STATE OF WASHINGTON
DEPARTMENT OF HEALTH

August 12, 2011

CERTIFIED MAIL # 7009 2250 0001 8669 3208

Theresa Boyle, Senior Vice President
MultiCare Health Systems
315 Martin Luther King Way
Tacoma, Washington 98405

Dear Ms. Boyle:

RE: CN11-09

We have completed review of the Certificate of Need application submitted on behalf of MHS Tacoma General Hospital proposing to add 14 Level II intermediate care nursery beds to the hospital's license. For the reasons stated in this evaluation, the application submitted by MHS Tacoma General Hospital is consistent with applicable criteria of the Certificate of Need Program, provided MHS Tacoma General Hospital agrees to the following in its entirety.

Project Description:

The current 26 bed intermediate care unit is located in the Phillips pavilion and will not be relocated as part of this project. The four new ICN level II bassinettes will be located in new space adjacent to the existing NICU level III unit on the 3rd floor of the Rainer pavilion. The table below contains the breakdown of beds at project completion.

MHS TG
Proposed Acute Care Bed Breakdown

Type of Service	MHS TG	Allenmore
General Medical Surgical	367	130
Intermediate care nursery Level II	30	
Neonatal intensive care nursery Level III	8	
Total	**405**	**130**

Conditions

1. Approved project as described above.

2. MHS-TG will provide charity care in compliance with the charity care policies provided in this Certificate of Need application, or any subsequent polices reviewed and approved by the Department of Health. MHS-TG will use reasonable efforts to provide

charity care in an amount comparable to or exceeding the average amount of charity care provided by hospitals in the Puget Sound Region. Currently, this amount is 2.02 % of gross revenue and 4.41% of adjusted revenue. MHS-TG will maintain records documenting the amount of charity care it provides and demonstrating its compliance with its charity care policies.

Approved Costs

The approved capital expenditure for this project is $2,247,000.00

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

Your written response should be sent to the Certificate of Need Program, at one of the following addresses.

Mailing Address:	Other Than By Mail:
Department of Health	Department of Health
Certificate of Need Program	Certificate of Need Program
Mail Stop 47852	310 Israel Road SE
Olympia, WA 98504-7852	Tumwater, WA 98501

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

Sincerely,

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

Enclosure

EXECUTIVE SUMMARY

EVALUATION OF TWO CERTIFICATE OF NEED APPLICATIONS PROPOSING TO EXPAND INTERMEDIATE CARE NURSERY LEVEL II SERVICES WITHIN PIERCE COUNTY

- MULTICARE HEALTH SERVICES TACOMA GENERAL/ALLENMORE HOSPITAL; AND
- FRANCISCAN HEALTH SYSTEMS ST. JOSEPH MEDICAL CENTER

BRIEF PROJECT DESCRIPTIONS

MULTICARE HEALTH SERVICES TACOMA GENERAL/ALLENMORE HOSPITAL (MHS-TG)

MHS-TG is licensed for 16 ICN level II bassinettes but is currently operating a 26 bassinette unit. This project proposes to add a total of 14 ICN level II bassinettes to the hospital's existing license. Of the 14 bassinettes 10 are currently in operation and 4 bassinettes would be added as part of the larger project to construct new space. The current 26 bassinette intermediate care unit is located in the Phillips pavilion and will not be relocated as part of this project. Based on evaluation of available space MHS-TG determined the four new bassinettes ICN level II bassinettes in this project would be located in new space adjacent to the existing NICU level III unit on the 3rd floor of the Rainer pavilion. These four additional level II bassinettes would be part of the NICU level IIIB expansion, assuming that the separate CN request for level III bassinettes is also approved. The neonatal projects are part of a larger expansion of the Rainer pavilion which includes space for other program/services not Certificate-of Need reviewable.

FRANCISCAN HEALTH SYSTEMS ST JOSEPH MEDICAL CENTER (FHS-ST. JOSEPH)

FHS-St. Joseph is currently operating an 18 bed ICN level IIB unit. This unit has not been included as part of the hospital's licensed beds. With this application, they are proposing to add the 18 bassinettes to their hospital's licensed beds. The existing unit meets all current code requirements, therefore there is no capital expenditure associated with this proposal.

