

February 18, 2025

K. Erin Kobberstad, Vice President Strategic Planning
MultiCare Health System
Sent only via email: ekobberstad@multicare.org

RE: Certificate of Need Applications #25-01 and #25-02 – Department’s Evaluation and Decision

To all:

We have completed the review of the Certificate of Need applications submitted by MultiCare Health System proposing to establish a freestanding endoscopy center, MEC Yakima, LLC and expanding services offered at CN-approved ASC, MHS Ridgeview in Yakima County. Attached is a written evaluation of the application. For the reasons stated in the attached decision, the application is consistent with the applicable criteria of the Certificate of Need Program, provided MEC Yakima, LLC and MHS Ridgeview agree to the following in its entirety.

MultiCare Ridgeview

Project Description

This certificate approves the expansion of services provided at its existing MultiCare Ridgeview ambulatory surgical facility in Yakima within Yakima County. The surgery center will continue to have two operating rooms (ORs). The outpatient surgical services will be provided to patients ages 12 months and older that can be appropriately and safely treated in an outpatient setting. Brachytherapy, cardiology, gastroenterology, general surgery, gynecology, ophthalmology, orthopedics, pain management, podiatry, vascular, and urology.

Conditions

1. MultiCare agrees with the project description as stated above. MultiCare further agrees that any change to the project described in the project description above is a new project that requires a new Certificate of Need.
2. MultiCare will continue to maintain both Medicare and Medicaid certification at the surgery center.
3. MultiCare will continue to provide charity care at the surgery center in compliance with its charity care policy reviewed for this project. MultiCare will use reasonable efforts to provide charity care in the amount consistent with the three-year average of charity care provided by the hospitals operating in Yakima County. The three-year average for the years 2020 - 2022 is 1.07% of gross revenues and 3.28% of adjusted revenues.

4. Prior to providing services at the new surgery center, MultiCare will submit an executed Patient Transfer Policy to the Certificate of Need Program for review and approval. The executed policy will be substantially consistent with the draft policy provided in the application.

Approved Costs

The estimated capital expenditure for this project is \$3,496,161.

MEC Yakima, LLC

Project Description

This certificate approves the establishment of a surgery center in Yakima within Yakima County. The surgery center will have a total of three operating rooms (ORs). The outpatient surgical services will be provided to patients that can be appropriately and safely treated in an outpatient setting. Services to be provided at the surgery center are limited to endoscopy.

Conditions

1. MEC Yakima, LLC agrees with the project description as stated above. MEC Yakima, LLC further agrees that any change to the project described in the project description above is a new project that requires a new Certificate of Need.
2. MEC Yakima, LLC will obtain and maintain both Medicare and Medicaid certification at the surgery center.
3. MEC Yakima, LLC will obtain and maintain a Washington State license.
4. MEC Yakima, LLC will provide charity care at the surgery center in compliance with its charity care policy reviewed for this project. MEC Yakima, LLC will use reasonable efforts to provide charity care in the amount consistent with the three-year average of charity care provided by the hospitals operating in Yakima County. The three-year average for the years 2022 - 2022 is 1.07% of gross revenues and 3.28% of adjusted revenues.
5. Prior to providing services at the new surgery center, MEC Yakima, LLC will submit an executed Charity Care Policy to the Certificate of Need Program for review and approval. The executed policy will be substantially consistent with the draft policy provided in the application and include the most recent Federal Poverty Guidelines.
6. Prior to providing services, MEC Yakima, LLC, will submit a list of credentialed staff that will be providing services at the facility.
7. Prior to providing services, MEC Yakima, LLC, will submit a list of ancillary and support services agreements that will be providing services at the facility

Approved Costs

The estimated capital expenditure for this project is \$6,009,170.

Please notify the Department of Health within 20 days of the date of this letter whether you accept the above project description, conditions, and approved costs for this project. If you accept these in their entirety, this application will be approved, and a Certificate of Need sent to you.

Erin Kobberstad, Vice President of Strategic Planning
Certificate of Need Applications #25-01 & #25-02
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If any of the above provisions are rejected, this application will be denied. The department will send you a letter denying your application and provide you with information about your appeal rights.

Email your response to the Certificate of Need Program at CN@doh.wa.gov. If you have any questions or would like to arrange for a meeting to discuss our decision, please contact the Certificate of Need Program at (360) 236-2955.

Sincerely,

A handwritten signature in black ink, appearing to read "Eric Hernandez", written over a light blue horizontal line.

Eric Hernandez, Executive Director
Certificate of Need
Office of Community Health Systems

Attachment

EVALUATION DATED FEBRUARY 18, 2025, FOR TWO CERTIFICATE OF NEED APPLICATIONS PROPOSING TO EXPAND AMBULATORY SURGICAL SERVICES IN YAKIMA COUNTY. THE TWO APPLICANTS ARE:

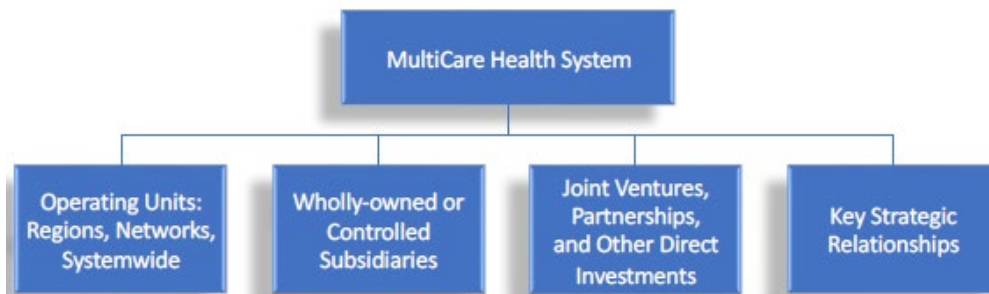
- **MULTICARE HEALTH SYSTEM**
- **MEC YAKIMA, LCC, A WHOLLY OWNED SUBSIDIARY OF MULTICARE HEALTH SYSTEM**

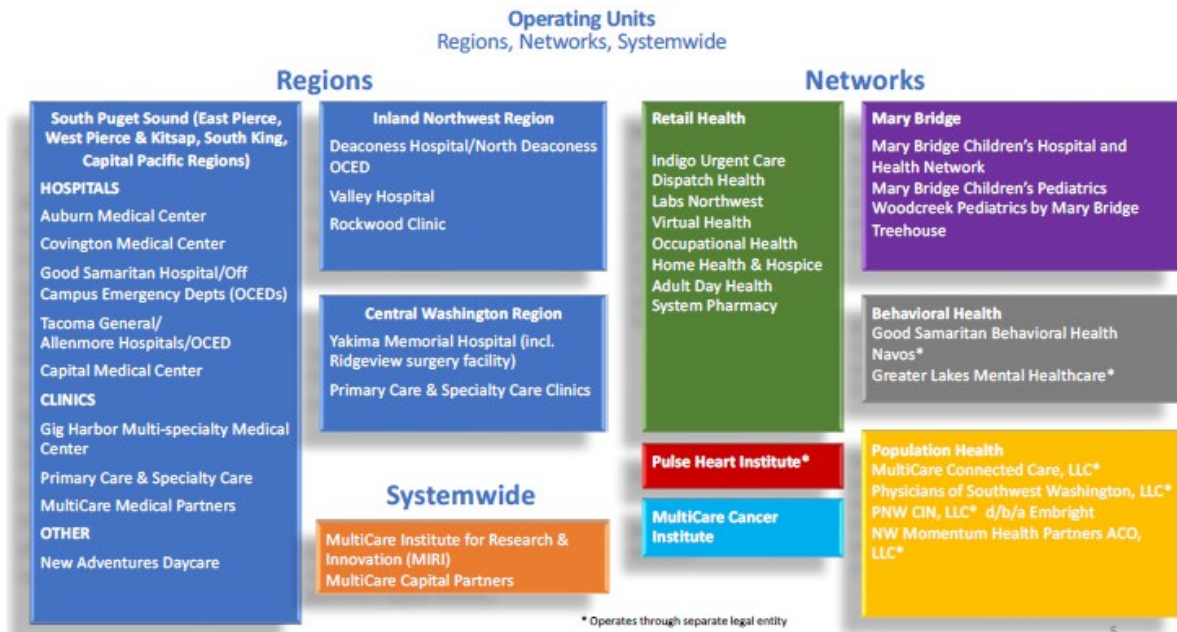
APPLICANT DESCRIPTIONS

MultiCare Health System

MultiCare Health System (MHS) is registered with the Washington State Secretary of State office as a non-profit corporation under the Unified Business Identifier (UBI) 601 100 682 and is the applicant for the project proposing to expand the services offered in its existing MultiCare Yakima Memorial Surgery Center at Ridgeview (MultiCare Ridgeview) ambulatory surgical facility. MultiCare Health System is a not-for-profit health system governed by a board of directors and currently operates a variety of healthcare entities in the states of Idaho, Oregon, and Washington. [source: Application, pdf 10, and Washington State Secretary of State website]

MHS provided the following organizational chart identifying the business structure of the applicant. [source: Application, Exhibit 1]





The applicant for this project is MultiCare Health Systems, however, for brevity, the applicant will be referenced in this evaluation as ‘MHS’ or ‘applicant.’ The project will be referred to as ‘MultiCare Ridgeview.’

MultiCare Endoscopy Center - Yakima, LLC

MultiCare Endoscopy Center - Yakima, LLC (MEC Yakima), a wholly owned subsidiary of MultiCare Health System, is registered with the Washington State Secretary of State office as a limited liability company under UBI #605 402 779 and is identified in the application as the applicant for the project proposing to establish a freestanding ASC in Yakima County. [source: Application, pdf 8]

MHS provided the following organizational chart identifying the business structure of the applicant. [source: Application, Exhibit 1]



The applicant provided additional information regarding operations for the proposed surgery . [source: Application, pdf 6-7]

“MultiCare seeks to establish a new freestanding ambulatory endoscopy center, MultiCare Endoscopy Center – Yakima (“MEC Yakima”), to meet the growing trend from hospital-based to freestanding outpatient settings, to meet the consumer and payer demand, and with approval of the proposed project, expand access to timely and local care for endoscopy services. The diagnostic and preventative nature of endoscopy services is also crucial for value-based care and population health, enabling early detection and management of conditions, which ultimately reduces long-term healthcare costs and improves patient health.

Further, a dedicated endoscopy center such as the proposed MEC Yakima will offer a specialized environment that enhances procedural efficiency and improves patient access and satisfaction while strengthening MultiCare's ability to attract and recruit gastroenterologists. By transitioning appropriate endoscopy procedures currently performed at MultiCare Yakima Memorial which is experiencing high occupancy, MEC Yakima will also help alleviate existing and future planning area capacity issues, freeing up capacity at the hospital main campus, allowing it to perform more complex cases.

MultiCare will be supported by Atlas Healthcare Partners (“Atlas ”), which will serve as the managing entity for the proposed ambulatory endoscopy center. Atlas is an ambulatory surgery center management company that has significant experience working with non-profit health systems such as Banner Health in Arizona and Corewell Health (formerly the Spectrum Health and Beaumont Health systems) in Michigan in developing/operating ASFs throughout their respective service areas.”

The applicant for this project is MultiCare Endoscopy Center - Yakima will be referred to as ‘MEC Yakima.’

PROJECT DESCRIPTIONS

MultiCare Ridgeview

This applicant proposes expanding the services provided at its existing MultiCare Ridgeview ambulatory surgical facility, located at 2500 Racquet Lane in Yakima [98902] in Yakima County. Surgical services currently provided at the facility include urology, orthopedics, podiatry, ophthalmology, gynecology, brachytherapy, pain management, and general surgery. MultiCare Health System proposes the addition of cardiology, vascular, and gastroenterology surgical services. [source: Application, pdf 13]

The estimated capital expenditure for the project is \$3,496,161, including construction, fixed and moveable equipment, and sales tax. [source: Application, pdf 25]

If this project is approved in January 2025, MultiCare Health System anticipates project completion in August 2025. Based on this timeline, partial year one of operation is 2025, full calendar year one is 2026, and full year three is 2029. [source: Application, pdf 12]

MEC Yakima, LLC

The applicant proposes to establish a new freestanding endoscopy surgery center at 3909 Creekside Loop, Ste 125 in Yakima [98902] within Yakima County. The new surgery center would operate three operating rooms (OR) and provide endoscopy services. [source: Application, pdf 10].

The estimated capital expenditure associated with this project is \$6,009,170, including construction, fixed and moveable equipment, architect and engineering fees, IS/Low Voltage/NC, IT, Permit/Fees, and state sales tax. [source: Application, pdf 20-21]

If this project is approved, the applicant anticipates project completion in February 2026. Based on this timeline, full calendar year one of the project is 2027 and full year three is 2029. [source: Application, pdf 10]

APPLICABILITY OF CERTIFICATE OF NEED LAW

MultiCare’s application proposes adding services to the existing MultiCare Ridgeview facility. MEC Yakima’s application proposes to establish a new surgery center. Both projects are subject to review as the construction, development, or other establishment of new health care facility under Revised Code of Washington (RCW) 70.38.105(4)(a) and Washington Administrative Code 246-310-020(1)(a).

EVALUATION CRITERIA

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 directions in how the department is to make its determinations. If 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.

To obtain Certificate of Need approval, an 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). Additionally, WAC 246-310-270 (ambulatory surgery) contains service or facility specific criteria for ambulatory surgery projects and must be used to make the required determinations for applicable criteria in WAC 246-310-210.

TYPE OF REVIEW

These two applications were reviewed concurrently under a regular review timeline. The table below shows a summary of the timeline used for the projects.

APPLICATION CHRONOLOGY

Action	MultiCare	MEC Yakima
Letter of Intent Submitted	February 21, 2024	March 4, 2024
Application Submitted	July 3, 2024	July 3, 2024
Department’s pre-review activities: <ul style="list-style-type: none"> • DOH 1st Screening Letter • Applicant’s 1st Screening Responses Received • DOH 2nd Screening Letter • Applicant’s 2nd Screening Responses Received 	August 1, 2024 September 9, 2024 September 19, 2024 October 25, 2024	August 1, 2024 September 9, 2024 September 19, 2024 October 25, 2024
Beginning of Review	November 12, 2024	
Public comments accepted through the end of public comment.	December 17, 2024	
Rebuttal Comments Due	January 2, 2025	
Department's Anticipated Decision Date	February 18, 2025	
Department’s Actual Decision Date	February 18, 2025	

AFFECTED PERSONS

“Affected persons” are defined under WAC 246-310-010(2). For applications in a concurrent review, each applicant is an affected person for the competing application(s). For others to qualify as an affected person, someone must first qualify as an “interested person” defined under WAC 246-310-010(34).

Kadlec Regional Medical Center

Kadlec Regional Medical Center is a CN-approved hospital serving the residents of Yakima County. On May 21, 2024, this entity submitted a request for interested person status and requested to be informed of the department’s decision. Kadlec did not submit comments and, therefore, did not qualify as an affected person for this project.

For this project, no entities requested affected person status.

SOURCE INFORMATION REVIEWED

- MultiCare Certificate of Need application received on July 3, 2024
- MultiCare first screening responses received on September 9, 2024
- MultiCare second screening responses received on October 25, 2024
- MEC Yakima, LLC Certificate of Need application received on July 3, 2024
- MEC Yakima, LLC first screening responses received on September 9, 2024
- MEC Yakima, LLC second screening responses received on October 25, 2024
- Compliance history for credentialed or licensed staff from the Medical Quality Assurance Commission and Nursing Care Quality Assurance Commission
- Compliance history for facilities and services from the Washington State Department of Health – Office of Health Systems Oversight
- DOH Provider Credential Search website: <https://www.doh.wa.gov/pcs>
- CMS QCOR Compliance website: https://qcor.cms.gov/index_new.jsp
- Department of Health internal database – Integrated Licensing & Regulatory Systems (ILRS)
- Historical charity care data for the years 2020, 2021, and 2022 obtained from the Department of Health/Finance and Charity Care
- Washington State Secretary of State website: <https://www.sos.wa.gov>

CONCLUSIONS

MultiCare Health System

For the reasons stated in this evaluation, the application submitted by MultiCare is consistent with applicable criteria of the Certificate of Need Program, provided MultiCare agrees to the following in its entirety.

