Additionally, in order to remove or modify Condition #3 attached to CN#1263, LHS is required to obtain an amended CN. Documentation within the amendment application and supplemental information provided demonstrates that the project is complete and as required by the condition, LHS did not pass its debt obligations to Legacy Salmon Creek Hospital. As a result, the department notes that this is the best option for the residents of the service area.

Step Three

This step is used to determine between two or more approvable projects which is the best alternative. While LHS's initial application did undergo a comparative review with Southwest Washington Medical Center's bed addition project, and both projects were approved, this amendment application is not undergoing a comparative review.

Based on the information above, the department concludes this project continues to be one of the best available alternatives for the resident of Clark County. 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;
and

This sub-criterion is re-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 re-evaluated within the financial feasibility criterion under WAC 246-310-220(2) and is met.