APPLICABILITY OF CERTIFICATE OF NEED LAW

This project is subject to Certificate of Need review as the change in bed capacity of a health care facility the provisions of Revised Code of Washington (RCW) 70.38.105(4)(e) and Washington Administrative Code (WAC) 246-310-020(1)(c).

CONCLUSIONS

MHS-TG

For the reasons stated in this evaluation, the application submitted on behalf of MHS-TG proposing to add 14 bassinettes to its currently licensed 16 ICN level II bassinettes within space at the hospital is consistent with applicable criteria of the Certificate of Need Programs

FHS-St. Joseph

For the reasons stated in this evaluation, the application submitted on behalf of FHS-St. Joseph proposing to add the existing 18 ICN level II bassinettes to the hospital's license is consistent with applicable criteria of the Certificate of Need Programs and a Certificate of Need should be issued provided FHS-St. Joseph agrees to the following in its entirety.

Project Description

Add the existing 18 ICN level II bassinettes to FHS-St. Joseph's licensed beds. At project completion the breakdown of beds is as follows.

FHS-St. Joseph
Proposed Acute Care Bed Breakdown

Type of Service	Currently Licensed
General Medical Surgical	320
Intermediate care nursery level II	18
Neonatal intensive care nursery level III	0
Psychiatric	23
Total	**361**

Conditions

1. Approved project as described above.

2. FHS-St. Joseph will provide charity care in compliance with the charity care policies provided in this Certificate of Need application, or any subsequent polices reviewed and approved by the Department of Health. FHS-St. Joseph will use reasonable efforts to provide charity care in an amount comparable to or exceeding the average amount of charity care provided by hospitals in the Puget Sound Region. Currently, this amount is 2.02 % of gross revenue and 4.41% of adjusted revenue. FHS-St. Joseph will maintain records documenting the amount of charity care it provides and demonstrating its compliance with its charity care policies.

Approved Costs

The approved capital expenditure for this project is Zero.

FRANCISCAN HEALTH SYSTEMS ST JOSEPH MEDICAL CENTER (FHS-ST JOSEPH)

Catholic Health Initiatives is the parent corporation of Franciscan Health System (FHS). Through one of its subsidiaries, Catholic Health Initiatives owns 118 health care facilities in 22 states. In Washington State, FHS is the subsidiary that owns or operates 12 health care facilities –five hospitals, 3 dialysis centers, a skilled nursing facility, an ambulatory surgery center, a Medicare certified hospice agency, and a hospice care center. The health facilities are listed below. [Source: CN historical files]

HOSPITALS

St. Anthony Hospital, Gig Harbor
St. Clare Hospital, Lakewood
St. Francis Hospital, Federal Way
Enumclaw Regional Hospital, Enumclaw
St. Joseph Medical Center, Tacoma

St. Joseph is an acute care hospital located at 1717 S. Jay Street in the city of Tacoma, within Pierce County. St. Joseph is currently licensed for acute care beds hold a 3 year accreditation from the Joint Commission.[4] A breakdown of St. Joseph's 343 licensed acute care beds is shown in the table below:

FHS-St. Joseph
Current Acute Care Bed Breakdown

Type of Service	Currently Licensed
General Acute Care	320
Intermediate care nursery Level II	0
Neonatal intensive care nursery Level III	0
Psychiatric	23
Total	**343**

Source: Application

PROJECT DESCRIPTIONS

MHS-TG

MHS-TG is licensed for 16 ICN level II bassinettes but is currently operating a 26 bassinette unit. This project proposes to add a total of 14 ICN level II bassinettes to the hospital's existing license. Of the 14 bassinettes 10 are currently in operation and 4 bassinettes would be added as part of the larger project to construct new space. The current 26 bassinette intermediate care unit is located in the Phillips pavilion and will not be relocated as part of this project. Based on evaluation of available space MHS-TG determined the four new

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

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

To obtain Certificate of Need approval, MHS-TG Hospital and FHS-St. Joseph Medical Center 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); and 246-310-240 (cost containment).[5] Where applicable, meeting the 2010 Perinatal Level of Care Guidelines established by the Washington State Perinatal Advisory Committee assists in demonstrating compliance with the criteria.