Project Description

This certificate approves the expansion of services provided at its existing MultiCare Ridgeview ambulatory surgical facility in Yakima within Yakima County. The surgery center will continue to have two operating rooms (ORs). The outpatient surgical services will be provided to patients ages 12 months and older that can be appropriately and safely treated in an outpatient setting. Brachytherapy, cardiology, gastroenterology, general surgery, gynecology, ophthalmology, orthopedics, pain management, podiatry, vascular, and urology.

Conditions

1. MultiCare agrees with the project description as stated above. MultiCare further agrees that any change to the project described in the project description above is a new project that requires a new Certificate of Need.
2. MultiCare will continue to maintain both Medicare and Medicaid certification at the surgery center.
3. MultiCare will continue to provide charity care at the surgery center in compliance with its charity care policy reviewed for this project. MultiCare will use reasonable efforts to provide charity care in the amount consistent with the three-year average of charity care provided by the hospitals

operating in Yakima County. The three-year average for the years 2020 - 2022 is 1.07% of gross revenues and 3.28% of adjusted revenues.

4. Prior to providing services at the new surgery center, MultiCare will submit an executed Patient Transfer Policy to the Certificate of Need Program for review and approval. The executed policy will be substantially consistent with the draft policy provided in the application.

Approved Costs

The estimated capital expenditure for this project is \$3,496,161.

MEC Yakima, LLC

For the reasons stated in this evaluation, the application submitted by MEC Yakima, LLC is consistent with applicable criteria of the Certificate of Need Program, provided MultiCare agrees to the following in its entirety.

Project Description

This certificate approves the establishment of a surgery center in Yakima within Yakima County. The surgery center will have a total of three operating rooms (ORs). The outpatient surgical services will be provided to patients that can be appropriately and safely treated in an outpatient setting. Services to be provided at the surgery center are limited to endoscopy.

Conditions

1. MEC Yakima, LLC agrees with the project description as stated above. MEC Yakima, LLC further agrees that any change to the project described in the project description above is a new project that requires a new Certificate of Need.
2. MEC Yakima, LLC will obtain and maintain both Medicare and Medicaid certification at the surgery center.
3. MEC Yakima, LLC will obtain and maintain a Washington State license.
4. MEC Yakima, LLC will provide charity care at the surgery center in compliance with its charity care policy reviewed for this project. MEC Yakima, LLC will use reasonable efforts to provide charity care in the amount consistent with the three-year average of charity care provided by the hospitals operating in Yakima County. The three-year average for the years 2022 - 2022 is 1.07% of gross revenues and 3.28% of adjusted revenues.
5. Prior to providing services at the new surgery center, MEC Yakima, LLC will submit an executed Charity Care Policy to the Certificate of Need Program for review and approval. The executed policy will be substantially consistent with the draft policy provided in the application and include the most recent Federal Poverty Guidelines.
6. Prior to providing services, MEC Yakima LLC will submit a list of credentialed staff that will be providing services at the facility.
7. Prior to providing services, MEC Yakima, LLC, will submit a list of ancillary and support services agreements that will be providing services at the facility.

Approved Costs

The estimated capital expenditure for this project is \$6,009,170.

CRITERIA DETERMINATIONS

A. NEED (WAC 246-310-210)

MultiCare Ridgeview

Based on the source information reviewed and agreement to the conditions identified in the conclusion section of this evaluation, the department concludes that MHS met the applicable need criteria in WAC 246-310-210 and the applicable ambulatory surgery facility criteria in WAC 246-310-270.

MEC Yakima, LLC

Based on the source information reviewed and agreement to the conditions identified in the conclusion section of this evaluation, the department concludes that MEC Yakima, met the applicable need criteria in WAC 246-310-210 and the applicable ambulatory surgery facility criteria in WAC 246-310-270.

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

To evaluate this sub-criterion, the department uses facility-specific criteria outlined in WAC 246-310-270.

WAC 246-310-270(6)

WAC 246-310-270(6) requires a minimum of two operating rooms (OR) in an ASF.

Department Evaluation for Both Projects

The number of proposed OR by each applicant is below.

- MultiCare Health System – no additional ORs, however the existing MultiCare Ridgeview facility already has two.
- MEC Yakima, LLC – three ORs

Based on the information above, **this sub-criterion is met for both projects.**

Numeric Need Methodology and Department Evaluation

The Department of Health's Certificate of Need Program uses the numeric methodology outlined in WAC 246-310-270 to assess the need for additional ASFs in Washington State. The numeric methodology provides the basis for comparing existing outpatient and inpatient OR capacity in a planning area using the current utilization of existing providers. The methodology separates Washington State into 54 secondary health services planning areas. This facility is in Yakima, within the Yakima County health service planning area. [source: WAC 246-310-270(3)]

The methodology estimates OR need in a planning area using the steps outlined 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 room in the planning area, subtracts this capacity from the forecast number of surgeries expected in the planning area in the target year, and examines the difference to determine:

- (a) Whether a surplus or shortage of ORs is predicted to exist in the target year; and
- (b) If a shortage of ORs is predicted, the shortage of dedicated outpatient and mixed-use rooms are calculated.

The data for these projections exclude special purpose and endoscopy ORs, as well as dedicated interventional pain management surgical services.

Since MHS proposes to add endoscopy services to the services it offers in its existing facility and the MEC Yakima project proposes the establishment of a facility with ORs exclusively dedicated to

endoscopy services, the department will forego the numeric need methodology and instead analyze existing services under WAC 246-310-210 to determine availability and accessibility of these services for the projected population.

WAC 246-310-210

For this project, MHS and MEC Yakima must demonstrate that existing services are not sufficiently available and accessible to meet that need.

MultiCare Ridgeview

MultiCare Health System submitted its application in July 2024 and relied on 2021 data that was available at that time. Based on its own timeline for operations, MultiCare projected to year 2028. The applicant provided the following statement regarding the need for ORs in Yakima County.

“The Department’s ASF need methodology, presented in Exhibit 5, forecasts an overall surplus of 6.59 rooms and outpatient surplus of 3.26 rooms in the Yakima Planning Area. However, as stated above, this request is need neutral; no additional ORs are requested. The request is to add three additional specialties to those already approved at this CN-approved ASF.” [source: Application, Exhibit 5]

MultiCare provided additional information regarding the need to expand its services to include cardiology, vascular, and gastroenterology procedures and how this expansion will improve utilization. [source: Application, pdfs 7-9]

“There will be no change to the number of ORs at MultiCare Ridgeview under the proposed project. However, the additional specialties will provide additional needed capacity to optimize the delivery of surgical services in the area and allow growth in surgeries at MultiCare Yakima Memorial. Under the proposed project, MultiCare Ridgeview’s existing capacity will be more fully utilized by allowing additional specialties, helping to improve access to care by current and future residents in the planning area.

Table 1 below presents the historical utilization and occupancy of MultiCare Yakima Memorial’s main campus ORs, based on its response to the most recent Department of Health (“DOH” or “Department”) Operating Room Survey for CY2022 and internal data for CY2023.

Applicant’s Table

Table 1: MultiCare Yakima Memorial Hospital Operating Room Utilization		
	YMH Main Campus (CY2022)	YMH Main Campus (CY2023)
Total Minutes	938,040	957,810
Total Rooms	10	10
Average Minutes Per Room	93,804	95,781
Room Type	Mixed-Use	Mixed-use
Occupancy Standard (1)	94,250	94,250
Effective Occupancy %	99.5%	101.6%
(1) Occupancy standard under WAC 246-310-270 Sources: 2023 DOH Operating Room Survey (CY2022 Utilization), Internal data (CY2023 Utilization)		

As demonstrated by Table 1, MultiCare Yakima Memorial's main campus is operating its ORs at a high occupancy under the mixed-use occupancy standard in the Department's numeric need methodology detailed in WAC 246-310-270...

Creating Additional Capacity for Cardiology and Vascular Procedures and Surgeries

Leveraging the experience and knowledge of MultiCare's Pulse Heart Institute ("Pulse"), MultiCare Yakima Memorial identified an opportunity to appropriately decant some of the existing cardiology volumes provided at the hospital main campus that would be able to be performed at MultiCare Ridgeview. This can alleviate existing and future capacity issues, freeing up capacity at the hospital main campus to perform more complex cases.

Further, Pulse presents an opportunity to develop a new vascular program in Yakima to expand the scope of vascular surgical services compared to what has previously been available in the community. As part of the development of this vascular program, MultiCare plans to utilize locum tenens vascular surgeons as it actively recruits for this specialty. Again, Pulse provides an opportunity to safely and effectively perform vascular surgery at MultiCare Ridgeview.

Creating Additional Capacity for Gastroenterology Procedures

Distinct from the current proposed MultiCare Ridgeview project, MultiCare anticipates submitting a separate CN application to develop a new freestanding ambulatory endoscopy center in the Yakima planning area. However, the new proposed MultiCare endoscopy center will require development time to complete the necessary tenant improvements to the proposed site. Because the new endoscopy center requires CN-approval prior to commencement of construction, the facility is not anticipated to be operational until the beginning of 2026.

MultiCare's proposal to include the provision of gastroenterology services at MultiCare Ridgeview will allow the facility to accommodate a portion of the existing and future endoscopy volumes during this interim period before the new endoscopy center, if approved, is operational. Additionally, with approval of this CN request, MultiCare Ridgeview will be capable of providing additional capacity for future demand as the need arises."

MEC Yakima, LLC

MEC Yakima submitted the following table and information illustrating utilization forecast. MEC Yakima relied on year 2021 data obtained from the department's 2022 survey. Because of its own timeline for operations, MEC Yakima projected to the year 2029. [source: Application, pdfs 15-17]

Applicant's Table

	Feb - Dec 2026	2027	2028	2029
Yakima County Market Forecast – Endoscopy Procedures (Annualized)	15,465	15,747	16,034	16,291
Market Share	15%	30%	40%	50%
# of Months Operational	11	12	12	12
Total Procedure	2,126	4,724	6,414	8,146
Procedure Per Case	1.3	1.3	1.3	1.3
Total Cases	1,636	3,634	4,934	6,266
Source: Applicant				

“The forecast model uses the following assumptions and methodologies:

- 1. Yakima County market forecast of procedures is based on annual forecast data from Sg2 for Yakima County for GI endoscopy procedures.*
- 2. Market share assumptions are based on consideration of key factors including, but not limited to: anticipated transfer of existing volumes from MultiCare Yakima Memorial to the proposed MEC Yakima, recruitment of additional GI providers, and reduction in out-migration due to MEC Yakima providing access to freestanding, nonhospital-based endoscopy services.*
- 3. Number of months operational are based on project timeline. Partial year 2026 represents a lower volume due to ramp required as MEC Yakima becomes CMS certified and contracted with commercial payers.*
- 4. Total procedures are converted to total case count based on an assumed 1.3 procedures per case. This is based on experience from the managing entity, Atlas Healthcare Partners, and is consistent with historical Yakima Memorial utilization.*

Historical Yakima Gastroenterology Associates’ Utilization

An assessment of the historical GI volumes performed at YGA’s former CN-approved, but no longer operational, endoscopy center also helped inform the forecast for MEC Yakima. As shown in Table 3, YGA performed over 8,500 procedures back in 2010. There was a reduction over the years due to physicians leaving the practice and transitioning from full time to part time at the practice, but YGA was still performed approximately 6,200 to 7,200 procedures per year.

Applicant’s Table

Table 3: Yakima Gastroenterology Associates Historical Utilization, 2010-2015

Table 4 Yakima Gastroenterology Associates Six-Year Historical Utilization		
Year	# of Procedures	% Increase / (Decrease) from Previous Year
2010	8,516	
2011	6,198	(27.2)%
2012	6,768	9.2%
2013	7,218	6.6%
2014	6,269	(13.1)%
2015*	6,606	5.4%

* Annualized through August 2015.

While years 2012, 2013, and 2015 show an increase in procedures, years 2011 and 2014 show significant decreases in procedures. Within its application Memorial Physicians provided an explanation for the decreases. In late year 2010, two physicians left the practice which resulted in a decrease in procedures performed in year 2011. In 2014, three physicians went from full time to part time at the practice. This action resulted in the decrease in procedures performed in 2014. [source: Application, p6]

Source: Evaluation of CN16-13A, p. 11.

The overall demand volume for endoscopy services has only increased since YGA was operational due to population growth, the aging of the population and broader shift to outpatient settings for procedures, among many other factors. Although the local Yakima market for endoscopy services has been impacted over the years, particularly by the closure of YGA and fewer gastroenterologists practicing in Yakima County, the proposed MEC Yakima facility is part of MultiCare’s revitalization of the broader health system serving the Yakima community, including returning services that left over the past decade. MultiCare has a long history of developing services and providing care throughout Washington State, and it will be supported by Atlas as the managing entity. Atlas has significant experience in developing/operating ASFs.”

Department Evaluation

Under this sub-criterion the department must determine whether other services and facilities for the type proposed are not or will not be sufficiently available and accessible to meet that need. Aside from MEC Yakima, LLC, there are no other dedicated outpatient endoscopy facilities in Yakima County. MultiCare Ridgeview is expanding its services to include endoscopy.

The department did not receive any public comment to suggest that either of these two providers opposed the establishment and expansion of OR capacity in the planning area.

In summary, the department concludes that the applicant demonstrated need for its project. The existing supply of ORs for endoscopic surgical services may not be sufficiently available and accessible in Yakima County for future years. **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 evaluate this sub-criterion, the department evaluates an applicant’s admission policies, willingness to serve Medicare and Medicaid patients, and to serve patients that cannot afford to pay for services. 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 assurances regarding access to treatment.

The admission policy must also include language to ensure all residents of the planning area would have access to the proposed services. This is accomplished by providing an admission policy that states

patients would be admitted without regard to race, ethnicity, national origin, age, sex, pre-existing condition, physical, or mental status.

Medicare certification is a measure of an applicant's willingness to serve the elderly. With limited exceptions, Medicare is coverage for individuals aged 65 and over. Medicaid certification is a measure of an applicant's willingness to serve low-income persons and may include individuals with disabilities.

Charity care shows the willingness of an applicant to provide services to individuals who do not have private insurance, do not qualify for Medicare or Medicaid, or are under insured.¹

MultiCare Ridgeview

The applicant provided the following statements and clarification related to this sub-criterion. [source: Application, pdf 19]

"MultiCare Ridgeview is committed to meeting community and regional health needs and will provide charity care consistent with the MultiCare Charity Care Policy, included as Exhibit 6.

Our financial pro forma forecast provided in Exhibit 11 explicitly allocates 2.27% of total revenues to be provided for charity care, based on MultiCare Yakima Memorial's historical charity care average as a percent of gross revenue in CY2023. This charity care figure is above the Planning Area Hospital (1.19%) and Central Washington Regional (1.41%) charity care averages for the 2020-2022 period. Furthermore, Table 5 below demonstrates that MultiCare's average charity care across its hospitals in the state is significantly above the planning area hospital and regional average."

MultiCare also provided the following statements regarding admissions: [source: Application, Exhibit 7A] *"Yakima Valley Memorial Hospital will not deny admission to any patient due to race, color, ethnicity, religion, gender, gender identity or expression, sexual orientation, financial class, marital status, disability, veteran status, age, or national origin."*

MultiCare also provided copies of the following policies that would be used for the new surgery center.

