



STATE OF WASHINGTON
DEPARTMENT OF HEALTH

December 14, 2011

CERTIFIED MAIL # 7009 2250 0001 8668 6156

Barry Tanner, President & CEO
Physicians Endoscopy
1456 Ferry Road, Suite 305
Doylestown, PA 18901

RE: CN11-16 EEC-Issaquah

Dear Mr. Tanner:

We have completed review of the Certificate of Need application submitted on behalf of Eastside Endoscopy Center, LLC proposing to establish a new endoscopy ASC in Issaquah. For the reasons stated in this evaluation, the application submitted is consistent with applicable criteria of the Certificate of Need Program, provided Eastside Endoscopy, LLC agrees to the following in its entirety.

Project Description

This application approves the establishment of a two-operating room endoscopy ambulatory surgery center at 1301—4th Avenue NW in Issaquah within the east King County planning area. Services to be provided are endoscopy and gastroenterology related procedures.

Conditions

1. Eastside Endoscopy Center LLC agrees with the project description as described above.
2. Prior to commencement of the project, Eastside Endoscopy Center, LLC—EEC Issaquah must provide for the department's review and approval an adopted Scope of Care policy. The adopted policy must be consistent with the draft provided in the application.
3. Prior to commencement of the project, Eastside Endoscopy Center, LLC—EEC Issaquah must provide for department's review and approval a revised and adopted Charity Care Policy that includes a process for patients to qualify for charity care prior to the services being received.
4. Eastside Endoscopy Center, LLC—EEC Issaquah will provide charity care in compliance with the revised and adopted charity care policy. Eastside Endoscopy Center, LLC—EEC Issaquah will use reasonable efforts to provide



charity care in an amount comparable to the average amount of charity care provided by the hospitals located in King County during the three most recent years. For historical years 2007-2009, this amount is 2.36% of gross revenue. Eastside Endoscopy Center, LLC—EEC Issaquah will maintain records documenting the amount of charity care it provides and demonstrating its compliance with its charity care policies.

5. Eastside Endoscopy Center, LLC—EEC Issaquah is limited to providing endoscopic and gastroenterology services as described within the application and relied upon by the department in this evaluation.
6. Prior to providing services, Eastside Endoscopy Center, LLC—EEC Issaquah must provide for department's review and approval an executed copy of the "First Amendment" to the Patient Transfer Agreement. The executed amendment must be consistent with draft provided in the application.

Approved Costs

The approved capital expenditure is \$1,845,177

You have two options, either accept or reject the above in its entirety. If you accept the above in its entirety, your application will be approved and a Certificate of Need sent to you. If you reject any provision of the above, you must identify that provision, and your application will be denied because approval would not be consistent with applicable Certificate of Need review criteria. Please notify the Department of Health within 20 days of the date of this letter whether you accept the above in its entirety. Your written response should be sent to the Certificate of Need Program, at one of the following addresses.

Mailing Address:

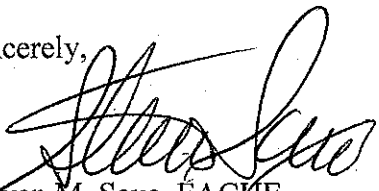
Department of Health
Certificate of Need Program
Mail Stop 47852
Olympia, WA 98504-7852

Other Than By Mail:

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

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

Sincerely,



Steven M. Saxe, FACHE
Director, Health Professions and Facilities

Enclosure

cc: Jody Carona, Health Facilities Planning and Development

**EVALUATION OF THE CERTIFICATE OF NEED APPLICATION SUBMITTED BY
EASTSIDE ENDOSCOPY CENTER, LLC PROPOSING TO ESTABLISH AN
AMBULATORY SURGICAL FACILITY TO BE LOCATED IN ISSAQUAH WITHIN
THE EAST KING COUNTY SECONDARY HEALTH SERVICES PLANNING AREA**

APPLICANT DESCRIPTION

Eastside Endoscopy Center, LLC (EEC) is owned by select physician members of Overlake Internal Medicine Associates (OIMA) and Northwest Gastroenterology Associates (NWGA). In addition to the physician members, Physicians Endoscopy, LLC¹ has 30% ownership in EEC. EEC has been operating an CN-exempt ambulatory surgery center (ASC) located at 1135—116th Avenue NE in Issaquah within east King County².

PROJECT DESCRIPTION

This application proposes to establish a new 2-OR endoscopy ASC within east King County. The new endoscopy ASC would be known as EEC-Issaquah. The facility would be located at 1301—4th Avenue NW within the City of Issaquah. The use of the ASC, at this time, would be limited to the eleven physician owners and physicians employed by the professional practices. [Source: EEC-Issaquah Application, Pg. 3] EEC expects that at project completion, EEC-Issaquah would seek AAAHC accreditation.

The estimated capital expenditure associated with the establishment of EEC-Issaquah is \$1,845,177. Of that amount, 51.8% is related to construction and 34.3% is related to fixed and moveable equipment; 10.6% is related fees and taxes and the remaining 3.3% is related to other undisclosed cost financing interest. [Source: EEC-Issaquah Application, Pg. 20]

Upon project completion, EEC-Issaquah would have two dedicated ORs used solely for endoscopic and related gastroenterology related procedures. If approved, EEC-Issaquah anticipates it would be operational by January 2012. Under this timeline, 2014 would be the third complete year of operation. [Source: Application, Page 6]

APPLICABILITY OF CERTIFICATE OF NEED LAW

This project is subject to Certificate of Need review as the establishment of a new health care facility under the provisions of Revised Code of Washington (RCW) 70.38.105(4)(a) and Washington Administrative Code (WAC) 246-310-020(1)(a).

¹ Physicians Endoscopy, LLC is a Delaware corporation.

² On October 21, 1994, Eastside Endoscopy Center, LLC (EEC) received a Certificate of Need (CN) exemption to establish an endoscopy ASC within the City of Bellevue. At the time the exemption was granted to EEC, it was owned by five physicians from Overlake Internal Medicine Associates (OIMA) and six physicians from Northwest Gastroenterology Associates (NWGA). The use of the ASC was limited to the physician owners and physicians employed by the respective professional practices. In 1998, Physician Endoscopy, LLC, became a 30% owner of EEC. If reviewed today, this ownership configuration would not qualify for a CN exemption. A review of the program's historical files shows physicians listed in this current application were also identified for the 1994 initial exemption. Nothing in the 1994 materials or the 2000 materials suggested there were two separate physician group practices and a non-physician group practice involved with EEC.