APPLICATION CHRONOLOGY

Action	MHS-TG	FHS-St. Joseph
Letter of Intent Submitted	September 24, 2010	August 19, 2010
Application Submitted	November 30, 2010	December 21, 2010
Department's Pre-Review Activities & Extension • 1st screening activities and responses	November 31, 2010 to March 29, 2010	December 22, 2010 to March 29, 2010
Beginning of Review	March 30, 2011	
Public Hearing Conducted / End of Public Comment	May 4, 2011	
Rebuttal Documents Submitted to Department	May 19, 2011	
Department's Anticipated Decision Date	July 5, 2011	
Department's Actual Decision Date	August 12, 2011	

CONCURRENT REVIEW AND AFFECTED PERSONS

The concurrent review process promotes the expressed public policy goal of RCW 70.38 that the development or expansion of health care services is accomplished in a planned, orderly

[5] Each criterion contains certain sub-criteria. The following sub-criteria are not discussed in this evaluation because they are not relevant to this project: WAC 246-310-210 (3b & c); (4), (5), and (6); WAC 246-310-220(3); and WAC 240-310-240(3).

CONCLUSIONS

MHS-TG

For the reasons stated in this evaluation, the application submitted on behalf of MHS-TG proposing to add 14 bassinettes to its currently licensed 16 ICN level II bassinettes within space at the hospital is consistent with applicable criteria of the Certificate of Need Programs and a Certificate of Need should be issued provided MHS-TG agrees to the following in its entirety.

Project Description:

The current 26 bed intermediate care unit is located in the Phillips pavilion and will not be relocated as part of this project. The 4 new ICN level II bassinettes will be located in new space adjacent to the existing NICU level III unit on the 3rd floor of the Rainer pavilion. The table below contains the breakdown of beds at project completion.

MHS-TG
Proposed Acute Care Bed Breakdown

Type of Service	MHS-TG	Allenmore
General Medical Surgical	367	130
Intermediate care nursery Level II	30	0
Neonatal intensive care nursery Level III	8	0
Total	**405**	**130**

Condition

1. Approved project as described above.
2. MHS-TG will provide charity care in compliance with the charity care policies provided in this Certificate of Need application, or any subsequent polices reviewed and approved by the Department of Health. MHS-TG will use reasonable efforts to provide charity care in an amount comparable to or exceeding the average amount of charity care provided by hospitals in the Puget Sound Region. Currently, this amount is 2.02 % of gross revenue and 4.41% of adjusted revenue. MHS-TG will maintain records documenting the amount of charity care it provides and demonstrating its compliance with its charity care policies.

Approved Costs

The approved capital expenditure for this project is $2,247,000.00

A. Need (WAC 246-310-210)

MHS-TG

Based on the source information reviewed and agreement with the condition identified in the "conclusion" section of this evaluation, the department concludes that the applicant has met the need criteria in WAC 246-310-210(1) and (2)

FHS-St. Joseph

Based on the source information reviewed and agreement with the condition identified in the "conclusion" section of this evaluation, the department concludes that the applicant has met the need criteria in WAC 246-310-210(1) and (2).

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

WAC 246-310-020 states (in summary) that ICN level II services are to be in an area designed, organized, equipped, and staffed to provide constant care and treatment for mild to moderately ill infants not requiring neonatal intensive care, but requiring physical support and treatment beyond support required for normal neonate and may include the following:

- Electronic cardio-respiratory monitoring;
- Gavage feedings;
- Parental therapy with intermittent mechanical ventilation not to exceed a continuous period of twenty four hours for stabilization when trained staff are available

Comprehensive Hospital Abstract Reporting System (CHARS) data is used to assist in demonstrating need for an ICN level II service. CHARS data is reported by each Washington State hospital to the department's Hospital and Patient Data Systems office (HPDS). The CHARS data provides historical trends in discharges and lengths of stay for newborn patients for the major diagnostic category (MDC) #15 - NEWBORNS AND OTHER NEONATES WITH CONDITIONS ORIGINATING IN THE PERINATAL PERIOD. MDC #15 is made up of seven diagnosis related groups (DRGs). For years 2003 through 2006, those DRGS were identified as 385 through 391. Beginning in year 2007, the DRGs are identified as 789 through 795. The chart below provides the DRG and corresponding definition for MDC #15.[6]