- Exhibit 6. Charity Care Policy.
- Exhibit 7A. Admissions Policy.
- Exhibit 7B. MultiCare Ridgeview Admissions Criteria.
- Exhibit 8. Patient Rights and Responsibilities.
- Exhibit 9. Non-discrimination Policy.
- Exhibit 19. Patient Transfer Policy

Department Evaluation: MultiCare Ridgeview

MultiCare's Ridgeview facility operates under MultiCare Yakima Memorial Hospital's license and has been providing healthcare services to the residents of Yakima County since and obtained a Certificate of Need in 2013². The policies currently in use include Charity Care, Non-discrimination, Patient Rights and Responsibilities, Admissions, and MultiCare Ridgeview Admissions Criteria. Each of these policies has the information necessary to ensure compliance with this sub-criterion.

¹ Washington Administrative Code 246-453-010(4).

² Certificate of Need #1496.

If this project is approved in February 2025, the applicant expects the project to be completed by February 2026. MultiCare provided a copy of five separate policies used for the surgery center. [source: MultiCare Ridgeview Application, Exhibits 6-9 and 19] Below is the department's review of each policy.

Financial Assistance (Charity Care) Policy

This policy includes the following policy statement:

“MHS is guided by a mission to provide high quality, patient-centered care. We are committed to serving all patients, including those who lack health insurance coverage or who cannot pay for all or part of the essential care they receive. We are committed to treating all patients with compassion. We are committed to maintaining Financial Assistance policies that are consistent with our mission and values and that take into account an individual's ability to pay for medically necessary health care services.”

Admissions Policy

Under the section titled ‘Admissions Policy,’ the following language is included:

“Yakima Valley Memorial Hospital will not deny admission to any patient due to race, color, ethnicity, religion, gender, gender identity or expression, sexual orientation, financial class, marital status, disability, veteran status, age, or national origin. Patients shall be admitted upon referral and placed under the care of a physician who shall be a member of the medical staff or who has temporary privileges according to the medical staff bylaws. Patients admitted to the hospital will go through the admission process coordinated by Clinical Resource Management. The Patient Access Services (PAS) department is staffed 24 hours a day, seven days a week. Admission takes place in the general Patient Access Services area, the outpatient area, the Emergency Department or at the patient's bedside.”

Admissions Criteria

This policy includes the following language:

- *Patients with a BMI > 50 are not candidates to have surgery performed at the ASC.*
- *Patients with a BMI between 40-50 and with known OSA who are noncompliant with CPAP are not candidates for ASC.*
- *Patients with presumptive OSA but without a polysomnogram and requiring moderate to large amounts of perioperative narcotics are not suitable for ASC (STOP-BANG score > 5-8)*
- *Patients with severe COPD or recent pneumonia (within 2 months) are not candidates for the ASC.*
- *Patients with an ASA classification of IV are not candidates for the ASC.*
- *Patients with known difficult airways are not candidates for ASC.*
- *Patients undergoing modification or new tracheostomy are not candidates for the ASC.*
- *Patients with malignant hyperthermia or a first degree relative with the diagnosis of malignant hyperthermia, unless they have tested negative for MH, are not candidates for the ASC.*
- *Patients with new onset angina, angina at rest, increased frequency of angina, decompensated CHF, myocardial infarction within 3 months, severe valvular disease or severe pulmonary hypertension are not candidates for the ASC*
- *Patients with a history of CVA within 9 months are not candidate for the ASC*

Patient Rights and Responsibilities

“It is the policy of Yakima Valley Memorial (YVM) to recognize and respect the rights of all patients. Discrimination in any form is prohibited. Patients receiving health care services at YVM shall be informed of these patient rights and responsibilities.

Each patient shall be given their notice of patient rights prior to receiving treatment, either electronically or written, except in case of emergency, in which they will be given the notice as soon as possible. Documentation that the patient rights and responsibility receipt has either been received or declined will be recorded in the patient’s medical record.”

Non-Discrimination Policy

“It is the policy of MHS to provide equal access to its facilities and services without discrimination on the basis of age, race, color, creed, national origin, ethnicity, religion, marital status, sex, sexual orientation, gender identity or expression, disability, citizenship, medical condition, or any other basis prohibited by federal, state, or local law.

This policy applies to MHS workforce member’s interactions with patients, companions, and visitors of MHS. For questions regarding employment discrimination, please see the MHS Policy and Procedure "Equal Employment Opportunity and Employment Law."

Patient Transfer Policy

MultiCare Ridgeview operates under the license of MultiCare Yakima Memorial Hospital, which is a signatory to the MultiCare Health System Patient Transfer Policy. The policy *“applies to all MHS Hospitals, MHS Transfer Center(s), staff, physicians/Advanced Practice Providers (APPS), and any physician/APP On-Call for MHS at the following facilities Tacoma General Hospital, Allenmore Hospital, Mary Bridge Children’s Hospital, Good Samaritan Hospital, Auburn Medical Center, Covington Medical Center, Capital Medical Center, Deaconess Hospital, Valley Hospital, Yakima Memorial Hospital, OECs and FSED and all ambulatory areas.”* The policy outlines the best practices used to determine where to transfer patients should the need arise.

All policies provided in the application cover the information necessary to ensure compliance with the sub-criterion.

If this project is approved, the department will attach a condition requiring MultiCare to maintain both Medicare and Medicare certification for MultiCare Ridgeview. MultiCare provided its projected percentages of revenue by payer for the ASC. The historic and projected payer mix is shown below. [source: Application, pdf 26-27]

Applicant’s Table – MultiCare Ridgeview Historic Payer Mix (2023)

Table 8: Historical Payer Mix by Gross Revenue and by Cases		
Payer	% of Cases	% of Gross Revenues
Medicare	64.3%	65.8%
Commercial	17.1%	17.2%
Medicaid	10.5%	10.0%
Other Governmental	6.5%	5.7%
Self Pay	1.7%	1.4%
Total	100%	100%

Source: Applicant

Applicant’s Table – MultiCare Ridgeview Projected Payer Mix (Recreated)

Payer	% of Cases	% of Gross Revenue
Medicare	58.17%	50.36%
Commercial	20.39%	24.69%
Medicaid	13.64%	17.93%
Other Governmental	5.98%	5.11%
Self Pay	1.84%	1.84%
Total	100%	100%

Based on the information reviewed, the department concludes **this sub-criterion is met.**

MEC Yakima, LLC

The applicant provided the following statements and clarification related to this sub-criterion. [source: Application, pdf 17-18]

“MEC Yakima is committed to meeting community and regional health needs and provide charity care. A copy of the financial assistance policy applicable to the proposed ambulatory endoscopy center is included as Exhibit 4.

Our financial pro forma forecast is provided in Exhibit 7 and models a charity care figure of 1.91% as a percentage of gross revenue, as provided in Table 4. This charity care figure is above the Planning Area Hospital (1.19%) and Central Washington Regional (1.41%) charity care averages for the 2020-2022 period. Furthermore, Table 4 below demonstrates that MultiCare’s average charity care across its hospitals in the state is significantly above the planning area hospital and regional average.

...

Given that Atlas will be the managing entity of MEC Yakima, its policies will be the effective policies in use at MEC Yakima.

Non-discrimination language is presented in Atlas’ patient rights and responsibilities and financial assistance policies. MEC Yakima will provide quality healthcare to all patients regardless of age, sex, sexual orientation, gender preference, race, religion, disability, veteran status, national origin and/or ability to pay.”

In addition to the statements above, MEC Yakima also provided the following policies proposed to be used at the surgery center. [source: Application, Exhibits 4, 5, and 6]

- Exhibit 4: Financial Assistance Policy.
- Exhibit 5: Admission Criteria.
- Exhibit 6: Patient Rights and Responsibilities.

Department Evaluation: MEC Yakima, LLC

The applicant is proposing to establish a freestanding endoscopy center, MEC Yakima LLC in Yakima county. The policies currently in use are Financial Assistance, Admissions, and Patient Rights and Responsibilities. Each of these policies has the information necessary to ensure compliance with this sub-criterion.

The applicant expects this project to be completed by February 2026, assuming a department decision in January 2025. MEC Yakima, LLC, provided a copy of three separate policies to be used for the surgery center. [source: Application, Exhibits 4, 5, and 6] Below is the department’s review of each policy.

Financial Assistance Policy

The policy was executed in February 2023, and includes the following purpose:

- A. *“This policy and the Financial Assistance Program outlined herein are intended to ensure a non-discriminatory and consistent methodology for the provision of free or discounted Medically Necessary care at ASCs in which Atlas Healthcare Partners, LLC manages via a management agreement. This policy assumes that such ASCs are subject to a management agreement with an Atlas JV, LLC which is subcontracted to Atlas Healthcare Partners, LLC (“Atlas”) (or wholly owned by a health system).*
- B. *Upon adoption by the governing board of an ASC, this policy and the Financial Assistance Program set forth.”*

Admissions Criteria

This policy was executed in November 2023 and includes the following language:

- A. *“Patients of all ages will receive care and safety measures appropriate to age and life cycle.*
- B. *All patient medications, including instructions to hold/take medications prior to surgery, must be managed either by the provider, referring physician, or designated specialist.”*

Patient Rights and Responsibilities Policy

The policy was executed in September 2023, and includes the following purpose:

“The Surgery Centers shall ensure that patients are informed of and receive a written copy of their Rights and Responsibilities prior to their surgery/procedure”

MEC Yakima, LLC provides a list of patient rights and responsibilities within this policy.

Non-Discrimination Policy

MEC Yakima, LLC does not have a non-discrimination policy, however, non-discrimination language is presented in the Patient Rights and Responsibilities and Financial Assistance policies. MEC Yakima, LLC stated: [Application, pdf 18]

“MEC Yakima will provide quality healthcare to all patients regardless of age, sex, sexual orientation, gender preference, race, religion, disability, veteran status, national origin and/or ability to pay.”

ASC Patient Transfer Agreement

The Patient Transfer Agreement is between MultiCare Health System (MHS) and MEC Yakima, LLC. The policy provides roles and responsibilities for both entities if a patient requires transfer to the hospital.

All policies provided in the application cover the information necessary to ensure compliance with the sub-criterion. All policies are executed and not in draft form.

If this project is approved, the department will attach a condition requiring MEC Yakima to obtain both Medicare and Medicare certification. The applicant provided the projected payer mix for the surgery center, including clarification of the assumptions used to determine the projected payer mix as stated above. The table below shows the projected payer mix for MEC Yakima. [source: Application, pdf 22]

Applicant’s Projected Payer Mix

Payer	% of Cases	% of Gross Revenues
Commercial	42.39%	38.62%
Medicare	42.24%	45.75%
Self-Pay	2.09%	2.32%
Medicaid	11.64%	11.76%
Other Govt	1.64%	1.55%
Total	100%	100%

Source: Case mix based on Yakima Memorial experience. Gross Revenue mix based on Atlas experience.

Based on this information, the department concludes that approval of this project has the potential to increase or maintain the availability and accessibility of outpatient services to the residents of Yakima County.

Based on the information reviewed, and with MEC Yakima, LLC’s agreement to the condition referenced above, the department concludes **this sub-criterion is met.**

WAC 246-310-270(7) – Charity Care Requirement

WAC 246-310-270(7) provides the following clarification regarding charity care and ambulatory surgery centers. It 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 minutes the last available reporting year.”*

This evaluation will present each applicant’s information provided under this sub-criterion and review compliance for both projects in one summary.

MultiCare Ridgeview

In response to this sub-criterion, MultiCare Ridgeview provided the following information and table. [source: Application, pdf 21]

“MultiCare Ridgeview is committed to meeting community and regional health needs and will provide charity care consistent with the MultiCare Charity Care Policy, included as Exhibit 6.

Our financial pro forma forecast provided in Exhibit 11 explicitly allocates 2.27% of total revenues to be provided for charity care, based on MultiCare Yakima Memorial’s historical charity care average as a percent of gross revenue in CY2023. This charity care figure is above the Planning Area Hospital (1.19%) and Central Washington Regional (1.41%) charity care averages for the 2020-2022 period. Furthermore, Table 5 below demonstrates that MultiCare’s average charity care across its hospitals in the state is significantly above the planning area hospital and regional average.”

Applicant’s Table

Table 5: Central WA Regional and MultiCare Charity Care Statistics					
% of Total Revenues					
Lic. No	Region/Hospital	2020	2021	2022	3 Year Average, 2020-2022
198	Astria/Sunnyside Community Hospital	1.28%	0.76%	1.32%	1.12%
199	Astria/Toppenish Community Hospital	0.43%	0.56%	0.61%	0.53%
58	MultiCare Yakima Memorial Hospital	1.77%	1.87%	2.08%	1.91%
	Planning Area Hospital Average	1.16%	1.06%	1.33%	1.19%
	CENTRAL WASH REGION TOTALS	1.42%	1.33%	1.47%	1.41%
	MultiCare Health System Average	2.22%	1.50%	1.46%	1.73%
% of Adjusted Revenues					
Lic. No	Region/Hospital	2020	2021	2022	3 Year Average, 2020-2022
198	Astria/Sunnyside Community Hospital	4.59%	2.95%	4.89%	4.14%
199	Astria/Toppenish Community Hospital	1.27%	1.65%	1.97%	1.63%
58	MultiCare Yakima Memorial Hospital	6.19%	6.74%	8.15%	7.03%
	Planning Area Hospital Average	4.02%	3.78%	5.00%	4.27%
	CENTRAL WASH REGION TOTALS	4.02%	3.92%	4.42%	4.12%
	MultiCare Health System Average	6.07%	4.17%	4.54%	4.93%
<p>*MultiCare Health System average excludes Capital Medical Center which did not join MultiCare until mid-2021 and Yakima Memorial Hospital which did not join MultiCare until early 2023. Note: Yakima Planning Area Hospital and 3-Year averages are calculated based on unweighted average. Source: DOH Charity Care Reports, 2020-2022</p>					

MEC Yakima, LLC

The applicant provided the following information related to this sub-criterion. [source: Application, pdf 17]

“Our financial pro forma forecast is provided in Exhibit 7 and models a charity care figure of 1.91% as a percentage of gross revenue, as provided in Table 4. This charity care figure is above the Planning Area Hospital (1.19%) and Central Washington Regional (1.41%) charity care averages for the 2020-2022 period. Furthermore, Table 4 below demonstrates that MultiCare’s average charity care across its hospitals in the state is significantly above the planning area hospital and regional average.”