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*
- (ii) The relationship of the proposed project to the long-range plan (if any) of the person proposing the project.”*

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

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

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

To obtain Certificate of Need approval, the applicant must demonstrate compliance with the 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)³. Additionally, WAC 246-310-270 (ambulatory surgery) contains service or facility specific criteria for ASC projects and must be used to make the required determinations.

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

APPLICATION CHRONOLOGY

Action	EEC-Issaquah
Letter of Intent Submitted	December 9, 2010
Application Submitted	February 1, 2011
Department's Pre-Review Activities including Screenings and Responses	February 4, 2011 through May 3, 2011
Beginning of Review	May 4, 2011
End of Public Comment	June 8, 2011
Rebuttal Comments	June 22, 2011
Department's Anticipated Decision Date	August 8, 2011
Department's Actual Decision Date	December 14, 2011

AFFECTED AND INTERESTED 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, Swedish Health Services (Swedish) a health care provider with multiple campuses located in the planning area sought and received affected person status under WAC 246-310-010(2).

SOURCE INFORMATION REVIEWED

- Eastside Endoscopy Center, LLC Certificate of Need applications received December 9, 2010
- Eastside Endoscopy Center, LLC supplemental information's received March 23, 2011, and April 26, 2011
- Public comments /utilization survey responses received from East King County secondary health services planning area providers
- Public comments and supplemental comments provided by Swedish Health Services
- Eastside Endoscopy Center, LLC rebuttal comments received June 22, 2011
- Claritas population data for East King County secondary health services planning areas
- Survey data provided by the Department of Health's Office of Investigations and Inspections
- Accreditation Association for Ambulatory Health Care online accredited organizations search
- Licensing data obtained from the Department of Health's Integrated Licensing & Regulatory System (ILRS)

CONCLUSION

For the reasons stated in this evaluation and with agreement to the following conditions, Eastside Endoscopy Center LLC's Certificate of Need application proposing to establish an endoscopy ambulatory surgery center in the City of Issaquah within east King County is consistent with the applicable review criteria, provided Eastside Endoscopy Center, LLC agrees to the following in its entirety.

Project Description

This application approves the establishment of a two-operating room endoscopy ambulatory surgery center at 1301—4th Avenue NW in Issaquah within the east King County planning area. Services to be provided are endoscopy and gastroenterology related procedures.

Conditions

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Approved Costs

The approved capital expenditure is \$1,845,177

A. Need (WAC 246-310-210)

Based on the source information reviewed and the applicant agreement to the conditions identified in the “conclusion section” of this evaluation, the department determines that EEC-Issaquah has met the applicable need criteria in WAC 246-310-210 and WAC 246-310-270.

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

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

The Department of Health’s Certificate of Need Program uses the numeric methodology outlined in WAC 246-310-270 for determining the need for additional ASCs in Washington State. The numeric methodology provides a basis of comparison of existing operating room (OR) capacity for both outpatient and inpatient OR’s in a planning area using the current utilization of existing providers. The methodology separates Washington State into 54 secondary health services planning areas. The proposed ASC would be located in the in East King County planning area.

EEC-Issaquah’s Numeric Methodology

EEC-Issaquah states, “The Department typically “runs” the ASC methodology using data it collects after the CN application is submitted. Since EEC does not have access to current outpatient and inpatients utilization data, we relied on information contained in the most recent relevant CN evaluation in the East King planning area; Swedish Health Services (Swedish) proposal to establish an ASC in Bellevue (remand analysis-2008)”. [Source: EEC-Issaquah Application, Pg. 12]

Department’s Methodology

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

- a) Whether a surplus or shortage of OR’s is predicted to exist in the target year, and
- b) If a shortage of OR’s is predicted, the shortage of dedicated outpatient and mixed-use rooms are calculated. Preference is given to dedicated outpatient operating rooms.
- c) Data used to make these projections specifically exclude specialty purpose rooms, such as open-heart surgery rooms, delivery rooms, cystoscopic rooms, and endoscopic rooms.⁴

In the East King planning area there are four hospitals and thirty-three ASCs. Table 1 below lists those hospitals and ASCs.

⁴ WAC 246-310-270(9)(a)(iv). “...Exclude cystoscopic and other special purpose rooms (e.g., open heart surgery) and delivery rooms.

**Table 1
East King County Planning Area Hospitals and ASCs**

Hospital's/City	
Evergreen Hospital Medical Center, Kirkland	Snoqualmie Valley Hospital, Snoqualmie
Overlake Hospital Medical Center, Bellevue	Swedish Issaquah Hospital, Issaquah ⁵
ASC's	
Allure Laser Center	Overlake Surgery Center
Anderson Cosmetic Surgery	Pacific Cataract & Laser Institute
Ambulatory Surgery Center at the GH Bellevue MC	Plastic Surgery North West Surgery Center
Aysel Sanderson MD	Pratt Plastic Surgery Center
Bellevue Spine Specialist	Proliance Highlands Surgery Center
Bel Red	Remington Plastic Surgery
Bellevue Urology Associates	Retina Surgery Center, The
Cosmetic Surgery & Dermatology of Issaquah	Seattle Children's-Bellevue ASC ⁶
Eastside Endoscopy-Bellevue	Sammamish Center for Facial Plastic Surgery
Evergreen Orthopedic Surgery Center	Sephehr Egrari MD FACS Plastic Surgery Center
Evergreen Surgical Center	Skin Surgery Center
Evergreen Surgical Clinic Ambulatory Surgery Center	Swedish Health Services -Issaquah ASC
La Provence Esthetic Surgery	Swedish Lakeside Surgery Center ⁷
Naficy Plastic Surgery & Rejuvenation Center	Stern Center for Aesthetic Surgery, The
North Pacific Dermatology	Virginia Mason-Bellevue Ambulatory Surgical Center
Northwest Center for Aesthetic Plastic Surgery	Washington Institute Orthopedic Center
Northwest Nasal Sinus Center	