DRG	Definition	Level of Care
385 / 789	NEONATES, DIED OR TRANSFERRED TO ANOTHER ACUTE CARE FACILITY	NICU level III
386 / 790	EXTREME IMMATURITY OR RESPIRATORY DISTRESS SYNDROME, NEONATE	NICU level III
387 / 791	PREMATURITY WITH MAJOR PROBLEMS	Levels II or III
388 / 792	PREMATURITY WITHOUT MAJOR PROBLEMS	ICN level II
389 / 793	FULL TERM NEONATE WITH MAJOR PROBLEMS	ICN level II
390 / 794	NEONATE WITH OTHER SIGNIFICANT PROBLEMS	Level II
391 / 795	NORMAL NEWBORN	Level I

[6] Each DRG corresponding level of care is based on October 3, 2001, testimony provided by Louis Pollack, MD, a board certified neonatologist and member of Washington State Perinatal Advisory Committee and October 16, 2007 testimony by Dr. Linda Wallen, MD, also a board certified neonatologist.

Table 1
MHS-TG Level II ICN Market Share
2009 Patient Days

County	Market Share
Pierce	43.4
Thurston	20.2
Kitsap	15.9
Lewis	29.5
Mason	34.6
Grays Harbor	38.4
Jefferson	14.4
Kitsap	15.9
Pacific	23.7
Clallam	3.1

MHS-TG selected those counties with greater than 10% market share to include in its service area for ICN level II services. The only exception to this was Clallam County which was included to make the planning area geographically contiguous (including the entire Kitsap peninsula) and to have the same planning area for both level II and level III. The MHS-TG ICN level II patient days for each of these counties are shown in Table 2.

Table 2
MHS-TG Patient Days for ICN Level II
2009 Patient Days

County	2009 pt. days	% Pt. days	Cum.% Pt. Days
Pierce	4,383	64.0	64.0
Thurston	660	9.6	73.6
Kitsap	321	4.7	78.3
Lewis	305	4.4	82.7
Mason	257	3.7	86.4
Grays Harbor	383	5.6	92.0
Jefferson	28	0.4	92.4
Pacific	31	0.5	92.9
Clallam	23	0.3	93.2
Non-service area			
Other	438	6.4	99.6

The data in table 2 shows that Pierce County is the primary source for the level II neonates receiving care in MHS-TG's ICN level II beds. It also shows that the counties identified in their service area provided 93.2% of the patient days in 2009. The only significant source of patient days outside of the service area was King County. The 438 ICN level II patient days came from adjacent areas of King County and not from MHS-TG's defined ICN level II service area.

Table 3a
MHS-TG Planning Area
Forecast Discharges and Total Patient Days
2009-2014

Level II	2009 actual	2010	2011	2012	2013	2014
Discharges	4,631	4,631	4,722	4,815	4,910	5,007
ALOS	4.16	4.16	4.16	4.16	4.16	4.16
Total Pt. Days	19,267	19,267	19,647	20,034	20,428	20,831
ADC	52.79	52,79	53.83	54.89	55.97	57.07
AADC	81.21	81.21	82.81	84.44	86.10	87.80
Net Demand	13.21	13.21	14.81	16.44	18.10	19.80

2010 discharges held constant at 2009 rate
2011-2020 discharges projected at an annual average growth rate of 2.9%

Table3b
MHS-TG Planning Area
Forecast Discharges and Total Patient Days
2015-2020

Level II	2015	2016	2017	2018	2019	2020
Discharges	5,105	5,206	5,309	5,413	5,520	5,628
ALOS	4.16	4.16	4.16	4.16	4.16	4.16
Total Pt. Days	21,241	21,659	22,086	22,521	22,965	23,417
ADC	58.19	59.34	60.51	61.70	62.92	64.16
AADC	89.53	91.29	93.09	94.93	96.80	98.70
Net Demand	21.53	23.29	25.09	26.93	28.80	30.70