Applicant’s Table

% of Total Revenues					
Lic. No	Region/Hospital	2020	2021	2022	3 Year Average, 2020-2022
198	Astria/Sunnyside Community Hospital	1.28%	0.76%	1.32%	1.12%
199	Astria/Toppenish Community Hospital	0.43%	0.56%	0.61%	0.53%
58	MultiCare Yakima Memorial Hospital	1.77%	1.87%	2.08%	1.91%
	Planning Area Hospital Average	1.16%	1.06%	1.33%	1.19%
	CENTRAL WASH REGION TOTALS	1.42%	1.33%	1.47%	1.41%
	MultiCare Health System Average	2.22%	1.50%	1.46%	1.73%

% of Adjusted Revenues					
Lic. No	Region/Hospital	2020	2021	2022	3 Year Average, 2020-2022
198	Astria/Sunnyside Community Hospital	4.59%	2.95%	4.89%	4.14%
199	Astria/Toppenish Community Hospital	1.27%	1.65%	1.97%	1.63%
58	MultiCare Yakima Memorial Hospital	6.19%	6.74%	8.15%	7.03%
	Planning Area Hospital Average	4.02%	3.78%	5.00%	4.27%
	CENTRAL WASH REGION TOTALS	4.02%	3.92%	4.42%	4.12%
	MultiCare Health System Average	6.07%	4.17%	4.54%	4.93%

*MultiCare Health System average excludes Capital Medical Center which did not join MultiCare until mid-2021 and Yakima Memorial Hospital which did not join MultiCare until early 2023.
Note: Yakima Planning Area Hospital and 3-Year averages are calculated based on unweighted average.
Source: DOH Charity Care Reports, 2020-2022

Department Evaluation of WAC 246-310-270(7) for MultiCare Ridgeview and MEC Yakima, LLC

The 2019 Report of Charity Care in Washington Hospitals offers the following analysis of charity care costs across Washington State Hospitals as impacted by the Affordable Care Act (ACA):

“In 2013, as a result of the Affordable Care Act, Washington saw the first decline in the amount of charity care reported by hospitals since the department began gathering these data in 1989. That decline, however, has ceased and charity care has been increasing again. Charity care rates in Washington in 2019 have remained similar to levels in 2018, which includes slight increases in revenue and slight increases in charity care. Charity care charges increased 24 percent between 2017 and 2018, but only 9.3 percent between 2018 and 2019, and 7.3 percent between 2019 and 2020, so the rise may be slowing.” [source: 2020 Washington State Charity Care in Washington Hospitals, pdf 12]

The Certificate of Need Program recognizes that charity care in Washington State is expected to increase in the coming years since ACA penalties are removed for lack of insurance coverage. Current data confirms hospitals are beginning to see an increase in charity care costs.

For charity care reporting purposes, Washington State is divided into five regions: King County, Puget Sound (less King County), Southwest, Central, and Eastern. MultiCare proposes the addition of a new service to its existing Ridgeview facility, while MEC Yakima proposes a new surgery center. Both projects would be in Yakima County, located in the Central region. For this review, the department focused on years 2020, 2021, and 2022 charity care data reported by the hospitals in the region.

Currently there are 20 hospitals operating within the Central Region. MultiCare owns and operates (Yakima Memorial Hospital) in Yakima and is one of the applicants. MEC Yakima, LLC is a wholly owned subsidiary of MultiCare.

The table below compares the three-year historical average of charity care provided by all hospitals operating in the Central Region, the three-year historical average of charity care for Yakima Memorial Hospital, and each applicant’s projected charity care percentages for their proposed surgery center. [source: Department of Health’s charity care reports for years 2020, 2021, and 2022; MultiCare Ridgeview, application, pdf 22; and MEC Yakima, LLC, application, pdf 18]

**Department’s Table 5
Charity Care – Three Year Average**

	Percentage of Total Revenue	Percentage of Adjusted Revenue
Central Region	1.42%	4.02%
Yakima Memorial Hospital	1.91%	4.93 %
Astria Community Hospital – Sunnyside	1.12%	4.14%
Astria Community Hospital – Toppenish	.53%	1.63%
MultiCare Ridgeview	2.27%	7%
MEC Yakima, LLC	1.91 %	7.98%

For the MultiCare Ridgeview project, the applicant projected to provide charity care higher than the regional average, and higher than the hospital’s charity care for both total and adjusted percentages. If this project is approved, the department will attach a charity care condition to ensure compliance with the policy. The department will not recalculate the applicant’s projected percentages.

For the MEC Yakima, LLC project, the applicant projected to provide charity care above the regional average for total revenue and the regional average for adjusted revenue. If this project is approved, the department will attach a charity care condition to ensure compliance with the policy. The department will not recalculate the applicant’s projected percentages.

Based on the information reviewed and with the agreement to the conditions referenced above, the department concludes that for both applicants, **this sub-criterion is met.**

- (3) The applicant has substantiated any of the following special needs and circumstances the proposed project is to serve.
 - (a) The special needs and circumstances of entities such as medical and other health professions schools, multidisciplinary clinics and specialty centers providing a substantial portion of their services or resources, or both, to individuals not residing in the health service areas in which the entities are located or in adjacent health service areas.
 - (b) The special needs and circumstances of biomedical and behavioral research projects designed to meet a national need and for which local conditions offer special advantages.
 - (c) The special needs and circumstances of osteopathic hospitals and non-allopathic services.
- (4) The project will not have an adverse effect on health professional schools and training programs. The assessment of the conformance of a project with this criterion shall include consideration of:
 - (a) The effect of the means proposed for the delivery of health services on the clinical needs of health professional training programs in the area in which the services are to be provided.
 - (b) If proposed health services are to be available in a limited number of facilities, the extent to which the health professions schools serving the area will have access to the services for training purposes.
- (5) The project is needed to meet the special needs and circumstances of enrolled members or reasonably anticipated new members of a health maintenance organization or proposed health maintenance

organization and the services proposed are not available from nonhealth maintenance organization providers or other health maintenance organizations in a reasonable and cost-effective manner consistent with the basic method of operation of the health maintenance organization or proposed health maintenance organization.

Department Evaluation

WAC 246-310-210(3), (4), and (5) above do not apply to either of these two projects under review.

B. FINANCIAL FEASIBILITY (WAC 246-310-220)

MultiCare Ridgeview

Based on the source information reviewed and agreement to the conditions identified in the conclusion section of this evaluation, the department concludes that MultiCare Health System meets the applicable financial feasibility criteria in WAC 246-310-220.

MEC Yakima, LLC

Based on the source information reviewed and agreement to the conditions identified in the conclusion section of this evaluation, the department concludes that the MEC Yakima project meets 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.

Chapter 246-310 WAC 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.

To evaluate this sub-criterion, the department reviews the assumptions provided by an applicant, projected revenue and expense (income) statements, and projected balance sheets. The assumptions are the foundation for the projected statements. The income statement is a financial statement that reports a company's financial performance over a specific period—either historical or projected. Projected financial performance is assessed by giving a summary of how the business expects its revenues to cover its expenses for both operating and non-operating activities. It also projects the net profit or loss incurred over a specific accounting period.³

The purpose of the balance sheet is to review the financial status of the company at a specific point in time. The balance sheet shows what the company owns (assets) and how much it owes (liabilities), as well as the amount invested in the business (equity). This information is more valuable when the balance sheets for several consecutive periods are grouped together, so that trends in the different line items can be viewed.

As a part of its review, the department must determine that a project is financially feasible – not just as a stand-alone entity, but also as an addition to its existing operations, if applicable. To complete its review, the department may request an applicant to provide projected financial information for the parent corporation if the proposed healthcare facility would be operated under the parent.

³ One purpose behind the income statement is to allow key decision makers to evaluate the company's current situation and make changes as needed. Creditors use these statements to decide on loans it might make to the company. Stock investors use these statements to determine whether the company represents a good investment.

MultiCare Ridgeview

This project proposes adding gastroenterology, cardiology, and vascular surgery to the services offered at the existing MultiCare Ridgeview facility. The surgery center would continue to have two dedicated outpatient ORs and provide the following services: brachytherapy, cardiology, gastroenterology, general surgery, gynecology, ophthalmology, orthopedics, pain management, podiatry, urology, and vascular. [source: Application, pdf 12-13]

MultiCare provided its assumptions used to project the surgical volumes for partial year 2025 and full calendar years 2026 through 2028. The assumptions are restated below. [source: Application, pdf 19-21].

“Intervening Years”

Please see Table 3 below for MultiCare Ridgeview’s projected utilization by specialty_during the intervening periods (i.e., before project completion anticipated August_2025). The forecast by specialty holds cases constant at the historical CY2023_volumes at MultiCare Ridgeview.

Applicant’s Table

Cases	2024	Jan – Jul 2025
Cystoscopy	2,929	1,709
Other Urology	408	238
Ophthalmology	0	0
Total Cases	3,337	1,947

Sources: Applicant

Forecast Years

In Table 4 below we present projected surgical volumes for the initial partial year of_operation (August to December 2025, “Year 0”) and the first three full years of_operation given project approval (2026 through 2028, “Years 1-3”).

As previously discussed, over the past few years, MultiCare Ridgeview has primarily performed cystoscopy and other urology surgical procedures. Concurrent with the proposed project (i.e., expand services to include gastroenterology, cardiology, and vascular), MultiCare Ridgeview has also identified other currently approved specialties that provide the opportunity to decant case volumes from the main hospital campus to MultiCare Ridgeview. These include podiatry, pain management, and carpal tunnel (orthopedics). For the purposes of the utilization and financial projections, we have included case volumes for these additional specialties that MultiCare Ridgeview is already CN-approved to provide in our model projections...

Applicant’s Table

Table 4: MultiCare Ridgeview Projected Case Count and Operating Room Utilization, 2025 to 2028				
	Year 0	Year 1	Year 2	Year 3
	2025	2026	2027	2028
# of Months	5	12	12	12
Cystoscopy	1,220	2,929	2,929	2,929
Urology	170	408	408	408
Gastroenterology	292	719	0	0
Vascular	47	225	338	450
Cardiology	140	344	352	361
Carpel Tunnel	146	350	350	350
Podiatry	46	111	111	111
Pain Management	11	27	27	27
Total Cases	2,072	5,112	4,515	4,636
Estimated Min/Case	45.2	46.0	49.0	49.8
Total Minutes	93,751	235,221	221,431	231,106
Estimated Occupancy	3.27	3.42	3.22	3.36
Total Cases (Excl Cysto)	852	2,183	1,586	1,707
Estimated Min/Case	55.7	56.9	69.6	70.3
Total Minutes (Excl Cysto)	47,470	124,148	110,358	120,033
Estimated Occupancy (Excl Cysto)	1.65	1.80	1.60	1.74
Source: Applicant Capacity Standard of 68,850 Minutes Per OR based on WAC 246-310-270 (9)				

The forecast model uses the following assumptions and methodologies:

1. Cystoscopy and urology are held constant at the historical CY2023 volumes at MultiCare Ridgeview.
2. Gastroenterology is anticipated to only be performed on an interim basis during 2025 and 2026 while the new ambulatory endoscopy center is being developed and ramping up operations. Gastroenterology is forecasted based on assumed case transfer of 20% allocation of 2023 outpatient gastroenterology cases performed at MultiCare Yakima Memorial with modest growth consistent with Yakima 65+ population growth (2.53% annual growth).
3. Vascular surgical volume is based on anticipated recruitment of new vascular surgeons and experience of Pulse.
4. Cardiology based on case transfer of 319 eligible cases identified in 2023 at MultiCare Yakima Memorial with modest growth consistent with Yakima 65+ population growth (2.53% annual growth).
5. Carpel tunnel, podiatry, and pain management based on case transfers (350,111, and 27, respectively) identified in 2023 at MultiCare Yakima Memorial. Case transfers held constant thereafter.
6. Minutes per case is estimated on a case-weighted average basis using the specialties' respective 2023 actual minutes per case. Because there are not historical volumes available for vascular, vascular cases are assumed to be 80 minutes per case based on experience of Pulse Heart Institute."

MultiCare provided the projected payer mix for the surgery center and provided the following statement of the assumptions used to determine the projected payer mix. [source: Application, pdf 24-25]

“Projected payer mix is anticipated to be a mix of MultiCare Ridgeview’s CY2023 payer mix (i.e., cystoscopy and other urology) and MultiCare Yakima Memorial’s CY2023 general outpatient surgery payer mix.”

Applicant’s Table (Recreated)

Table 7: Project Payer Mix by Gross Revenue & Cases		
Payer	% of Cases	% of Gross Revenue
Medicare	58.17%	50.36%
Commercial	20.39%	24.69%
Medicaid	13.64%	17.93%
Other Governmental	5.98%	5.11%
Self Pay	1.84%	1.84%
Total	100%	100%

MultiCare provided the assumptions used to project revenue, expenses, and net income for this project at MultiCare Ridgeview. [source: Application, Exhibit 11D]

“Revenue and Expense Statement – Ridgeview

Per treatment statistics used in the “With the Project” projections are weighted averages based on the case mix by specialty case volume determined in the utilization forecast for the specific forecast period.

- *Per treatment statistics for urology and cystoscopy are from 2023 Ridgeview actuals.*
- *The proposed vascular surgical services are new to Ridgeview and YMH. Therefore, 2023 YMH actuals were not available. Per treatment statistics for vascular are based on experience and input from MultiCare’s Pulse Heart Institute.*
- *All other specialties’ per treatment statistics are based on 2023 YMH actuals from the hospital main campus.*

The underlying per treatment statistics and corresponding weighted average estimates are referred to as “2023 actuals” in this section.

Volume Assumptions

1. *See application for volumes projections by specialty.*

Capital Expenditures

2. *See application for capital expenditure estimates for the project-related and other expansion capital investments.*

Revenues

3. *Models do not include any charge inflation.*
4. *Gross revenues are based on 2023 actual per treatment estimates by specialty.*

5. *Deductions from revenues are based on 2023 actual per treatment estimates by specialty. The share of deductions allocated to charity care is based on Yakima Memorial Hospital's average charity care as a percent of gross revenue in CY2023 (2.27%).*

Expenses

6. *Models do not include any expense inflation.*
7. *See the application for discussion related to assumptions underlying salaries & benefits.*
8. *Medical supplies are based on 2023 actual per treatment estimates by specialty.*
9. *Drugs/other supplies are based on 2023 actual per treatment estimates by specialty.*
10. *Purchased services are based on 2023 actual per treatment estimates by specialty.*
11. *Rental and occupancy are based on rent established in section 5 of the 1st amendment to the sublease. Per section 5, a 1.75% rent escalator is applied during option terms. The ASC is allocated 31.7% share of the rent based on its share of square footage---7,994 sf for ASC divided by 25,198 total square footage less storage space.*
12. *Depreciation (Existing) is held constant at 2023 Ridgeview actuals.*
13. *Depreciation (Project-Related) is calculated using the straight-line method assuming a 15-year useful life for construction-related expenditures and a 8-year useful life for equipment-related expenditures.*
14. *Depreciation (Other Expansion) is calculated using the straight-line method assuming a 15-year useful life for construction-related expenditures and a 8-year useful life for equipment-related expenditures.*
15. *Other expenses are based on 2023 actual per treatment estimates by specialty.*
16. *Medical Director not specifically reported in historical P&L. As described in the second amendment to the management agreement, medical director serves as 0.25 FTE. For projections, it is added as its own line item estimated to be \$60,000.*
17. *See the provided startup cost worksheet for startup cost estimates.”*

MultiCare Ridgeview provided the following information regarding lease expense calculations. [source: Application, Exhibit 13a]

*“5. **Sublease Term and Termination.** The term of this Sublease shall commence on August 1, 2015 (the “Commencement Date”), and end on March 31, 2019 (the “Expiration Date”). If the Master Lease is terminated for any reason prior to the Expiration Date, this Sublease shall promptly be terminated as of the date of termination of the Master Lease. Any liability of Subtenant to make any payment under this Sublease, which shall have accrued prior to the termination of this Sublease, shall survive the termination of this Sublease.*

7. ***Option to Renew.** So long as Subtenant is not in default under the terms of this Sublease, and Sublandlord’s right to renew the Master Lease remains in full force and effect, Subtenant shall have the right to renew this Sublease for one (1) additional term of five (5) years upon the same terms and conditions provided herein, except that the Rent for the renewal term shall be negotiated by the parties, but in no event shall Rent in the additional term be less than as adjusted in Section 9. Should Subtenant desire to exercise its option to renew this Sublease, Subtenant shall give Sublandlord written notice of Subtenant’s intention to exercise the option at least two hundred and ten (210) days prior to the Expiration Date of the Sublease...*

9. Rent.

9.1 Rent - Rental Adjustment. Subtenant shall pay Sublandlord monthly rent in the amount of Fifty Thousand Five Hundred Fifty Four and 67/100 Dollars (\$50,554.67) (“Rent”), payable in advance on or before the first (10th) day of each calendar month during the term of this Sublease; provided, however, that on each and every annual anniversary of the Commencement Date of this Sublease, the Rent shall be increased by an amount equal to 1.75% of monthly Rent stated above. The parties acknowledge and agree that the Rent amount for the Premises is within the fair market value ranges set forth in Exhibit B, which are based on the Broker’s Estimate of Fair Market Rental Range Letter attached thereto.