For the hospitals located in the planning area, their mixed use ORs and dedicated outpatient ORs are counted in the planning area's supply of ORs, if known. Of the thirty-three ASCs facilities located within the planning area, seven have Certificates of Need⁸. Their OR capacity is also counted in the supply of ORs available in the planning area. The remaining 26 ASCs are within solo or group practices. The use of these ASCs is restricted to physician

⁵ Swedish Issaquah is a new hospital that recently opened in Issaquah. On July 1, 2011, the department issued CN1264R2A for a change in site for the Swedish-Bellevue ASC. That CN approved moving the ASC's 5 ORs to the outpatient surgery space of the new Issaquah hospital. In this way, the ORs could be used to provide outpatient surgery before the rest of the hospital was operational. Once the hospital became operational, these 5 ORs became the hospital's outpatient surgery within the hospital's license. Since the hospital is now open, these 5 ORs are included in the hospital's count of OR capacity and are not counted as a separate ASC.

⁶ Seattle Children's Bellevue ASC is limited to providing services to pediatric patients.

⁷ This facility was previously known as Issaquah Surgery Center. On October 10, 2006, CN1338 was issued to Proliance Surgeons, Inc. The Issaquah Surgery Center began offering services in November 2006. In approximately January 2010, Issaquah Surgery Center, LLC was formed to operate the ASC. Swedish Health Services and two physicians were the sole members of the LLC. Under the terms of the LLC agreement, Swedish was required to buy out the interest of the two physicians. This occurred sometime in 2010. [Source: DoR11-16]

⁸ Evergreen Orthopedic Surgery Center, Evergreen Surgery Center, Northwest Nasal Sinus, Overlake Surgery Center, Seattle Children's Bellevue ASC, Swedish Issaquah ASC, and Swedish Lakeside Surgery Center are CN approved.

owners or employees of the respective clinical practices. These ASCs are exempt from CoN⁹. The OR capacity of these exempt ASCs was not counted as part of the OR capacity within the planning area.

On February 10, 2011, the department requested utilization information from hospitals and ASCs in the planning area. Seven providers responded. Those were Overlake Hospital Medical Center, Overlake Surgery Center, LLC, Swedish-Issaquah Hospital, Swedish Lakeside ASC, Swedish-Issaquah ASC, Swedish-Bellevue ASC, Remington Plastic Surgery Center, and Bellevue Urology Associates. The utilization information obtained from these responses and information obtained from the department's Integrated Licensing and Regulatory System (ILRS) was used to determine the planning area's use rate.

The Department used the following assumptions in applying its numeric methodology.

Assumption	Data Used
Planning Area	East King County
Target Year	2013
Population-Target Year	553,278
Use Rate	141.726/1,000
Average minutes per case	Outpatient cases = 48.95 minutes; Inpatient cases = 149.08 minutes
OR capacity Counted:	Mixed Use: 20 Dedicated outpatient: 30

The East King County planning area's 2013-projected need for dedicated outpatient ORs is 10.28 ORs. The department's complete numeric methodology is Appendix A attached to this evaluation. Even though the numeric methodology shows a need for additional dedicated outpatient capacity in the planning area, the department has previously determined the numeric methodology is not suitable for projecting need for the ORs specific to this type project. Therefore, the department considered additional information within the application to evaluate the need for this project.

To demonstrate need for the new endoscopy ASC, EEC-Issaquah stated *"it opted to establish a second endoscopy ASC for several reasons including: 1) capacity constraints at our existing Bellevue facility, 2) projected population growth and aging within the service area, and 3) the growing demand for EEC's endoscopy services."* [Source: EEC-Issaquah Application, pg. 11] The EEC-Issaquah further stated, *"although EEC-Issaquah is not an existing facility, EEC does operate a facility in Bellevue. Two thousand nine patient origin data for EEC demonstrated that 78% of our historical patients resided in the East King secondary service area. More specific to this application, however, is the fact that approximately 22% [of] our current patients come from Issaquah and other easternmost King communities of Sammamish, North Bend, Snoqualmie, and Fall City."* [Source: EEC-Issaquah Application, pg. 15]

Table 2 below is the applicant's projected patient cases for the proposed EEC-Issaquah.

⁹ WAC 246-310-010(5)

Table 2
EEC-Issaquah Projected Number of Cases

Year	Number of Cases
2012	2,200
2013	3,415
2014	3,552
2015	3,610

Given the projected number of cases for proposed EEC-Issaquah facility, the applicant asserted that its EEC-Bellevue facility is at capacity and a new facility in Issaquah would be cost efficient. Further, the applicant stated that the new endoscopy center would not duplicate services, but it would expand existing services within the planning area. [Source: Application, Page 17]

During the review of these applications, the department received comments from Swedish regarding EEC-Issaquah's proposed project. Excerpts from Swedish's comments are stated below.

"The Department's regulations require a demonstration of numeric need before a new ASF may be approved. ...EEC has not provided a current numeric need calculation as part of its application. EEC instead provided the calculation used by Department in connection with the 2005 applications of Swedish and Proliance to establish ASFs in the planning area"

"WAC 246-310-270 does not appear to exclude endoscopy rooms."

"Any CN should include a condition limiting the facility to endoscopic procedures." [Source: Swedish Public Comments, Received June 8, 2011]

EEC-Issaquah provided the following statements in response:

"EEC reviewed every endoscopy ASC decision issued during the period of January 1, 2006 – June 2011...In four of the five applications there was no need identified per the ASC methodology contained in WAC 246-310- 270. In each of these four cases, the CN Program's analysis states either that: 1) the numeric methodology outlined in WAC 246-310-270(9) is not a predictor of need for dedicated outpatient endoscopic ASCs, or 2) that the addition of dedicated ORs for endoscopic procedures are not to be counted in the OR supply, and therefore have no impact on the need calculations or the future need for additional ORs in the planning area." [Source: EEC-Issaquah Rebuttal, Received June 22, 2011]

Department's Evaluation

The department agrees that EEC did not provide a current numeric need calculation using the methodology contained in WAC 246-310-270 as part of its application. However, as shown earlier in this analysis, the department's application of the numeric need methodology did show a need for additional ASC ORs. EEC-Issaquah is correct in its statements about the department's past decisions. The department's ASC need methodology excludes cystoscopic and other special purpose rooms such as heart surgery and delivery rooms from the calculation of need. Endoscopic procedures are performed in special purpose rooms and it has been the policy interpretation of the Department that these types of procedure rooms are excluded from the department's ASC's need methodology. The types of procedures proposed are limited to endoscopic and GI type services. Therefore, if this project is approved, a condition would limit the proposed ASC to those types of procedures.