2011-2020 discharges projected at an annual average growth rate of 2.9%

MHS-TG concluded the following:

1. There is an estimated net demand for 13.2 Level II bassinets today (2010)—this figure is slightly above the number of non-Department recognized Level II bassinets that Tacoma General is currently operating;
2. Forecast net demand (need) figures for Level II bassinets in the Tacoma General Planning Area more than fully support Tacoma General's immediate request for an additional 14 Level II bassinets. [Source: Application, p 31-33]

FHS-St. Joseph

According to department records, FHS-St. Joseph has been providing level II obstetric and nursery services since 1983. Their 18 ICN level II bassinettes are currently housed in two separate units. One unit with 8 bassinettes is located on the 12th floor and a second unit with 10 bassinettes is located on the 14th floor. They also have a CN application under review to establish a new five bassinette NICU level IIIA unit.

The hospital would be adding 18 additional ICN bassinettes to their license changing the hospital's total licensed beds to 361 [343+18]. Although FHS-St. Joseph has been operating the bassinettes, they have not been included in the hospital's license. The review will consist

Department's Review

MHS-TG

The department's need review begins with consideration of the underlying assumptions used by MHS-TG in its need methodology. The main assumptions used by MHS-TG are: 1) service area; 2) population projections; 3) current capacity at the hospital; and 4) use of an adjusted occupancy standard.

MHS-TG Service Area

MHS-TG defines its primary service area to be Pierce, Thurston, Kitsap, Lewis, Mason, Grays Harbor, Jefferson, Pacific, and Clallam counties. Table 2 in this evaluation contains the market share data for the 2009 patient days. MHS-TG has greater than 10% market share of Level II patient days in 2009 in all but Clallam County. They are including Clallam County in the service area to maintain geographic continuity.

Table 6
MHS-TG Level II ICN Market Share
2009 Patient Days

County	Market Share
Pierce	43.4
Thurston	20.2
Kitsap	15.9
Lewis	29.5
Mason	34.6
Grays Harbor	38.4
Jefferson	14.4
Kitsap	15.9
Pacific	23.7
Clallam	3.1

The applicant has appropriately identified the counties listed above as their service area for ICN level II services.

The other providers of ICN level II services in the defined service area are:

- Good Samaritan Hospital 11 bassinettes
- FHS-St. Joseph 18 bassinettes
- St. Peter Hospital 17 bassinettes
- Harrison Memorial 6 bassinettes

Population Projections

MHS-TG projected the female aged 15-44 population based upon the Medium series projections produced by OFM for Pierce, Thurston, Kitsap, Lewis, Mason, Grays Harbor, Jefferson, Pacific, and Clallam counties. The department relies upon the intermediate/medium series in projecting population for this age. This approach is reasonable.

TG's service area, coordination of admissions and transfers should enable the MHS-TG to operate above the 70% occupancy if necessary.

Use of an Adjusted Occupancy Standard

The applicant proposed the average daily census needed to be adjusted to reflect the need to allow for census fluctuation. The projections in Table 8 indicate that the applicant should be operating at 65 to 72 % occupancy with the 30 beds proposed in the application. This does not support the need to adjust ADC to allow for census fluctuations. Further as discussed in the section on availability of existing services there are other ICN level II bassinettes located in the city of Tacoma and in the service area identified by the applicant. The applicant and the other ICN level II service providers identified in this evaluation should be coordinating services to accommodate service fluctuations

Department Conclusion

MHS-TG

Upon review of the applicant's historical data and projections, the department concludes the ICN level II nursery will be operating slightly above the 65% occupancy level by 2015. However, the other provider of ICN level II services is projected to be operating below 65% occupancy which will provide flexibility for balancing workloads between the two providers. Additionally, there are additional ICN level II providers in MHS-TG's level II service area which will provide for additional flexibility.