9.2 Late Charges. Subtenant hereby acknowledges that late payment by Subtenant to the Sublandlord of Rent or any other sums due hereunder will cause the Sublandlord to incur costs not otherwise contemplated by this Sublease and affect Sublandlord’s ability to meet certain commitments. Accordingly, if any installment of Rent or any other sum due from Subtenant shall not be received by the Sublandlord within ten (10) days after such amount shall be due, then, without any requirement for notice to Subtenant, Subtenant shall pay the Sublandlord a late charge equal one percent (1%) per month from the date due until paid. Payments shall be applied first to interest, then to late charges, then to overdue Rent (with allowance for Sublease hold excise tax), and then to current Rent (with allowance for Sublease hold excise tax.).

9.3 Operating Expenses. This is a triple net lease. Therefore, Subtenant agrees to pay Sublandlord the Additional Rent defined in Section 2.4 of the Master Lease to the extent that such Additional Rent meets the definition of Operating Expenses (as defined in Section 9.3.1)...

Applicant’s Table (Recreated)

Rent per Sq. Ft.	Area
\$18 - \$20	Clinic/Admin areas totaling 17,204 sq. ft.
\$26 - \$30	Ambulatory Surgical Areas totaling 7,994 sq. ft.
\$8 - \$10	Unfinished Shell Storage Areas totaling 5,686 sq. ft.

Based on the assumptions described above, MultiCare provided its projected Revenue and Expense Statements for MultiCare Ridgeview for partial year 2025 and full calendar years 2026 through 2028. The projections are summarized below. [source: Application, Exhibit 11a]

**Department’s Table 6
MultiCare Ridgeview Projected Revenue and Expense Statement Summaries**

	Year 2025 Partial Year	Year 2026 Full Year 1	Year 2027 Full Year 2	Year 2028 Full Year 3
Net Patient Revenue	\$1,933,913	\$4,641,391	\$4,641,391	\$4,641,391
Minus Total Expenses	\$1,595,752	\$3,837,291	\$3,844,909	\$3,852,660
Net Profit / (Loss)	\$338,161	\$804,100	\$796,482	\$788,731

“Total Net Revenue” is gross patient revenue minus deductions from revenue for charity care and contractual allowances. “Total Expenses” includes operating expenses, such as salaries and wages, employee benefits, professional fees, supplies, utilities, purchased services, depreciation, interest, and rentals and leases.

Department Evaluation MultiCare Ridgeview

To evaluate this sub-criterion, the department first reviewed the assumptions used by MultiCare to determine the projected number of procedures and utilization of the surgery center with a total of two ORs. The utilization assumptions are based on the historical number of procedures performed at MultiCare Ridgeview and patients transferred from Yakima Memorial Hospital to MultiCare Ridgeview. Given that patients from the hospital will be shifting to MultiCare Ridgeview for procedures, this approach is reasonable.

MultiCare Ridgeview based its revenue and expense assumptions historical figures, since the facility is already established. Some categories were held constant and other categories were estimated as a percentage of anticipated revenue. This approach is reasonable.

The pro forma Revenue and Expense statements show MultiCare Ridgeview revenues have historically covered expenses, and while net profits are expected to decrease in year 2025 (\$1,357,251), they start to increase in 2026 (\$3,918,419) and continue increasing through each projection year. Revenues continue to cover expenses through 2028, the third full year of operation. The pro forma Balance Sheet shows assets are also projected to increase for each of the projection years.

In the ‘need’ section of this evaluation, the department concluded that the applicant demonstrated the need for addition of services to MultiCare Ridgeview and need for these services in the planning area. The department concludes the basis for the financial projections is considered reasonable and reliable.

Based on the information submitted, the department concludes that the immediate and long-range operating costs of the project can be met. If this project is approved, the department would attach a charity care condition consistent with past surgical center projects. **This sub-criterion is met.**

MEC Yakima, LLC

This project proposes the establishment of a new three-OR surgery center at 3909 Creekside Loop, Ste 125 in Yakima within Yakima County. [source: Application, pdf 10] If this project is approved, the applicant anticipates it will be operational in February 2026. [source: Application, pdf 10]

Utilization Assumptions

The applicant states that currently there are no endoscopy ASCs in the planning area. MEC Yakima based its utilization projections on the historic utilization rates of Yakima Gastroenterology Associates (YGA), a CN-approved endoscopy ASC that previously operated in Yakima County. The historical utilization for YGA is shown in the applicant’s table below.

Applicant’s Table

Table 3: Yakima Gastroenterology Associates Historical Utilization, 2010-2015

Table 4 Yakima Gastroenterology Associates Six-Year Historical Utilization		
Year	# of Procedures	% Increase / (Decrease) from Previous Year
2010	8,516	
2011	6,198	(27.2)%
2012	6,768	9.2%
2013	7,218	6.6%
2014	6,269	(13.1)%
2015*	6,606	5.4%

* Annualized through August 2015.

While years 2012, 2013, and 2015 show an increase in procedures, years 2011 and 2014 show significant decreases in procedures. Within its application Memorial Physicians provided an explanation for the decreases. In late year 2010, two physicians left the practice which resulted in a decrease in procedures performed in year 2011. In 2014, three physicians went from full time to part time at the practice. This action resulted in the decrease in procedures performed in 2014. [source: Application, p6]

Source: Evaluation of CN16-13A, p. 11.

Based on the historical utilization rates at YGA, MEC Yakima provided its projected number of procedures for the new surgery center in the table recreated below.

**Department’s Table 7
MEC Yakima Utilization Forecast, 2026 - 2029**

	Feb – Dec 2026	2027	2028	2029
Yakima County Market Forecast – Endoscopy Procedures (Annualized)	15,465	15,747	16,034	16,291
Market Share	15%	30%	40%	50%
# of Months Operational	11	12	12	12
Total Procedure	2,126	4,724	6,414	8,146
Procedure Per Case	1.3	1.3	1.3	1.3
Total Cases	1,636	3,634	4,934	6,266

MEC Yakima, LLC provided the following assumptions for projected utilization of the surgery center. [source: Application, pdf 15-17]

Footnote #11:

“The forecast model uses the following assumptions and methodologies:

- 1. Yakima County market forecast of procedures is based on annual forecast data from Sg2 for Yakima County for GI endoscopy procedures.*
- 2. Market share assumptions are based on consideration of key factors including, but not limited to: anticipated transfer of existing volumes from MultiCare Yakima Memorial to the proposed MEC Yakima1, recruitment of additional GI providers, and reduction in out-migration due to MEC Yakima providing access to freestanding, nonhospital- based endoscopy services.*
- 3. Number of months operational are based on project timeline. Partial year 2026 represents a lower volume due to ramp required as MEC Yakima becomes CMS certified and contracted with commercial payers.*
- 4. Total procedures are converted to total case count based on an assumed 1.3 procedures per case. This is based on experience from the managing entity, Atlas Healthcare Partners, and is consistent with historical Yakima Memorial utilization.*

Historical Yakima Gastroenterology Associates’ Utilization

An assessment of the historical GI volumes performed at YGA ’ s former CN-approved, but no longer operational, endoscopy center also helped inform the forecast for MEC Yakima. As shown in Table 3, YGA performed over 8,500 procedures back in 2010. There was a reduction over the years due to physicians leaving the practice and transitioning from full time to part time at the practice, but YGA was still performed approximately 6,200 to 7,200 procedures per year.

The overall demand volume for endoscopy services has only increased since YGA was operational due to population growth, the aging of the population and broader shift to outpatient settings for procedures, among many other factors. Although the local Yakima market for endoscopy services has been impacted over the years, particularly by the closure of YGA and fewer gastroenterologists practicing in Yakima County, the proposed MEC Yakima facility is part of MultiCare’s revitalization of the broader health system serving the Yakima community, including returning services that left over the past decade. MultiCare has a long history of developing services and providing care throughout Washington State, and it will be supported by Atlas as the managing entity. Atlas has significant experience in developing/operating ASFs.”

MEC Yakima, LLC provided its projected payer mix for the surgery center and the following clarification of the assumptions used to determine the projected payer mix. [source: Application, pdf 22,]

Payer Mix Assumptions

In response to this criterion, MEC Yakima provided the following statement.

“Projected payer mix by based on the case by payer experience of MultiCare Yakima Memorial and revenue by payer experience of Atlas.”

**Department’s Table 8
MEC Yakima Projected Payer Mix***

Payer Source	Percentage by Cases	Percentage by Revenue
Commercial	42.39%	38.62%
Medicare	42.24%	45.75%
Self-Pay	2.09%	2.32%
Medicaid	11.64%	11.76%
Other Govt.	1.64%	1.55%
Total	100%	100%

**Due to rounding, percentages may not add to exactly 100%*

Within the application materials, MEC Yakima, LLC provided projected financial statements. The assumptions used to project revenue, expenses, and net income for the surgery center with three ORs are below. [source: Application, Exhibit 7]

“Revenues

3. *Models do not include any charge inflation.*
4. *Gross revenue is projected at \$3,679.70 per case. This is based on the MultiCare Yakima Memorial Hospital case mix experience and average gross revenues by payer based on calendar year 2023 data of Atlas operated surgical facilities with similar case mix and volumes as the proposed MEC Yakima (“Atlas Actuals”).*
5. *Charity care is projected at 1.91% of gross revenues based on MultiCare Yakima Memorial Hospital’s historical charity care average for the most recent three years available in the DOH Charity Care Reports (2020-2022).*
6. *Other deductions are projected at 73.42% of gross revenues based on Atlas Actuals.*

7. *Bad debt is projected to be 3% of outpatient net revenue before bad debt based on Atlas Actuals.*

Expenses

8. *Models do not include any expense inflation.*

9. *See the Structure & Process of Care section of the application for discussion related to assumptions underlying salaries & benefits.*

10. *Supplies are projected to be \$80 per case based on Atlas Actuals.*

11. *Management fees are calculated pursuant to Section 4(a) of the Management Agreement. For the first \$8,000,000 in annual net revenue, management fees are calculated at 6% of net revenue or \$40,000 per month, whichever is greater. Because the net revenue calculations specified in the agreement never exceeds the \$40,000 per month minimum, it is set at \$40,000 per month.*

12. *The proposed Medical Director is employed by MultiCare, so there are no applicable contracted fees. \$30,000 has been allocated to be equivalent to the estimated cost for medical director services by Atlas for an endoscopy center similar in size and scope to the proposed MEC Yakima project.*

13. *Facility costs are calculated pursuant to the terms of the lease agreement. Rent commencement is assumed to be February 2026, as Lease Section 1.6 specifies rent commencement upon "DOH Surgery Center" License which is equivalent to project completion. Annual base rent is calculated per square foot in accordance with Lease Section 1.12(a). Other property expense is calculated per square foot in accordance with Lease Section 1.12(b). Other property expense is \$4.60 per square foot through month 36 (January 2029) and then increased by 5% which is the maximum allowable under Lease Section 1.12(b).*

14. *Contract services are projected to be \$150,000 per year throughout the forecast based on Atlas Actuals.*

15. *IT expenses are projected to be \$135,000 per year throughout the forecast based on Atlas Actuals.*

16. *Repair and maintenance expenses are projected to be \$22,000 per year throughout the forecast based on Atlas Actuals.*

17. *Maintenance expenses are projected to be \$28,000 per year throughout the forecast based on Atlas Actuals.*

18. *Equipment expenses are projected to be \$5,000 per year throughout the forecast based on Atlas Actuals.*

19. *Travel, meal, and entertainment expenses are projected to be \$7,000 per year throughout the forecast based on Atlas Actuals.*

20. *Insurance is projected to be \$6 per case based on insurance policies and applied risk factors based on payroll for workers comp and revenue for cybersecurity, employment practices liability, property, environmental and professional coverages.*

21. *Legal and professional expenses are projected to be \$3,000 per year throughout the forecast based on Atlas Actuals.*

22. *Bank fees are projected to be 0.5% of net revenue based on historical banking and transaction fees.*

23. *Centralized support fees for Atlas services are projected to be the equivalent of 5.0% of net revenue.*

24. *Tax and license expenses are projected to be \$10,000 per year throughout the forecast based on Atlas Actuals.*

25. *Mileage expenses are projected to be \$3,000 per year throughout the forecast based on Atlas Actuals.*

26. *Office expense, supplies, and postage expenses are projected to be \$23,000 per year throughout the forecast based on Atlas Actuals.*

27. Other G&A expenses are projected to be \$7,000 per year throughout the forecast based on Atlas Actuals.
28. Depreciation is calculated using the straight-line method assuming a 20-year useful life for buildout-related expenditures and a 7-year useful life for equipment-related expenditures.
29. Pre-opening costs include:
 - a. Pre-opening personnel cost is assumed to be equivalent to approximately two months of Year 0 personnel costs.
 - b. Pre-opening facility costs is assumed to be equivalent to one month of rent.
 - c. \$325,000 in Other G&A expenses represents administrative and development expenses estimated by Atlas for an endoscopy center similar in size and scope to the proposed MEC Yakima project.”

MEC Yakima, LLC provided the following information regarding lease expense calculations. [source: Application, Exhibit 10a]

“Base Rent: Tenant shall pay Landlord monthly Base Rent as follows:

Applicant’s Table

Period	Annual Base Rent (per square foot/per year)
Month 0 (partial month)	\$16.50
Month 1 through 12	\$16.50
Month 13 through 24	\$16.91
Month 25 through 36	\$17.34
Month 37 through 48	\$17.77
Month 49 through 60	\$18.21
Month 61 through 72	\$18.67
Month 73 through 84	\$19.13
Month 85 through 96	\$19.61
Month 97 through 108	\$20.10
Month 109 through 120	\$20.61

Reserves for Operating Expenses and Common Area Maintenance Charges: The initial Tenant’s Reserve for Operating Expenses (see Section 4.2) and Common Area Charges (Section 4.7) shall be \$4.60 per year per square foot of Tenant’s Floor Area, not including non-useable space. From Month 1 through Month 36, Tenant’s Operating Expenses and Common Area Maintenance Charges shall not be greater than \$4.60 per year per square foot of Tenant’s Floor Area. The Controllable Operating Expenses beginning in the 4th Lease year and for any given calendar year thereafter during the Term will not exceed the Controllable Operating Expenses for the preceding year by more than 5% on a non-cumulative basis. “Controllable Operating Expenses” means all Operating Expenses except snow and ice removal, insurance, and utilities. Snow and ice removal, insurance and utilities shall be considered “Non-Controllable Operating Expenses.”

Additionally, the lease agreement includes clarification regarding the lease start date and terms of the lease with MEC Yakima, LLC. [source: Application, Exhibit 10a]

“Lease Term: The term of this Lease shall be one hundred twenty (120) months plus the partial month, if any, from the Commencement Date (“Term”). The “Commencement Date” shall be the date on the date that both of the following occur: (i) the date which Tenant receives issuance and obtains all approvals and licenses necessary to operate a surgical center at the Premises from the Washington Department of Health (“DOH”) and/or any other applicable governmental authority (or its functional equivalent) (collectively, the “DOH Surgery Center License”); and (ii) the earlier of (a) six (6) months from the Delivery Date, as defined in Section 1.6(b); or (b) Tenant or Landlord obtains the certificate of occupancy (the “Certificate of Occupancy”) by the applicable governmental authorities following

Tenant’s Work. Landlord and Tenant shall memorialize the Lease Commencement Date, rentable square footage of the Premises, and all other material matters in a form attached as EXHIBIT “C” annexed hereto.