Based on the source information reviewed and EEC-Issaquah's agreement to the conditions in the conclusions section of this evaluation, the department concludes **this sub-criterion is met.**

WAC 246-310-270(6) (6) An ambulatory surgical facility shall have a minimum of two operating rooms

This project is to build a new two OR endoscopy ASC in Issaquah. EEC-Issaquah provided single line drawings within the application. [Source: EEC-Issaquah Application, Exhibit 6] Those drawings show the ASC will have the required two ORs. **This sub-criterion is met.**

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

To determine whether all residents of the service area would 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, EEC-Issaquah provided a copy of the following policies:

- Scope of Care in the Center
- Uncompensated & Charity Care Policy
- Non Discrimination Policy

Each is stated to be EEC-Bellevue's current policies that will also be used at the new EEC-Issaquah facility. The Scope of Care in the Center policy identifies the criteria and guidelines used for patients needing services at EEC-Issaquah. [Source: EEC-Application, Exhibit 9] The department does notes that the policy's start date, last revision date, and by sections of the policy are blank. Therefore, the department considers the policy a draft. If is project is approved, a condition would be necessary for EEC-Issaquah to provide a finalized or adopted Scope of Care in the Center policy.

The Non-Discrimination Policy provided states that no person on the grounds of race, color, national origin, ancestry, age, sex, religious creed, or disability is excluded from any care or service while a patient at the applicant center. [Source: EEC-Issaquah Application, Screening Responses, Attachment 1] A review of the Non-Discrimination Policy reveals that it was first implemented in 1996. Its most recent revision was February 4, 2010 by the Board of Managers. The policy is comparable to others the department has reviewed.

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. EEC-Issaquah states that it intends to serve Medicaid patients. Approximately 1% of the facility's revenue is to be from Medicaid. [Source: EEC-Issaquah Application, pgs. 7 and 22] Statements made in the application demonstrate EEC-Issaquah's intent to provide services to Medicaid patients.

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. To demonstrate compliance with this sub-criterion, EEC-Issaquah stated its intent to become Medicare certified. [Source: EEC-Issaquah Application, Pg. 3] Approximately 17.5% of EEC-Issaquah's revenue is expected to be from Medicare. [Source: EEC-Issaquah Application, pgs. 7 and 22] The EEC-Bellevue facility currently provides services to Medicare eligible patients. [Source: EEC-Bellevue Application, Pgs. 3 and ILRS] Statements made in the application demonstrate EEC-Issaquah's intent to provide services to Medicare patients.

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, EEC-Issaquah provided a copy of the current EEC-Bellevue charity care policy. This same policy is stated to be the one that will be used at the Issaquah facility. EEC-Issaquah's Charity Care policy states "EEC is committed to providing uncompensated or charity care to those individuals who have already received services and who can substantiate their inability to pay." [Source: EEC-Issaquah Application, Exhibit 9]

During the review of the projects, the department received comments from Swedish related to EEC-Issaquah's charity care provision. Excerpts from Swedish's comments are stated below:

"EEC has not demonstrated that all residents of the planning area including low income persons would have adequate access to EEC's proposed facility. ...EEC provides no actual charity statistics for its existing, CN-exempt. However, the financials submitted with EEC's application show that EEC has not provided any charity cure [care] during the past three years at its existing facility."

“The Department should not issue a CN to EEC until EEC has prepared and received approval of an appropriate charity care policy. Chapter 246-453 defines standards and criteria applicable to charity care provided by Washington hospitals.....If the Department is inclined to grant EEC’s application notwithstanding this omission, the Department should at minimum require EEC to submit to the Washington Department of Health, Center for Health Statistics, Hospital and Patient Data Systems (“HPDS”) a charity care policy that conforms to the requirements of Chapter 246-453 WAC, and obtain approval of that policy from HPDS, before the Department issues a CN to EEC.”
[Source: Swedish Public Comments, received June 8, 2011]

In response to the comment provided by Swedish, EEC-Issaquah provided the following rebuttal comments.

“EEC is proud of our historic commitment of charity care. In fact, we have been an active member of King County’s Project Access for more than three years....A letter from the Executive Director of Project Access in support of EEC is included as Attachment 1.”

“Swedish may have been confused about EEC’s charity care because our unaudited historical financials (Exhibit 10) only showed net revenue (the amount of money actually collected). While EEC’s internal reports reflect gross charges, contractual allowances and adjustments for charity care, they do not itemize these on their financial statements.”

“Swedish suggests that we should be required to have a charity care policy that meets hospital requirements and it cites WAC 246-453. WAC 246-310-270(7) (not WAC 246-453) provides the guidance for our application.” [Source: EEC-Issaquah Rebuttal Responses, received June 22, 2011]

Department’s Evaluation

WAC 246-310-270(7) states *“Ambulatory surgical facilities shall document and provide assurances of implementation of policies to provide access to individuals unable to pay consistent with charity care levels provided by hospitals affected by the proposed ambulatory surgical facility. The amount of an ambulatory surgical facility’s annual revenue utilized to finance charity care shall be at least equal to or greater than the average percentage of total patient revenue, other than Medicare or Medicaid, that affected hospitals in the planning area utilized to provide charity care in the last available reporting year.”*

For charity care reporting purposes, the Department of Health’s Hospital and Patient Data Systems program (HPDS), divides Washington State into five regions: King County, Puget Sound (less King County), Southwest, Central, and Eastern. EEC-Issaquah is located in King County. There are 21 hospitals located within the region¹⁰. According to 2007-2009¹¹

¹⁰ This number includes Swedish-Issaquah Hospital which recently opened.