Based on the above information, the department concludes that request for 4 new ICN level II bassinettes can be supported. **This sub-criterion is met.**

FHS-St. Joseph

FHS-St. Joseph Service Area

FHS-St. Joseph defines its primary service area to be Pierce County even though it receives infants from South Kitsap, Thurston, and South King counties. Table 9 in this evaluation contains the percent of 2009 patient days from each County. FHS-St. Joseph has 82% of the ICN level II discharges from Pierce County, 3.0 percent from Kitsap County, and percent from 4.3 Thurston County.

FHS-St. Joseph projected the female aged 15-44 population based upon the Medium series projections produced by OFM for Pierce County. At the request of the department, they also provided female aged 15-44 population projections for South King, South Kitsap, and Thurston counties. The population projections for South King, and South Kitsap were from Neilsen Claritas. The department relies upon the intermediate/medium series in projecting population for counties and Neilsen Claritas for sub county areas. The population numbers will differ from department population figures due to using different projection tables. This approach is reasonable.

Using the department's calculations, the occupancy level is projected to increase from 54.4% in 2010 to 56.6% in 2015. This would have the ICN level II nursery operating below the 65% occupancy target.

Department Conclusion

FHS-St. Joseph

The department concludes the ICN level II nursery will be operating slightly below the 65% occupancy level by 2015. However, there is no change in bed capacity, because these bassinettes are already in operation. The department concludes that request for 18 ICN level II bassinettes can be supported. **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.*

MHS-TG

MHS-TG is currently a provider of health care services to residents of Washington State, including low-income, racial and ethnic minorities, handicapped and other underserved groups. As an acute care hospital, MHS-TG also currently participates in the Medicare and Medicaid programs. To determine whether all residents of the service area would continue to have access to a hospital's proposed services, the department requires applicants to provide a copy of its current or proposed admission policy. The admission policy provides the overall guiding principles of the facility as to the types of patients that are appropriate candidates to use the facility and any assurances regarding access to treatment.

To demonstrate compliance with this sub-criterion, MHS-TG provided a copy of its current Inpatient Admission Policy. The policy outlines the process/criteria that MHS-TG uses to admit patients for treatment or care at the hospital. The policy also states that any patient requiring care is accepted for treatment at MHS-TG without regard to race, religion, sex, age, or ability to pay. This policy is consistent with Certificate of Need requirements. [Source: Application, Exhibit 16]

To determine whether low income residents would have access to the proposed services, the department uses the facility's Medicare eligibility or contracting with Medicaid as the measure to make that determination. MHS-TG currently provides services to Medicaid eligible patients. Documents provided in the application demonstrate that it intends to maintain this status. For this project, a review of the policies and data provided for MHS-TG identifies the facility's financial resources as including Medicaid revenues. [Source: Application, p11; Exhibit 21

For this project, it is unlikely that residents with Medicare will need access to neonatal services. However, nothing in the application suggests that this project will impact the services provided to Medicare patients.

A facility's charity care policy should confirm that all residents of the service area including low-income, racial and ethnic minorities, handicapped and other underserved groups have, or

continue to have access to a hospital's proposed services, the department requires applicants to provide a copy of its current or proposed admission policy. The admission policy provides the overall guiding principles of the facility as to the types of patients that are appropriate candidates to use the facility and any assurances regarding access to treatment.

To demonstrate compliance with this sub-criterion, FHS-St. Joseph provided a copy of its current Admission Policy. The policy outlines the process/criteria that FHS-St. Joseph uses to admit patients for treatment or care at the hospital. The applicant states that any patient requiring care is accepted for treatment at FHS-St. Joseph without regard to race, religion, sex, age, or ability to pay. This policy is consistent with Certificate of Need requirements. [Source: Application, pg 59]

To determine whether low income residents would have access to the proposed services, the department uses the facility's Medicare eligibility or contracting with Medicaid as the measure to make that determination. FHS-St. Joseph currently provides services to Medicaid eligible patients. Documents provided in the application demonstrate that it intends to maintain this status. For this project, a review of the policies and data provided for FHS-St. Joseph identifies the facility's financial resources as including Medicaid revenues. [Source: Application, p2; Appendix 2]

For this project, it is unlikely that residents with Medicare will need access to neonatal services. However, nothing in the application suggests that this project will impact the services provided to Medicare patients.