Following the Commencement Date of the Lease, Tenant shall have the one-time right to terminate the Lease following completion of the sixtieth (60th) month of the initial Lease Term by providing not less than one hundred eighty (180) days’ prior written notice to Landlord prior to completion of the sixtieth (60th) month of the Initial Term. Upon such termination, in addition to a penalty equal to three (3) months of the then-current Base Rent, Tenant shall pay to Landlord a termination fee equal to the unamortized portion of (i) the tenant improvement allowance (if applicable), and (ii) the real estate commissions paid by Landlord with respect to the Lease. Amortization shall be calculated on a straight-line basis.”

MEC Yakima, LLC provided copies of the Management and Centralized Services Agreements that are corporate documents governing the applicant as a Washington limited liability company pursuant to chapter 25.15 RCW. These costs are included in the pro forma under contract services. [source: Application, Exhibits 8 & 9]

MEC Yakima, LLC provided a copy of the Medical Director Job Description. [source: Application, Exhibit 14] The medical director will be employed by MultiCare; therefore, a Medical Director Agreement is not required.

Based on the assumptions described above, MEC Yakima, LLC provided its projected Revenue and Expense Statements for partial year 2026 and full calendar years 2027 through 2029. A summary of the statement is shown in the table below. [source: Application, Exhibit 7]

**Department’s Table 9
MEC Yakima, LLC Projected Revenue and Expense Statement Summaries**

	Year 2026 Partial	Year 2027 Full Year 1	Year 2028 Full Year 2	Year 2029 Full Year 3
Net Patient Revenue	\$1,440,135	\$3,199,409	\$4,343,628	\$5,516,560
Minus Total Expenses	\$2,622,716	\$3,907,750	\$4,086,362	\$4,954,633
Net Profit / (Loss)	(\$1,182,581)	(\$708,161)	\$257,266	\$531,927

‘Net Patient Revenue’ is gross revenue, minus deductions for contractual allowances, bad debt, and charity care. ‘Total Expenses’ are all costs associated with the surgery center including staff salaries, wages, and benefits, site lease, medical director agreement, and depreciation.

MEC Yakima, LLC also provided its projected balance sheets showing partial year 2026 and full calendar years 2027 through 2029 for the surgery center. The assumptions used to prepare the balance sheets are described below. [source: Application, Exhibit 7]

“Balance Sheet Assumptions

- 37. *Cash and cash equivalents are based on estimates of cumulative net cash flow (i.e. ending balance) from cash flow statement.*
- 38. *Days in accounts receivable are projected to be the equivalent of approximately 46 days of net revenue based on estimates by Atlas for an endoscopy center similar in size and scope to the proposed MEC Yakima project.*

39. *Other current assets / inventories are projected to be the equivalent of approximately 5.8% of net revenue based on estimates by Atlas for an endoscopy center similar in size and scope to the proposed MEC Yakima project.*
40. *PP&E based on capital expenditures for proposed project.*
41. *Accumulated depreciation calculated as depreciation for current forecast period plus cumulative depreciation from prior periods.*
42. *Days in accounts payable are projected to be the equivalent of approximately 15 days of operating expenses based on estimates by Atlas for an endoscopy center similar in size and scope to the proposed MEC Yakima project.*
43. *Other current liabilities are projected to be the equivalent of approximately 0.8% of operating expenses based on estimates by Atlas for an endoscopy center similar in size and scope to the proposed MEC Yakima project.*
44. *System contributed capital is equity contributions from MultiCare Health System for capital expenditures of proposed project.*
45. *System contributed startup funding is equity contributions from MultiCare Health System for startup costs and financial support during the ramp-up period for the proposed project.*
46. *Retained earnings for Year 0 to Year 3 is calculated as retained earnings from prior period plus net income of current period. Retained earnings for pre-operational period is consistent with startup costs estimates identified in cash flow statement.”*

Below is a summary of the balance sheets described above.

**Department’s Table 10
MEC Yakima, LLC Projected Balance Sheet Summaries**

Assets	Year 2026 Partial Year	Year 2027 Full Year 1	Year 2028 Full Year 2	Year 2029 Full Year 3
Current Assets	\$886,737	\$768,662	\$1,556,602	\$2,654,532
Fixed Assets	\$6,009,170	\$6,009,170	\$6,009,170	\$6,009,170
Minus Depreciation	(\$478,406)	(\$1,000,304)	(\$1,522,201)	(\$2,044,099)
Total Assets	\$6,417,401	\$5,777,528	\$6,043,571	\$6,619,603

Liabilities and Equity	Year 2026 Partial Year	Year 2027 Full Year 1	Year 2028 Full Year 2	Year 2029 Full Year 3
Current Liabilities	\$97,933	\$166,222	\$175,001	\$219,102
Long Term Debt	\$0	\$0	\$0	\$0
Equity	\$6,319,467	\$6,611,306	\$5,868,571	\$6,400,500
Total Liabilities & Equity	\$6,417,401	\$5,777,528	\$6,043,571	\$6,619,603

Department Evaluation: MEC Yakima, LLC

To evaluate this sub-criterion, the department first reviewed the assumptions used by MEC Yakima, LLC to determine the projected number of procedures and utilization of the proposed surgery center. The utilization assumptions are the foundation for the financial review under this sub-criterion. Both the utilization and market share assumptions are based on projections, since MEC Yakima, LLC, is a brand-new facility. This assumption is reasonable.

MEC Yakima, LLC, provided its projected revenue and expense statement and balance sheet showing partial year 2026 through three full years following project completion (2027-2029). The financial statements show that revenues would cover expenses in all the years shown and the surgery center would be financially sound.

The pro forma Revenue and Expense statements show MEC Yakima, LLC’s, projected revenues will cover expenses beginning in the second full year (2028), and net profits are expected to increase from \$257,266 in year 2028 to \$531,927 in year 2029. The pro forma Balance Sheet shows assets decrease in the first full year of operation (2027), but then steadily increase for years 2028-2029.

In the ‘need’ section of this evaluation, the department concluded that the applicant demonstrated need for the three ORs in the planning area. The department concludes the basis for the financial projections is considered reasonable and reliable.

Based on the information submitted, the department concludes that the immediate and long-range operating costs of the project can be met. If this project is approved, the department would attach a charity care condition consistent with past surgical center projects. **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.

Chapter 246-310 WAC 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 costs of proposed projects with those previously considered by the department.

MultiCare Ridgeview

MultiCare provided the following information in response to this sub-criterion. [source: Application, pdf 24]

“In general, the cost of the project would not be expected to affect costs and charges, as rates are based on fee schedules with CMS and negotiated rates with other payers not directly impacted by project-related costs.”

Department Evaluation MultiCare Ridgeview

In the need section of this evaluation, MHS provided significant information to demonstrate that if this project is approved, the surgery center would be an integral part of the delivery of healthcare services for multi-specialty services in Yakima County. To assist in evaluating this sub-criterion, the department calculated the net revenue per case for partial year 2025 and projection years 2026 through 2028 shown in the table below.

**Department’s Table 11
Department Calculation of Revenue per Case**

	Year 2025 Partial Year	Year 2026 Full Year 1	Year 2027 Full Year 2	Year 2028 Full Year 3
Net Revenue	\$338,161	\$804,100	\$796,482	\$788,731
Number of Procedures	1,390	3,337	3,337	3,337
Net Revenue per Procedure	\$243	\$241	\$239	\$236

As shown above, the anticipated net revenue per procedure decreases through partial year 1 2025 as the number of cases increases. The net revenue per procedure decreases between projected years 2026-2028, but not substantially.

Based on this information, the department concludes that the expansion of services at MultiCare Ridgeview in Yakima County will not likely have an unreasonable impact on the costs and charges for healthcare services in the county. **This sub-criterion is met.**

MEC Yakima, LLC

The applicant provided the following statements in response to this sub-criterion. [source: Application, pdf 21]

“In general, the cost of the project would not be expected to affect costs and charges, as rates are based on fee schedules with CMS and negotiated rates with other payers not directly impacted by project-related costs.”

Department Evaluation: MEC Yakima, LLC

In the need section of this evaluation, MEC Yakima, LLC, provided significant information to demonstrate that if this project is approved, the surgery center would be an integral part of the delivery of healthcare services for endoscopy services in Yakima County. To assist in evaluating this sub-criterion, the department calculated the net revenue per case for partial year 2026 and projection years 2027 through 2029 shown in the table below.

**Department’s Table 12
Department Calculation of Revenue per Case**

	Year 2026 Partial	Year 2027 Full Year 1	Year 2028 Full Year 2	Year 2029 Full Year 3
Net Revenue	(\$1,182,581)	(\$708,161)	\$257,266	\$531,927
Number of Procedures	2,126	4,724	6,414	8,146
Net Revenue per Procedure	(\$556)	(\$150)	\$40	\$65

As shown above, the anticipated net revenue per procedure increases throughout the projected years. Net revenue, number of procedures, and net revenue per procedure increase over the years.

Based on this information, the department concludes that MEC Yakima, LLC in Yakima County will not likely have an unreasonable impact on the costs and charges for healthcare services in the county. **This sub-criterion is met.**

(3) The project can be appropriately financed.

Chapter 246-310 WAC 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 direct how a project of this type and size should be financed. Therefore, using its experience and expertise the department compared the proposed projects’ source of financing to those previously considered by the department.

MultiCare Ridgeview

If this project is approved, MHS estimates that construction will be done in June 2025, and the project will be completed in late August 2025. [source: Application, pdf 12]

The estimated capital expenditure for this project is \$3,496,161 and is broken down in the table below. [source: Application, pdf 25, and September 9, 2024, screening responses, pdf]

**Department’s Table 13
Estimated Capital Expenditure Breakdown**

Item	Total Cost
Building Construction	\$125,917
Fixed Equipment	\$359,279
Moveable Equipment	\$2,743,023
State Sales Tax	\$267,942
Total	\$3,496,161

MultiCare provided a letter signed by the executive vice president of population-based care and Chief Financial Officer of MultiCare Health System stating the commitment to fund the project from capital reserves. [source: Application, Appendix 16] MultiCare also provided a copy of its Audited Financial Statements for 2021, 2022, and 2023. [source: Application, Appendix 17A and 17B]

Department Evaluation: MultiCare Ridgeview

The applicant identified a total estimated capital cost of \$3,496,161 and provided a breakdown of the total by line item. MHS will use cash reserves to fund the project and have provided sufficient documentation to demonstrate the funds are available. The department concludes this project can be appropriately financed. **This sub-criterion is met.**

MEC Yakima, LLC

If this project is approved, the applicant estimates that the construction will be done in November 2025 and the facility would be prepared for survey in January 2026. MEC Yakima, LLC, anticipates being fully operational in February 2026. [source: Application, pdf 10]

The estimated capital expenditure for this project is \$6,009,170 and is broken down in the table below. [source: September 9, 2024, screening response, pdf4]

**Department’s Table 14
Estimated Capital Expenditure Breakdown**

Item	Cost
Building Construction	\$2,722,440
Fixed Equipment	\$75,000
Moveable Equipment	\$2,126,966
Architect & Engineering Fees	\$321,516
Other: IS/Low Voltage/NC, IT, Permit/Fees	\$365,283
State Sales Tax	\$397,965
Total	\$6,009,170

MEC Yakima, LLC clarified that as an established surgery center in the community it has the staff, supplies, equipment, and other resources needed to operate a relocated surgery center.

In addition to the costs identified in the table above, MEC Yakima, LLC also provided the following information start-up costs for this project. [source: Application, Exhibit 7]

“Pre-opening costs include:

- a. Pre-opening personnel cost is assumed to be equivalent to approximately two months of Year 0 personnel costs.*
- b. Pre-opening facility costs is assumed to be equivalent to one month of rent.*
- c. \$325,000 in Other G&A expenses represents administrative and development expenses estimated by Atlas for an endoscopy center similar in size and scope to the proposed MEC Yakima project”*

MultiCare provided a letter signed by the executive vice president of population-based care and Chief Financial Officer of MultiCare Health System stating the commitment to fund the project from capital reserves. [source: Application, Exhibit 11] MultiCare also provided a copy of its Audited Financial Statements for 2021, 2022, and 2023. [source: Application, Exhibit 17]

Department Evaluation: MEC Yakima, LLC

The applicant identified a total estimated capital cost of \$6,009,170 and provided a breakdown of the total by line item. MEC Yakima will fund this project with cash reserves. MHS will use cash reserves to fund the project and have provided sufficient documentation to demonstrate the funds are available. The department concludes this project can be appropriately financed. **This sub-criterion is met.**

C. STRUCTURE AND PROCESS (QUALITY) OF CARE (WAC 246-310-230)

MultiCare Ridgeview

Based on the source information reviewed and agreement to the conditions identified in the conclusion section of this evaluation, the department concludes that MultiCare Ridgeview meets the applicable structure and process (quality) of care criteria in WAC 246-310-230.

MEC Yakima, LLC

Based on the source information and agreement to the conditions identified in the conclusion section of this evaluation, the department concludes that MEC Yakima, LLC, project meets 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.*

Chapter 246-310 WAC 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 [full time equivalents] that should be employed for projects of this type or size. Therefore, using its experience and expertise, the department concludes the planning that would allow for the required coverage.

MultiCare Ridgeview

The applicant provided the following information related to staffing ratios for the surgery center [source: Application, pdf 32]

“FTE projections assume the addition of 2.25 surgical technicians (OR surgical technician and hall surgical technician), nine RNs (OR circulators, PACU RNs, coordinator RN, and hall RN), and 1.25 sterile processing (SPD closer/float). This is based on a review by MultiCare Ridgeview’s clinical management of proposed scheduling and corresponding need for additional staff given expanded use of ORs. For non-clinical staff, there is effectively a doubling of historical FTEs given the approximate doubling of estimated occupancy in the forecast years. Hourly wages are based on MultiCare Yakima

Memorial current rates. Benefits are 22.7% of salaries and wages based on 2023 MultiCare Yakima Memorial's actuals.”

MultiCare also provided its projected number of FTEs for the surgery center based on the staffing ratios identified above. The table below summarizes the information showing partial year 2025 and full calendar years 2026 through 2028. [source: Application, Exhibit 11B]

**Department’s Table 15
MultiCare Ridgeview Projected FTEs for Years 2025 through 2028**

FTE Type	Year 2025 Partial Year	Year 2026	Year 2027	Year 2028
Surgical Techs	4.25	4.25	4.25	4.25
Registered Nurses	13.00	13.00	13.00	13.00
Sterile Processing	2.25	2.25	2.25	2.25
Scheduler	1.00	1.00	1.00	1.00
Reception	2.00	2.00	2.00	2.00
Management	1.00	1.00	1.00	1.00
Total FTEs	23.50	23.50	23.50	23.50

Focusing on the recruitment and retention of necessary staff, MultiCare Health System provided the following information. [source: Application, pdf 33-34]

*“**Overview.** MultiCare has an excellent track record in Washington State for recruiting and retaining qualified staff to meet the needs of their multiple hospitals and well over 100 outpatient medical parks, clinics, surgery centers, and other sites. It has done this by partnering with local universities and colleges, supporting employee career development, and utilizing a broad range of local, regional and national recruiting strategies.*

***Extensive recruitment resources.** MultiCare ’ s recruiting resources include a Talent Acquisition team and a Provider Services team, both led by recruitment professionals, each with more than twenty years of experience. The Talent Acquisition team includes full-time recruiters (including RNs), an Agency Staffing Specialist and Employment Coordinators. The Provider Services team includes fulltime recruiters and support team members. Because MultiCare ’ s recruiters are trained in state-of-the-art recruitment techniques, the need for outside search firms has been greatly reduced. Referrals from these firms account for less than one percent of total new hires. Other recruitment resources include contingent staffing agencies and employment branding consultants.*

***Managing turnover and vacancy rates.** MultiCare consistently demonstrates how it values its employees and continually seeks ways to be a great place to work. Resources devoted to monitoring and controlling turnover include frequent employee surveys that identify employee concerns, coaching and training to help front-line managers become more effective leaders, and a total rewards strategy to continually offer highly competitive and relevant wages and benefits.*

***Expanding and developing the healthcare workforce.** MultiCare devotes extensive resources to ensure a robust pipeline of new healthcare workers. Examples include partnering with local universities, community colleges, and trade schools to provide clinical experiences each year; high school outreach programs including job shadowing opportunities, Medical Explorers programs at two locations and health careers camps; a Nurse Technician employment program; and strong residency and apprenticeship programs. MultiCare ’ s workforce development efforts extend to current employees,*

who benefit from residency programs, fellowships, apprenticeships, tuition assistance, and targeted scholarship and training programs. MultiCare also boasts award-winning educational resources including state-of-the-art simulation labs, computer-based learning modules, classroom training and other educational opportunities.