¹¹ Year 2010 charity care data is not available as of the writing of this evaluation.

charity care data obtained from HPDS, the three-year average for the King County Region was 2.36% for total revenue and 4.21% of adjusted revenue. The applicant's revenue and expense statement shows the EEC-Issaquah is projecting a three-year average level of 2.60% of total revenue. [Source: EEC-Issaquah Application, Exhibit 10] The department's applications do not request the ASC applicants to breakout revenue by payer source. Therefore, an appropriate comparison of charity care as a percent of Adjusted Revenue cannot be made. Table 3 below shows the comparison of EEC-Issaquah proposed level of charity care to the King County Region for total revenue. [Source: HPDS 2004-2006 charity care summaries and EEC-Issaquah application, Exhibit 10]

Table 3
EEC-Issaquah Charity Care Comparison

	3-Year Average for King County Region ¹²	3-Year Average for Projected EEC-Issaquah
% of Total Revenue	2.36 %	2.60%
% of Adjusted Revenue	4.21 %	N/A %

As shown in Table 3, EEC-Issaquah is projecting its charity care above the regional average.

In reviewing the department notes the policy's start date, last revision date, and by sections of the policy are blank. Therefore, the department considers the policy a draft. EEC-Issaquah's draft Uncompensated & Charity Care policy states: "...to those individuals who have already received services and who can substantiate their inability to pay." [Emphasis added] There is no identified process contained in the submitted charity care policy for those who have not already received services from EEC to qualify for charity care. Therefore, if this project is approved, a condition would be necessary for the policy to be revised to include a process for patients to qualify for charity care prior to the services having been received.

EEC-Issaquah is correct in stating that the charity care policy standards of WAC 246-453 are not applicable to their proposed ASC. Swedish is also correct that its Issaquah ASC and Seattle Children's Bellevue ASC's charity care policies had to meet the standards of WAC 246-453. This is because these two ASCs were to be licensed under the hospital's license they were required to meet the applicable hospital licensing standard. Based on the source information reviewed and EEC-Issaquah's agreement to the conditions in the conclusions section of this evaluation, the department concludes that all residents, including low income, racial and ethnic minorities, handicapped, and other under-served groups would have access to the services provided by the applicant. **This sub-criterion is met.**

¹² Harborview Medical Center is subsidized by the state legislature to provide charity care services. Charity care percentages for Harborview make up almost 50% of the total percentages provided in the King County Region. Therefore, for comparison purposes, the department excluded Harborview Medical Center's percentages.

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

Based on the source information reviewed and the applicant's agreement to the conditions identified in the "conclusion section" of this evaluation the department determines that EEC-Issaquah has met the applicable financial feasibility criteria in WAC 246-310-220.

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

WAC 246-310 does not contain specific WAC 246-310-220(1) financial feasibility criteria as identified in WAC 246-310-200(2)(a)(i). There are also no known recognized standards as identified in WAC 246-310-200(2)(a)(ii) and (b) that directs what the operating revenues and expenses should be for a project of this type and size.

Therefore, using its experience and expertise the department evaluates if the applicant's pro forma income statements reasonably project the proposed project is meeting its immediate and long-range capital and operating costs by the end of the third complete year of operation.

The estimated capital expenditure associated with the establishment of EEC-Issaquah is \$1,845,177. [Source: EEC-Issaquah Application, Pg. 20] If this project is approved, EEC anticipates the ASC would be operational by January 2012. Under this timeline year 2014 would be the third year of operation. [Source: EEC-Issaquah Application, Pg. 6]

To determine whether EEC-Issaquah would meet its immediate and long range operating costs, the department reviewed its assumptions, projected revenue and expense statement and projected balance sheets for years 2012 through 2014. Table 4 below summarizes EEC-Issaquah's projected revenues and expenses for years 2012 to 2014. [Source: EEC-Issaquah Application, Exhibit 10]

Table 4
EEC-Issaquah Revenue and Expense Summary

	Projected FY 2012	Projected FY 2013	Projected FY 2014
# of Procedures	2,200	3,415	3,552
Net Patient Revenue ¹³	\$1,104,405	\$1,704,135	\$1,758,082
Total Operating Expense	\$1,147,576	\$1,457,285	\$1,507,770
Net Operating Income	(\$43,171)	\$246,850	\$250,312
Net interest (expense)	(\$139,938)	(\$119,401)	(\$95,898)
Net Income (Loss)	(\$183,109)	\$127,449	\$154,414
Net Patient Revenue per Procedure	\$502.00	\$499.01	\$494.96
Total Operating Expenses per Procedure	\$521.63	\$426.73	\$424.48
Net Operating Income (Loss) per Procedure	(\$19.62)	\$72.28	\$70.47
Net Income per procedure	(\$83.23)	\$37.32	\$43.47

As shown in Table 4 above, at the projected volumes identified, EEC-Issaquah would be operating at a loss the first year of operation. In years two and three, the facility would be

¹³ This figure excludes interest income and expenses.

operating at a profit. These figures are comparable with other endoscopy ASCs reviewed by the department.

The applicant also included in the expenses above, lease costs for EEC-Issaquah and provided an executed lease agreement between 224th Avenue LLC (Landlord) and Eastside Endoscopy Center, LLC (Tenant). [Source: EEC-Issaquah Application, Exhibit 7] In addition, EEC-Issaquah provided a copy of an executed amendment to the lease between 224th Avenue LLC (Landlord) and Eastside Endoscopy Center, LLC (Tenant) for the space for the endoscopy ASC. [Source: EEC-Issaquah Screening Responses, received March 23, 2011, Attachment 3] The agreement outlines the roles and responsibilities for both landlord and tenant. The lease costs are consistent with the financial projections evaluated in Table 4 above.

In addition to the projected financial revenue and expense report, EEC-Issaquah provided its projected balance sheet for years 2012 through 2014. Table 5 shows year 2014, the third full year of operation. [Source: EEC-Issaquah Screening Responses, Attachment 7]

Table 5
EEC-Issaquah Projected Balance Sheet for Year 2014

Assets		Liabilities	
Current Assets	\$200,259	Current Liabilities	\$492,269
Property, Plant & Equipment (P,P &E)	\$1,845,177	Long Term Debt	\$771,639
Accumulated Depreciation	(\$712,773)	Total Liability	\$1,263,908
Net P,P &E	\$1,132,404	Total Member's Equity	\$68,756
Total Assets	\$1,332,663	Total Liabilities & Member's Equity	\$1,332,664

The balance sheet as shown above is comparable to other endoscopy ASCs reviewed by the department. Based on the source information reviewed the department concludes **this sub-criterion is met.**

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

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.