MultiCare also identified Daniel A. Thorner, DO, as medical director of MultiCare Ridgeview. The medical director is under contract and is therefore not included in the list of FTES above. [source: Application, pdf 32]

Department Evaluation: MultiCare Ridgeview

If this project is approved, MultiCare Ridgeview will provide urology, orthopedics, podiatry, ophthalmology, gynecology, brachytherapy, pain management, general surgery, cardiology, vascular, and gastroenterology surgical services within its two ORs. [source: Application, pdf 1]

The applicant states the MultiCare Ridgeview currently operates at greater than 100% capacity, however, it does not anticipate a change in the number of FTEs for the ASC. For recruitment and retention of necessary staff, MultiCare intends to rely on the strategies it has successfully used in the past. This approach is reasonable.

MultiCare identified Daniel A. Thorner, DO as the Medical Director and provided a Medical Director job description. [Application, Exhibit 12, Schedule 1.4.2, pp. 93-94] The medical director will be an employee of the management company for MultiCare Ridgeview and is therefore not included in the table above.

The information provided in the application demonstrates the applicant can staff the surgery center and the staffing ratios are reasonable for the types of services to be provided. Based on the information above, the department concludes that the MultiCare’s project **meets this sub-criterion**.

MEC Yakima, LLC

If this project is approved, MEC Yakima anticipates that the surgery center will be operational in February 2026. Under that timeline, 2026 is a partial year of operation and years 2027 through 2029 are the first three calendar years. [source: Application, pdf 10]

MEC Yakima, LLC, provided a table showing the projected number of FTEs for years 2026-2029. The information for partial year 2026 through full calendar years 2027-2029 are summarized in the table below. [source: Application, pdf 25]

**Department’s Table 16
MEC Yakima ASC
Projected FTEs for Years 2026 through 2029**

FTE Type	2026 Partial Year	2027 Full Year 1	2028 Full Year 2	2029 Full Year 3
Administrator/CEO	1.0	1.0	1.0	1.0
Business Office Manager	0.5	1.0	1.0	1.0
Scheduler	0.5	1.0	1.0	1.5
Receptionist/Patient Registration	1.0	2.0	2.0	2.5
Inventory Coordinator	0.5	1.0	1.0	1.5

RN	3.0	6.0	6.0	9.0
Techs	1.50	3.0	3.0	4.5
Total FTEs	8.0	15.0	15.0	21.0

MEC Yakima provided the following rationale for its staffing ratios above. [source: Application, pdf 26]
“FTE projections are based on Atlas ’ experience developing and managing surgical facilities with a case mix and volumes as the proposed MEC Yakima, as well as MultiCare ’ s review of publicly available staffing detail of other similarly sized endoscopy centers in Washington State.

Hourly wages are based on MultiCare Yakima Memorial current rates. Benefits are 22.7% of salaries and wages based on 2023 MultiCare Yakima Memorial ’ s actuals. The wage rates and benefits percentage are presented in the pro forma included in Exhibit 7.”

MEC Yakima also clarified that the medical director, Nathaniel Davenport, MD, who is employed by MultiCare. [source: Application, pdf 26]

Focusing on recruitment and retention of staff, MEC Yakima provided a description of the process it will use for this project. [source: Application, pdf 27]

“Overview. *MultiCare has an excellent track record in Washington State for recruiting and retaining qualified staff to meet the needs of their multiple hospitals and well over 100 outpatient medical parks, clinics, surgery centers, and other sites. It has done this by partnering with local universities and colleges, supporting employee career development, and utilizing a broad range of local, regional and national recruiting strategies.*

Extensive recruitment resources. *MultiCare ’ s recruiting resources include a Talent Acquisition team and a Provider Services team, both led by recruitment professionals, each with more than twenty years of experience. The Talent Acquisition team includes full-time recruiters (including RNs), an Agency Staffing Specialist and Employment Coordinators. The Provider Services team includes fulltime recruiters and support team members. Because MultiCare ’ s recruiters are trained in state-of-the-art recruitment techniques, the need for outside search firms has been greatly reduced. Referrals from these firms account for less than one percent of total new hires. Other recruitment resources include contingent staffing agencies and employment branding consultants.*

Managing turnover and vacancy rates. *MultiCare consistently demonstrates how it values its employees and continually seeks ways to be a great place to work. Resources devoted to monitoring and controlling turnover include frequent employee surveys that identify employee concerns, coaching and training to help front-line managers become more effective leaders, and a total rewards strategy to continually offer highly competitive and relevant wages and benefits.*

Expanding and developing the healthcare workforce. *MultiCare devotes extensive resources to ensure a robust pipeline of new healthcare workers. Examples include partnering with local universities, community colleges, and trade schools to provide clinical experiences each year; high school outreach programs including job shadowing opportunities, Medical Explorers programs at two locations, and health careers camps; a Nurse Technician employment program; and strong residency and apprenticeship programs. MultiCare ’ s workforce development efforts extend to current employees,*

who benefit from residency programs, fellowships, apprenticeships, tuition assistance, and targeted scholarship and training programs. MultiCare also boasts award-winning educational resources including state-of-the-art simulation labs, computer-based learning modules, classroom training and other educational opportunities.”

Department Evaluation: MEC Yakima, LLC

The applicant proposes to establish a new freestanding surgery center at 3909 Creekside Loop, Ste 125 in Yakima [98902] within Yakima County. The new surgery center would operate three operating rooms (OR) and provide endoscopy services. [source: Application, pdf 10].

MEC Yakima, LLC provided projected FTEs for the ASC and extensive information regarding its timeline and process for recruitment of staff. The applicant has identified a Medical Director but has not provided employees for other essential positions. If this project is approved the department would attach a condition requiring the applicant to provide a list of credentialed staff before the project is considered complete. The department concludes that the projected staffing ratios are based on reasonable assumptions.

For recruitment and retention of necessary staff, MEC Yakima, LLC, explained the process it would use, which includes recruitment firms and state / national advertising. This approach is also reasonable.

MultiCare identified Nathaniel A. Davenport, MD, as the Medical Director and provided a job description. [Application, Exhibit 14] The medical director will be an employee of MHS and is therefore not included in the table above.

While MEC Yakima, LLC revenues do not cover expenses in partial year 2026 or year 2027, by the third full year of operation revenues are exceeding expenses. The Balance Sheet shows assets are also projected to increase for each of the projection years.

The department concludes the basis for the financial projections are considered reasonable and reliable. Based on the information submitted, the department concludes that the immediate and long-range operating costs of the project can be met.

The information provided in the application demonstrates the applicant can staff the surgery center and the staffing ratios are reasonable for the types of services to be provided. Based on the information above, the department concludes that the MEC Yakima, LLC project **meets this sub-criterion.**

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

Chapter 246-310 WAC 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 projects of this type and size. Therefore, using its experience and expertise the department assessed the materials contained in the applications.

MultiCare Ridgeview

MultiCare Health System provided the following table showing its current ancillary and support services for the surgery center. No changes to existing ancillary and support agreements are expected to change because of the proposed project. [source: Application, pdf 34]

Applicant's Table

Vendor	Description
Bard	Medical Disposable supplies (ex, catheters)
Boston Scientific	Medical Supplies
Cintas	Linen/Scrub Rental
Cook	Medical Disposable supplies
ICU Medical	Medical Supplies
Medline	Medical Supplies
Olympus	Medical supplies, scopes, towers
Halyard	Sterile Processing Supplies
Oxarc	Medical Gases
Laborjie	Medical supplies
Teleflex	Medical Supplies
Linde	Nitrous supplies
Sloan Medical	Medical Supplies
Civco	Medical Supplies
D & G Cleaning	Cleaning Services
In Demand	Translation
York Exterminating	Pest Control Services
Stericycle	Shredding Services
Stericycle	Pharmaceutical Waste

In addition to the statements above, MultiCare provided a copy of its Patient Transfer Policy, which applies to all members of MHS. The agreement outlines roles and responsibilities for member entities, has no expiration date, and there are no costs associated with the agreement. [source: Application, Exhibit 19]

Department Evaluation: MultiCare Ridgeview

Since MultiCare Ridgeview is currently operational, MHS provided a list of current ancillary and support services and states that the services are not expected to change if this project is approved.

The applicant also provided an executed *Patient Transfer Agreement*. MultiCare does not expect any changes to this agreement because of this project.

Based on the information reviewed in the application, the department concludes that there is reasonable assurance that MultiCare will maintain the necessary relationships with ancillary and support services if this project is approved. **This sub-criterion is met.**

MEC Yakima, LLC

MEC Yakima, LLC provided the following statement regarding ancillary and support services for the surgery center. [source: Application, pdf 27-28]

“MultiCare and Atlas will use their experience operating ambulatory surgical facilities to ensure the appropriate ancillary and support services are established for the proposed facility. The following are examples of the ancillary and support services expected to be established for MEC Yakima: medical records storage, pharmaceutical supplies, medical supplies, transcription, translation, medical gas, leased office equipment, linen/scrub rental, laboratory/pathology services, janitorial, maintenance, HVAC, etc.”

In addition to the above, MEC Yakima provided a draft transfer agreement between itself and MultiCare, which operates MultiCare Yakima Memorial Hospital. MEC Yakima’s application also indicates that MultiCare is willing to agree to a condition that a fully executed transfer agreement be provided. MEC Yakima also stated that the new ASC “will be part of the MultiCare Health System and work with local inpatient health providers, including the planning area hospital MultiCare Yakima Memorial.”

Department Evaluation: MEC Yakima, LLC

Since MEC Yakima, LLC is a new facility, MEC Yakima, LLC has yet to establish relationships with ancillary and support service providers. If this project is approved the department would attach a condition requiring MEC Yakima to provide list of ancillary and support agreements, as well as a condition requiring MEC Yakima to provide an executed transfer agreement.

Based on the information reviewed in the application and the applicant’s agreement to the conditions referenced above, the department concludes that there is reasonable assurance that MEC Yakima will maintain the necessary relationships with ancillary and support services if this project is approved. **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.*

Chapter 246-310 WAC 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 each applicant’s history in meeting these standards at other facilities owned or operated by each applicant.

As a part of this review, the department must conclude that the proposed services provided by an applicant would be provided in a manner that ensures safe and adequate care to the public.⁴ For surgery centers, the department reviews two different areas when evaluating this sub-criterion. One is a review of the Centers for Medicare and Medicaid Services (CMS) “Terminated Provider Counts Report” covering years 2020 through 2023. The department uses this report to identify surgery centers that were involuntarily⁵ terminated from participation in Medicare reimbursement.

⁴ WAC 246-310-230(5).

⁵ For CMS, involuntary termination does not include terminations or change in provider number because of a change of ownership.

The department also reviews an applicant’s conformance with Medicare and Medicaid standards, with a focus on Washington State facilities. The department uses the CMS ‘Survey Activity Report’ to identify Washington State facilities with a history of condition level findings. For CMS surveys, there are two levels of deficiencies: standard and condition.⁶

- **Standard Level**
A deficiency is at the Standard level when there is noncompliance with any single requirement (or several requirements) within a particular standard that is not of such character as to substantially limit a facility’s capacity to furnish adequate care, or which would not jeopardize or adversely affect the health or safety of patients if the deficient practice recurred.
- **Condition Level**
Deficiency at the Condition level may be due to noncompliance with requirements in a single standard that, collectively, represents a severe or critical health or safety breach, or it may be the result of noncompliance with several standards within the condition. Even a seemingly small breach in critical actions, or at critical times, can kill or severely injure a patient, and such breaches would represent a serious or severe health or safety threat.

MultiCare Ridgeview

The applicant provided the following statements related to this sub-criterion and WAC 246-310-230(5). [source: Application, pdf 36]

“MultiCare has no history with the actions described above.”

Department Evaluation: MultiCare Health System

As stated in the ‘Applicant Description’ section of this evaluation, MultiCare Health System is a not-for-profit health system that currently operates over 300 healthcare entities in Idaho, Oregon, and Washington. [source: Application, pdf 6] For the purposes of this portion of the evaluation, hospitals and ASFs will focus on hospitals and ASFs. The table below shows the 20 MultiCare facilities broken down by type in Washington State. [source: January 17, 2023, screening response, Attachment 9]

**Department’s Table 17
MultiCare Health System Healthcare Facilities**

Name	City	State/ZIP	Type
Memorial Home Care Services	Yakima	Washington/98908	Home Health
MultiCare Allenmore Hospital (joint license with Tacoma General Hospital)	Tacoma	Washington/98405	Hospital
MultiCare Auburn Medical Center	Auburn	Washington/98001	Hospital
MultiCare Behavioral Health - Auburn Medical Center	Auburn	Washington/98001	Hospital
MultiCare Capital Medical Center	Olympia	Washington/98502	Hospital
MultiCare Covington Medical Center	Covington	Washington/98042	Hospital
MultiCare Deaconess Hospital	Spokane	Washington/98225	Hospital
MultiCare Good Samaritan Hospital	Puyallup	Washington/98372	Hospital
MultiCare Good Samaritan Hospital, Inpatient Rehabilitation	Puyallup	Washington/98372	Hospital
MultiCare Home Health, Hospice and Palliative Care	Tacoma	Washington/98402	Home Health/ Hospice

⁶ Definitions of standard and condition level surveys: <https://www.compass-clinical.com/deciphering-tjc-condition-level-findings/>

MultiCare Mary Bridge Children’s Hospital	Tacoma	Washington/98402	Hospital
MultiCare Puyallup Ambulatory Surgery Center	Puyallup	Washington/98372	ASF
MultiCare Tacoma General Behavioral Health Adolescent Inpatient Services	Tacoma	Washington/98405	Hospital
MultiCare Tacoma General Hospital	Tacoma	Washington/98405	Hospital
MultiCare Valley Hospital	Spokane Valley	Washington/99216	Hospital
MultiCare Yakima Memorial Hospital	Yakima	Washington/98902	Hospital
Navos	Seattle	Washington/98126	Hospital
Overlake Medical Center	Bellevue	Washington/98004	Hospital
PNW Hospice	Tacoma	Washington/98402	Hospice
Wellfound Behavioral Health Hospital*	Tacoma	Washington/98405	Hospital

* Wellfound Behavioral Health Hospital is a facility owned in part by MultiCare through a joint venture.

Terminated Provider Counts Report

From 2021 through current 2024, none of the MultiCare healthcare facilities were involuntarily terminated from participation in Medicare reimbursement.

Conformance with Medicare and Medicaid Standards

Of the 20 healthcare facilities listed above, seven had been surveyed during the year 2021 through the year 2024. Of the seven facilities surveyed, there were some ‘standard’ deficiencies and three ‘condition’ deficiencies, no follow-up visits were conducted.

Since the proposed surgery center is not yet operational, MultiCare provided a listing of the 13 clinicians that are expected to perform surgeries. Using data from the Medical Quality Assurance Commission, the Nursing Care Quality Assurance Commission, and the department’s provider credential search, the department confirmed that all physicians hold an active state license, have no current conditions or limits on the license, and have no current enforcement actions.

Given that MultiCare has not identified any other staff for the surgery center, if this project is approved, the department will attach a condition requiring MultiCare to provide the name and profession license number of the staff.

For this sub-criterion, the department considered the compliance history of the applicant and the proposed physicians that would likely use the surgery center. Based on the information reviewed, the department concludes that MultiCare follows applicable state and federal licensing and certification requirements. As a result, the department concludes there is reasonable assurance that the approval of this project would not have a negative effect on the applicant’s future compliance. The department further concludes that there is reasonable assurance the new surgery center would be operated in compliance with the applicable state and federal requirements. **This sub-criterion is met.**

MEC Yakima, LLC

The applicant provided the following statements related to this sub-criterion and WAC 246-310-230(5). [source: Application, pdf 29]

“No facility or practitioner associated with this application has a history of any of the actions listed above.”

Department Evaluation: MEC Yakima, LLC

As stated in the ‘Applicant Description’ section of this evaluation, MultiCare Health System is a not-for-profit health system that currently operates over 300 healthcare entities in Idaho, Oregon, and Washington. Neither MultiCare nor any of its physician members own or operate any other healthcare facilities within or outside of Washington State.

Terminated Provider Counts Report & Conformance with Medicare and Medicaid Standards

Since MultiCare is the applicant for both projects, information for this section is explained above and does not need to be restated.

Since the proposed surgery center is not yet operational, MultiCare provided the clinician, Nathaniel A. Davenport, who will be the Medical Director for the facility. Using data from the Medical Quality Assurance Commission, the Nursing Care Quality Assurance Commission, and the department’s credentialed provider search, the department confirmed that this physician holds an active state license, has no current conditions or limits on the license, and has no current enforcement actions.

Given that MultiCare has not identified any other staff for MEC Yakima, if this project is approved, the department will attach a condition requiring MultiCare to provide the name and profession license number of the staff.

For this sub-criterion, the department considered the compliance history of the applicant and the proposed physicians that would likely use the surgery center. Based on the information reviewed, the department concludes that MultiCare follows applicable state and federal licensing and certification requirements. As a result, the department concludes there is reasonable assurance that the approval of this project would not have a negative effect on the applicant’s future compliance. The department further concludes that there is reasonable assurance the new surgery center would be operated in compliance with the applicable state and federal requirements. **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.*

Chapter 246-310 WAC 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 direct how to measure unwarranted fragmentation of services or what types of relationships with a services area’s existing health care system should be for projects of this type and size. Therefore, using its experience and expertise, the department assessed the materials in the application.

MultiCare Ridgeview

MultiCare provided the following statements in response to this sub-criterion. [source: Application, pdf 35-36]

“MultiCare Ridgeview will promote continuity of care and offer outpatient care across a wide range of specialties, including diagnoses, treatment and outpatient surgery, if needed. CN approval will allow MultiCare Ridgeview to meet the increased Planning Area demand for outpatient surgical procedures.

Further, the proposed project does not propose an increase in supply. Instead, it seeks to optimize existing capacity available, supporting continuity of care in the local market and preventing unwarranted fragmentation of services when planning area residents have to out-migrate to receive care.”

Department Evaluation: MultiCare Ridgeview

The establishment of this new facility already has existing working relationships with Yakima Memorial Hospital and other healthcare facilities in the MultiCare Health System.

The applicant also provided information within the application materials to demonstrate it intends to continue existing relationships.

MultiCare asserts that approval of this project will ensure continuity in the provision of healthcare services as there is an increased demand for outpatient surgery. This project seeks to optimize existing capacity, supporting the local market. For this assertion, the department also takes into consideration the lack of public comment received in opposition to the project by existing providers on this matter. The department concurs with the applicant’s reasoning.

The department also considers the conclusions reached in the financial feasibility and structure and process of care reviews of the project. MultiCare Ridgeview’s project met the financial feasibility criteria in WAC 246-310-220(1) and the structure and process of care criteria in WAC 246-310-230(2).

Based on the information provided in the application, the department concludes there is reasonable assurance that approval of this project would promote continuity in the provision of health care services in Yakima County. **This sub-criterion is met.**

MEC Yakima, LLC

In response to this sub-criterion, MEC Yakima provided the following statements. [source: Application, pdf 26-27]

“Yakima County currently has no freestanding ASFs providing outpatient endoscopy services. This forces residents to either seek hospital-based endoscopy services or travel to other counties. The proposed MEC Yakima will fill this critical gap by providing access to local, freestanding endoscopy services, and by being part of the MultiCare will be well integrated with the rest of MultiCare’s operations in the planning area. This initiative also aligns with the broader healthcare system ’ s shift towards lower-cost, outpatient settings.

Without approval of the proposed project, patients in search of outpatient endoscopy procedures will need to commute outside the Yakima Planning Area, thereby creating unwarranted fragmentation of services.”

Department Evaluation: MEC Yakima, LLC

This surgical facility is a part of the MultiCare Health System and has an executed transfer agreement with Yakima Memorial Hospital. The applicant also provided information within the application materials to demonstrate it intends to continue existing relationships with other MultiCare facilities and establish relationships with area providers.

MEC Yakima asserts that approval of this project will ensure continuity in the provision of healthcare services as there are no freestanding ASFs in Yakima County providing endoscopy services. For this assertion, the department also takes into consideration the lack of public comment received in opposition to the project by existing providers on this matter. The department concurs with the applicant’s reasoning.

The department also considers the conclusions reached in the financial feasibility and structure and process of care reviews of the project. MEC Yakima's project met the financial feasibility criteria in WAC 246-310-220(1) and the structure and process of care criteria in WAC 246-310-230(2).

Based on the information provided in the application, the department concludes there is reasonable assurance that approval of this project would promote continuity in the provision of health care services in Yakima County. **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.*

Department Evaluation: MultiCare Ridgeview

This sub-criterion is addressed in sub-section (3) above and is met.

Department Evaluation: MEC Yakima, LLC

This sub-criterion is addressed in sub-section (3) above and is met.

D. COST CONTAINMENT (WAC 246-310-240)

MultiCare Ridgeview

Based on the source information reviewed and agreement to the conditions identified in the conclusion section of this evaluation, the department concludes that MultiCare Ridgeview's project meets the applicable cost containment criteria in WAC 246-310-240.

MEC Yakima, LLC

Based on the source information reviewed, and agreement to the conditions identified in the conclusion section of this evaluation, the department concludes that MEC Yakima's project meets the applicable cost containment criteria in 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 through 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 has met the applicable criteria in WAC 246-310-210 through 230 criteria, in step two, the department assesses the other options considered by the applicant. If the department determines whether the proposed project is better or equal to other options considered by the applicant and the department has not identified any other better options, this criterion is determined to be met unless there are multiple applications.

If there are multiple applications, the department's assessment is to apply any service or facility superiority criteria contained throughout Chapter 246-310 WAC related to the specific project type in step three.

While there are two separate applications under review, the need section of this evaluation finds an existing surplus of 3.26 dedicated outpatient ORs for Yakima County. MultiCare's proposed project is need neutral. If MEC Yakima's application were approved, three new ORs would be added to the

county. However, there are currently no outpatient endoscopy facilities in Yakima County. As a result, both applications could be approved. Therefore, the department will not apply superiority criteria to these projects.

MultiCare Ridgeview

MultiCare met the applicable review criteria under WAC 246-310-210 through 230. Within the application, MultiCare Health System provided the following tables related to this sub-criterion. [source: Application, pdf 37-39]

Table 14: Alternatives Analysis: Promoting Access to Healthcare Services	
Option:	Advantages/Disadvantages:
Option One: expand list of certificate of need approved specialties (The Project).	<ul style="list-style-type: none"> As part of the revitalization of healthcare system in Yakima, the proposed project optimizes available capacity in the planning area for a wide variety of surgical specialties either not currently available or with limited availability in the community. (Advantage, "A")
Option Two: no project---do nothing.	<ul style="list-style-type: none"> Without the project, the planning area will have relatively less outpatient surgical capacity available for GI, cardiology, and vascular surgical services. (Disadvantage, "D").

Table 15: Alternatives Analysis: Promoting Quality of Care and Staffing Impacts	
Option:	Advantages/Disadvantages:
Option One: expand list of certificate of need approved specialties (The Project).	<ul style="list-style-type: none"> The requested project meets and promotes quality and continuity of care in the planning area, given it improves access identified above. (A) To the extent there is additional staffing required under this option, it is expected that any impacts would be offset by increased access to surgical services and higher quality of local care. (Neutral, "N").
Option Two: no project---do nothing.	<ul style="list-style-type: none"> This option would have relatively lower access to cardiology and vascular surgical care, which would reduce overall quality of care provided to the community. (D)

Table 16: Alternatives Analysis: Capital Costs and Promoting Cost and Operating Efficiency	
Option:	Advantages/Disadvantages:
Option One: expand list of certificate of need approved specialties (The Project).	<ul style="list-style-type: none"> Although this option requires capital expenditures, it also promotes long-range cost and operating efficiency, as there are services that are feasible to provide outside of the main hospital campus which would result in greater efficiency of care delivery and optimization of existing resources. (A) There is also the anticipated benefit of reducing out-migration, which lowers costs to planning area residents who need ambulatory surgery. (A)
Option Two: no project---do nothing.	<ul style="list-style-type: none"> No capital costs. (A) Lower efficiency of care delivery and unused capacity. (D)

Option:	Advantages/Disadvantages:
Option One: expand list of certificate of need approved specialties (The Project).	<ul style="list-style-type: none"> Requires certificate of need approval. This requires time and expense. (D)
Option Two: no project---do nothing.	<ul style="list-style-type: none"> No legal restriction. (A)

Department Evaluation: MultiCare Ridgeview

The applicant provided sound rationale for foregoing the “no project” option. The department did not identify any other alternatives that would be considered superior based on quality, or efficiency, and costs that are available or practicable for MultiCare Ridgeview. Further this option maintains the needed outpatient services for the residents of Yakima County and surrounding communities. Based on the information provided in the application and restated above, the department concludes that the option selected by the applicant is reasonable and prudent for MultiCare.

This project met the review criteria under need, financial feasibility, and structure and process of care. Based on the above information, the department concludes that **this sub-criterion is met.**

MEC Yakima, LLC

MEC Yakima met the applicable review criteria under WAC 246-310-210 through 230. In response to this sub-criterion, the applicant provided the following information. [source: Application, pdf 30-32]

Applicant’s Table

Option:	Advantages/Disadvantages:
Develop a new freestanding ASF dedicated to endoscopy services (The Project).	<ul style="list-style-type: none"> Provides non-hospital-based capacity in the planning area for endoscopy services that currently is not available, clearly improving access (Advantage, “A”)
No project---do nothing	<ul style="list-style-type: none"> Without the project, the planning area will continue to not have endoscopy services available outside of a hospital-based setting. This option does nothing to improve access. (Disadvantage, “D”).

Table 10: Alternatives Analysis: Promoting Quality of Care and Staffing Impacts	
Option:	Advantages/Disadvantages:
Develop a new freestanding ASF dedicated to endoscopy services (The Project).	<ul style="list-style-type: none"> The requested project meets and promotes quality and continuity of care in the planning area, given it improves access, as identified above. (A) To the extent there is additional staffing required under this option, it is expected that any impacts would be offset by increased access to surgical services and higher quality of local care. (Neutral, "N").
No project--do nothing	<ul style="list-style-type: none"> This option would not have a local staffing impact. (A). However, without local access to a dedicated outpatient GI ASF, access is harmed, which harms patient quality of care, given patients consistently prefer outpatient services when feasible and available. (D)

Table 11: Alternatives Analysis: Capital Costs and Promoting Cost and Operating Efficiency	
Option:	Advantages/Disadvantages:
Develop a new freestanding ASF dedicated to endoscopy services (The Project).	<ul style="list-style-type: none"> This option requires capital expenditures. (D) However, more importantly, it directly promotes long-range cost savings and operating efficiency, given there are medical procedures that can be provided outside of the hospital-setting at a lower cost. This will result in lower-cost health care delivery. (A) There is also the anticipated benefit of reducing out-migration, which lowers costs to planning area residents who need ambulatory surgery. (A)
No project--do nothing	<ul style="list-style-type: none"> No capital costs. (A) Higher cost/lower efficiency of care delivery, given there are services that can be provided at a lower cost outside of the hospital-setting; this reduces cost to patients and payers. (D)

Table 12: Alternatives Analysis: Legal Restrictions.	
Option:	Advantages/Disadvantages:
Develop a new freestanding ASF dedicated to endoscopy services (The Project).	<ul style="list-style-type: none"> Requires certificate of need approval. This requires time and expense. (D)
No project--do nothing	<ul style="list-style-type: none"> No legal restriction. (A)

Department Evaluation: MEC Yakima, LLC

The applicant provided sound rationale for foregoing the “no project” option. The department did not identify any other alternatives that would be considered superior based on quality, or efficiency, and costs that are available or practicable for MEC Yakima. Further this option maintains the needed outpatient services for the residents of Yakima County and surrounding communities. Based on the information provided in the application and restated above, the department concludes that the option selected by the applicant is reasonable and prudent for MultiCare.

This project met the review criteria under need, financial feasibility, and structure and process of care. Based on the above information, the department concludes that **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;*
 - b. *The project will not have an unreasonable impact on the costs and charges to the public of providing health services by other persons.*

Department Evaluation: MultiCare Ridgeview

This sub-criterion was evaluated in conjunction with WAC 246-310-220 and is met.

Department Evaluation: MEC Yakima, LLC

This sub-criterion was evaluated in conjunction with WAC 246-310-220 and is met.

- (3) *The project will involve appropriate improvements or innovations in the financing and delivery of health services which foster cost containment and which promote quality assurance and cost effectiveness.*

MultiCare Ridgeview

The applicant provided the following statements in response to this sub-criterion. [source: Application, pdf 39]

“The proposed project will meet MultiCare’s internal standards, which have been engineered and tested to ensure that they support our high quality, efficient and patient focused standards. Our standards also meet and or exceed all applicable state and local codes.”

Department Evaluation: MultiCare Ridgeview

This project is only making minor changes and installing equipment. The site is an already existing CN-approved facility and does not require any major changes. The cost of the project is minimal for the substantial access that will be gained, and efficiencies realized. Additionally, the transfer of appropriate services from an inpatient setting to an outpatient one is shown to be cost effective.

Based on information provided within the application and evaluated under WAC 246-310-210, 220, and 230, the department is satisfied that this project is appropriate and needed. If approved, this project has the potential to improve or maintain the delivery of health services in Yakima County. **This sub-criterion is met.**

MEC Yakima, LLC

The applicant provided the following statements in response to this sub-criterion. [source: Application, pdf 32]

“The proposed project will meet MultiCare’s internal standards, which have been engineered and tested to ensure that they support our high quality, efficient and patient focused standards. Our standards also meet and or exceed all applicable state and local codes.”

Department Evaluation: MEC Yakima, LLC

The cost of the project is minimal for the substantial access that will be gained, and efficiencies realized.

Based on information provided within the application and evaluated under WAC 246-310-210, 220, and 230, the department is satisfied that this project is appropriate and needed. If approved, this project has the potential to improve or maintain the delivery of health services in Yakima County. **This sub-criterion is met.**