EEC-Issaquah identified the capital expenditure associated with the proposed new endoscopy ASC to be \$1,845,177. The applicant states, "*The project's capital costs are based upon Physicians Endoscopy experience in developing similar type facilities*". [Source: EEC-Issaquah Application, Pg. 20] EEC-Issaquah stated that it does not expect to have any impact on the operating costs and charges due to the existing fee structure. [Source: EEC-Issaquah Application, pg. 21]

EEC-Issaquah provided its projected revenue sources and their percentages. Table 6 below shows the payer source breakdown. [Source: EEC-Issaquah Application, Pg. 22]

Table 6
EEC-Issaquah Revenue Source and Percentages

Source of Revenue	2011-14
Commercial Insurance	80.5%
Medicare	17.5%
Medicaid /State (DSHS)	1.0%
Other Government	0.5%
Other	0.5%
Total	100%

As shown above, the majority of EEC-Issaquah revenue for years 2012 and 2014 is from commercial insurance. The sources of revenue are comparable to other projects reviewed by the department.

This project's estimated construction costs are comparable to other endoscopy ASC projects reviewed by the department. The department expects EEC-Issaquah to use the organization's already established pricing structure. Therefore, the Department does not expect an unreasonable impact on cost and charges for services if this project is approved. Based on the source information reviewed, the department concludes **this sub-criterion is 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.

EEC-Issaquah provided the following capital expenditure breakdown for the proposed EEC-Issaquah project. [Source: EEC-Issaquah Application, pg. 20]

Table 7
EEC-Issaquah projected Capital Cost

Item	Cost	% of Total
Building Construction & Tenant Improvements	\$955,206	51.8%
Moveable Equipment	\$632,509	34.3%
Sales Tax and Fees	\$196,270	10.6%
Financing and Other Cost	\$61,192	3.3%
Total Project Cost	\$1,845,177	100%

EEC-Issaquah states the funding for the project is expected to be a commercial loan through US Bank. The following assumptions were used in preparing this application. [Source: EEC-Issaquah Application, Pg. 21]

- Amount financed, including \$34,693 accrued interest is \$1,845,176.
- Interest rate of 7.3%.

- The loan repayment terms is 72 months, which will include 4 months of interest only payments (\$11,224.82 each) and 68 months of principal and interest payments (\$33,214.50 each).

In addition to the construction loan, EEC-Issaquah expects to have a working capital loan also from US Bank. The following assumptions were used for the working capital loan are as follow:

- Working capital loan amount of \$140,000.
- Interest rate for the loan is expected to be 7.0%
- Repayment terms of 60 months.
- Monthly payment of \$2,772.17

The applicant states the use of conventional loan, with a relatively short term, will allow it to borrow money that closely parallels its cash flow. [Source: EEC-Issaquah Application, pg. 21]

As a for-profit organization the two primary sources of financing for this type of project is either a commercial loan or cash reserves of the organization. US Bank provided a letter of interest for funding this project. The cost of the project along with the source of financing is comparable to other similar projects. Based on the source information reviewed, the department concludes the proposed source of funding for this project is appropriate. **This sub-criterion is met.**

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

Based on the source information reviewed and the applicant's agreement to the conditions identified in the "conclusion section" of this evaluation the department determines that EEC-Issaquah has met the applicable structure and process of care criteria in WAC 246-310-230.

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

WAC 246-310 does not contain specific WAC 246-310-230(1) criteria as identified in WAC 246-310-200(2)(a)(i). There are also no known recognized standards as identified in WAC 246-310-200(2)(a)(ii) and (b) that directs what specific staffing patterns or numbers of FTEs that should be employed for projects of this type or size. Therefore, using its experience and expertise the department assessed the materials contained in the application.

EEC-Issaquah proposes to transfer some of its existing staff from its EEC-Bellevue facility to the Issaquah facility. EEC-Issaquah states it has several staff that have expressed an interest in relocating to the Issaquah facility. For those positions that would require new hires, EEC-Issaquah states it has a 15 plus year history of providing endoscopy services in east King County and has demonstrated a competitive wage and benefit package. [Source: EEC-Issaquah Application, pg. 24] Table 8 below summarizes the proposed FTE's for EEC-Issaquah. [Source: EEC-Issaquah Application, pg. 23]

Table 8
EEC-Issaquah FTE's years 2012 –2014

Type of Staff	Projected 2012	Projected 2013	Projected 2014
Clinical Director	1.00	1.00	1.00
RNs	1.00	2.00	2.00
LPN's/Tech's	1.50	2.30	2.30
Registration/Reception	0.80	2.00	2.00
Total FTEs	4.30	7.30	7.30

As shown in Table 8 above, EEC-Issaquah anticipates that it will start with 4.3 FTEs and would increase its FTEs to 7.30 by year 2013. This level of staffing is similar to other endoscopy ASC proposal reviewed by the department. Using some staff for its existing EEC-Bellevue facility is a reasonable approach to initially staff this proposed new endoscopy ASC. Between year 2012 and 2013 EEC-Issaquah expects to add 1 RN FTE, 0.8 LPN/Tech FTE, and 1.2 FTEs in registration/reception. This is a relatively small increase in staffing and the department does not expect EEC-Issaquah to have trouble in recruiting these additional staff. Based on the source information reviewed, the department concludes that EEC-Issaquah projected staffing plan is reasonable. **This sub-criterion is met.**

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

WAC 246-310 does not contain specific WAC 246-310-230(2) 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 relationships, ancillary and support services should be for a project of this type and size. Therefore, using its experience and expertise the department assessed the materials contained in the application.

To comply with this sub-criterion EEC-Issaquah states the new ASC would share some administrative functions with the current Bellevue endoscopy ASC. These include billing, purchasing, administration and human resources. Additionally, EEC-Issaquah states the Bellevue location already has the staff and support services in place to support the Issaquah location. [Source: EEC-Issaquah Application, pg. 24]

When developing an additional facility location either within the same planning area or within a reasonable distance, the department generally sees the applicant using the organization's existing support and ancillary services to support the new facility. The EEC-Issaquah project is consistent with that approach. Based on the source information reviewed the department concludes that EEC-Issaquah will have appropriate ancillary and support services and relationships with a local healthcare provider. **This sub-criterion is met.**

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

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

To demonstrate compliance with this sub-criterion, the EEC stated, "*EEC-Issaquah, as is EEC-Bellevue, will be operated in conformance with applicable federal laws, rules and regulations*". [Source: EEC-Issaquah Application, Pg. 25] This endoscopy ASC is to be Medicare certified and Medicaid eligible.

As part of its review, the department must also conclude there is reasonable assurance the proposed services would be provided in a manner that ensures safe and adequate care to the public.¹⁴ To assist in this determination, the department obtains information on the organization(s) current and past licensing/certification surveys for information on how well the applicant is meeting these quality of care standards. The applicant's current facility, EEC-Bellevue, has been operating at its current location since 1994 and is accredited by AAACH.¹⁵ The Department of Health's Investigations and Inspections Office (IIO), which surveys ASCs within Washington State, has completed at least one compliance survey for EEC-Bellevue.¹⁶ The survey revealed no substantial non-compliance issues for EEC-Bellevue [Source: IIO compliance data]

Physicians Endoscopy, LLC, identified in the application as one of the applicant's joint owners stated it owns or operates other health care facilities in nine states¹⁷. EEC-Bellevue provided a listing of these facilities from these other states. [Source: EEC-Issaquah Screening responses, Attachment 4]. In March 2011, the Department requested quality of care compliance history from these state licensing and/or surveying entities for those facilities. The department received responses from Arizona, California, Michigan, Ohio, Pennsylvania, Texas and New York¹⁸. Responses from these states revealed no substantial non-compliance issues.

EEC-Issaquah identified Robert Wohlman, MD and Georgia Rees-Lui MD as the Medical Directors for the endoscopy ASC. These same two physicians to act as Medical Directors for the current EEC-Bellevue facility. EEC-Issaquah identified Included in its application was a copy of an executed amendment to the Medical Director's agreement to include the Issaquah site. [Source: EEC-Issaquah Screening Responses, Attachment 9]. There are no recorded sanctions for Dr. Robert Wohlman or Dr. Georgia Rees-Lui [Source: Licensing and compliance history data]

¹⁴ WAC 246-310-230(5).

¹⁵ AAAHC is the Accreditation Association for Ambulatory Health Care. AAAHC is a private non-profit organization formed in 1979 and is a leader in developing standards to advance and promote patient safety, quality, and values for ambulatory health care. AAAHC currently accredits over 4,600 organizations in a wide variety of ambulatory health care setting, which include ASCs and managed care organizations. [Source: AAAHC website]

¹⁶ Compliance survey completed in May 2008.

¹⁷ Physician Endoscopy, PC owns or operates the facilities in Arizona, California, Florida, Michigan, Ohio, Pennsylvania, Texas, New Jersey and New York.

¹⁸ The department did not receive responses from Florida and New Jersey.

provided by DOH-Medical Quality Assurance Commission] Based on the source information reviewed, the department concludes there is reasonable assurance EEC-Issaquah would be operated 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.

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

EEC-Issaquah states this project “will promote continuity of care by allowing patients and payers that want their care provided by EEC to have timely access. ...Without additional capacity, patients will have their procedures delayed or be forced to go to other facilities. In addition, for many patients residing in the easternmost parts of the East King secondary planning area, the new facility will be more convenient and accessible than our current Bellevue location.” [Source: EEC-Issaquah Application, Pg. 25]

From a Certificate of Need perspective, continuity of care is ensuring the applicant has the procedures and policies in place so that patients have access to needed services even if not offered or available through the applicant's facility. Patient and physician convenience, absent need, would not be a basis for approving additional capacity. In the need section of this analysis, the department determined there was a need for an additional endoscopy ASC in the East King planning area. Therefore, approval of this proposed project would not result in unwarranted fragmentation of services.

EEC-Bellevue currently has an executed transfer agreement with Overlake Hospital Medical Center. As part of this application, EEC-Issaquah provided a draft “First Amendment” to this executed transfer agreement to include the EEC-Issaquah. [Source: EEC-Issaquah Screening Responses, Attachment 10]. If this project is approved, the Department would include a condition requiring EEC-Issaquah provide a copy of the executed “First Amendment” prior to providing services at the facility.

Based on the source information reviewed and with agreement to the condition in the conclusion section, the department concludes **this sub-criterion is met.**

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

This sub-criterion was evaluated in sub-section (3) above for EEC-Issaquah. Based on those evaluations; the Department concludes **this sub-criterion met.**

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

Based on the source information reviewed and the applicant's agreement to the conditions identified in the "conclusion section" of this evaluation the department determines that EEC-Issaquah has met the applicable cost containment criteria in WAC 246-310-240.

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

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 thru 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 that 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.

Step One

EEC-Issaquah's project met the review criteria under WAC 246-310-210, 220, and 230. Additionally, it met the applicable ambulatory surgery specific review criteria identified in WAC 246-310-270. Therefore, the department moves to step two below.

Step Two

Before submitting the proposed project, EEC-Issaquah considered two options summarized below. [Source: EEC-Issaquah Application, pg. 26]

- Relocate and expand the Bellevue facility to allow it to continue to grow, and
- Establish a second location within the East King secondary planning area, to improve access and eliminate the need for relocation of the current Bellevue operation.

The reasons EEC-Issaquah stated for rejecting these two options include:

- The existing Bellevue facility is at capacity, and has been for several years.
- It has been determined that it would be too costly and too disruptive to expand the existing operation.
- With 22% of their existing patients living in the easternmost part of the planning area, establishing a new facility would provide capacity for future growth and provide an option that would be closer to home for a portion of their patient population.

This application proposes to construct a new endoscopy ASC. Twenty-two percent of EEC's current patients come from the Issaquah and other easternmost King communities. [Source: EEC-Issaquah, pg. 15]. The current EEC-Bellevue facility is stated to be at capacity. If approved, the Department expects some of the existing EEC-Bellevue patients to use the EEC-Issaquah facility instead. If this occurs, the capacity concerns for the Bellevue facility should be eased. The department previously concluded EEC-Issaquah met the review criteria under WAC 246-310-210, 220, 230 and applicable ambulatory surgery specific review criteria identified in WAC 246-310-270. Based on the source documents reviewed, the department concludes that the proposed project by EEC-Issaquah is the best available alternative. **This sub-criterion is met.**

Step Three

As stated earlier, 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 that is the best alternative. Step three is not applicable to this project.

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

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

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

Attachment A

**ATTACHMENT A
ASC Need Methodology
East King County**

Facility	Special rms	Ded. Inpat	Ded. Outp at	Mixed use	closed /not used	op hrs	op wks	ip hrs	ip wks	mixed hrs	mixed wks	ip min/case	ip clean	2009 ip cases	2003 ip min	op min/case	op clean	2009 op case	2009 op min	Comments	
Evergreen Hospital Medical Center				8																Used Applicant reported ORs	
Overlake Hospital Medical Center		15	4			47	52	143	52			142	38	6614	986025	66	27	7329	495328		
Snoqualmie Valley Hospital				2																No surgeries reported to CHARs in 2009. Surgeries reported in 2006 and 2007. Used Applicant Reported ORs	
Swedish Issaquah Hospital	4.00			10																14 ORs reported (including 2 endoscopy and 2 cath) Used 10 these other 4 are special purposes & not counted	
Allure Laser Center																		815	40750	Reported 2 ILRS	
Aysel Sanderson MD																		175	8750	Reported 2 ILRS	
Ambulatory Sergerly Center at the GH Bellevue MC																		5070	253500	Reported 2 ILRS	
Anderson Cosmetic Surgery																		160	8000	Reported 2 ILRS	
Bellevue Spine Specialist																		2500	125000	Reported 2 ILRS	
Bellevue Urology Associates						16	26											1700	85000	Survey did not ID No. of cases. Number of Cases obtained from ILRS. Minutes calculated using default outpatient #	
Bel Red																		200	10000	Reported 2 ILRS	
Cosmetic Surgery & Dermatology of Issaquah																		511	25550	Reported 2 ILRS	
Eastside Endoscopy-Bellevue Applicant 11-15						50	52											12079	603950	Reported 2 ILRS	
*Evergreen Orthopedic Surgery Center				3														2600	130000	Reported 2 ILRS	
*Evergreen Surgical Center				8														9000	450000	Reported 2 ILRS	
Evergreen Surgical Clinic Ambulatory Surgery Center																		1550	77500	Reported 2 ILRS	
La Provence Esthetic Surgery																		105	5250	Reported 2 ILRS	
Naricy Plastic Surgery & Rejuvenation Center																		410	20500	Reported 2 ILRS	
North Pacific Dermatology																		625	31250	Reported 2 ILRS	
Northwest Center for Aesthetic Plastic Surgery																		200	10000	Reported 2 ILRS	
*Northwest Nasal Sinus Center				2														92.9	15	4009	85746
*Overlake Surgery Center				6		1	50	52										35	15	7272	253762
Pacific Cataract & Laser Institute																		3749	187450	Reported 2 ILRS	
Plastic Surgery North West Surgery Center																		520	26000	Reported 2 ILRS	
Pratt Plastic Surgery Ctr																		100	5000	Reported 2 ILRS	
Proliance Highlands Surgery Center																		3000	150000	Reported 2 ILRS	
Remington Plastic Surgery						24	48											180	30	177	31860
Retina Surgery Center, The																		1500	75000	Used survey responses op min/case times # of cases reported in survey to calculate surgery minutes. Reported 2 ILRS	
*Seattle Children's-Bellevue ASC				2																Specialized - limited to pediatric patients	
Sammamish Center for Facial Plastic Surgery																		100	5000	Reported 2 ILRS	
Sephehr Egrari MD FACS Plastic Surgery Center																		326	16300	Reported 2 ILRS	
Skin Surgery Center																		1256	62800	Reported 2 ILRS	
Swedish Health Services -Bellevue ASC																				On July 1, 2011, the department issued CN1264R2A for a change in site for the Swedish-Bellevue ASC. That CN approved moving the ASC's 5 ORs to the outpatient surgery space of the new Issaquah hospital. In this way, the ORs could be used to provide outpatient surgery before the rest of the hospital was operational. Once the hospital became operational, these 5 ORs became the hospital's outpatient surgery within the hospital's license. Since the hospital is now open, these 5 ORs are included in the hospital's count of OR capacity and are not counted as a separate ASC.	
*Swedish Health Services-Issaquah ASC				3																CN1330R Expires 10.1.12 Est. commencement stated Ukwn-June Progress Report	
*Swedish Lakeside Surgery Center				2		40	52											90	45	This facility was previously known as Issaquah Surgery Center. On October 10, 2006, CN1338 was issued to Proliance Surgeons, Inc. The Issaquah Surgery Center began offering services in November 2006. In approximately January 2010, Issaquah Surgery Center, LLC was formed to operate the ASC. Swedish Health Services and two physicians were the sole members of the LLC. Under the terms of the LLC agreement, Swedish was required to buy out the interest of the two physicians. This occurred sometime in 2010. [Source: DoR11-16]	
Stern Center for Aesthetic Surgery, The																		250	12500	Reported 2 ILRS	
Virginia Mason-Bellevue Ambulatory Surgical Center																		1350	67500	Reported 2 ILRS	
Washington Institute Orthopedic Center																		500	25000	Reported 2 ILRS	
Totals	4.00	15	30	20	1	227	282	143	52	0	0	142	38	6614	986025	583.9	192	69138	3384246		
																				Average min/case	
																				149.081	
																				Ave min/case	
																				48.94915	

*ASCs that have CoNs and are counted in supply for methodology

Outpatient minutes calculated at default 50 minutes/case for those ASCs not responding to survey.
ILRS: Integrated Licensing & Regulatory System
Population data source: Claritas

Total Surgeries 2009 75,752
Area population 2010 534,496
Use Rate 2009 per survey or ILRS 141.726
Planning Area projected population for 2013 553,278