A facility's charity care policy should confirm that all residents of the service area including low-income, racial and ethnic minorities, handicapped and other underserved groups have, or would have, access to healthcare services of the applicant. The policy should also include the process one must use to access charity care at the facility.

FHS-St. Joseph also provided a copy of its current Charity Care Policy that would continue to be used if this project is approved. This version of the policy dated January 8, 2010 has been reviewed and approved by the department's Hospital and Patient Data Systems[9]. [Source: Application, Pg 80]

For charity care reporting purposes, the Department of Health's Hospital and Patient Data Systems (HPDS), divides Washington State into five regions: King County, Puget Sound (less King County), Southwest, Central, and Eastern. Located in Pierce County, FHS-St. Joseph is one of 18 hospitals in the Puget Sound Region. According to 2007-2009 charity care data obtained from HPDS, FHS-St. Joseph has not historically provided more than the average charity care provided in the Puget Sound Region. FHS St Joseph's most recent three years (2007-2009) percentages of charity care for gross and adjusted revenues are 1.73% and 3.39%, respectively. The 2007-2009 average for the Puget Sound Region is 2.02% for gross revenue and 4.41% for adjusted revenue. [Source: HPDS 2007-2009 charity care summaries]

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[9] www.doh.wa.gov/ehsphl/hospdata/charitycare/charitypolicies

Table 12
FHS-St. Joseph Charity Care Comparison

	3-Year Average for Puget Sound Region	3-Year Average for FHS-St. Joseph
% of Gross Revenue	2.02%	1.73%
% of Adjusted Revenue	4.41%	3.39%

FHS-St. Joseph's pro forma revenue and expense statements indicate that the hospital will provide charity care at approximately 1.73% of gross revenue and 3.39% of adjusted revenue. RCW 70.38.115(2) (j) requires hospitals to meet or exceed the regional average level of charity care. FHS-St. Joseph has historically provided less charity care than the regional average. Because FHS-St. Joseph proposes to provide charity care at a rate lower than the regional average, the following charity care condition for the hospital is necessary.

> FHS-St. Joseph will provide charity care in compliance with the charity care policies provided in this Certificate of Need application, or any subsequent polices reviewed and approved by the Department of Health. FHS-St. Joseph will use reasonable efforts to provide charity care in an amount comparable to or exceeding the average amount of charity care provided by hospitals in the Puget Sound Region. Currently, this amount is 2.02 % of gross revenue and 4.41% of adjusted revenue. FHS-St. Joseph will maintain records documenting the amount of charity care it provides and demonstrating its compliance with its charity care policies.

With the applicant's agreement to the charity care condition, **the department concludes this sub-criterion is met.**

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

MHS-TG

Based on the source information reviewed, the department concludes that MHS-TG has met the financial feasibility criteria in WAC 246-310-220(1), (2), and (3).

FHS-St. Joseph

Based on the source information reviewed, the department concludes that FHS-St. Joseph has met the financial feasibility criteria in WAC 246-310-220(1), (2), and (3).

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

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

To assist the department in its evaluation of this sub-criterion, the department's Hospital and Patient Data Systems (HPDS) provided a summary of the short and long-term financial feasibility of the project, which includes a financial ratio analysis. The analysis assesses the financial position of an applicant, both historically and prospectively. The financial ratios typically analyzed are: 1) long-term debt to equity; 2) current assets to current liabilities; 3) assets financed by liabilities; 4) total operating expense to total operating revenue; and 5) debt service coverage. If a project's ratios are within the expected value range, the project can be expected to be financially feasible. Additionally, HPDS reviews a project's three-year projected statement of operations to evaluate the applicant's immediate ability to finance provide the service and long term ability to sustain the service.

HPDS compared the financial health of MHS-TG to the statewide 2009 financial ratio guidelines for hospital operations. HPDS also included the financial ratios for the proposed project for years 2013-2015, or three years after project completion. Table 15 summarizes the comparison provided by HPDS. [Source: HPDS analysis, p2]

Table 15
Current and Projected HPDS Debt Ratios
For MHS-TG and ICN level II Expansion Project

				Application Project Only		
Category	**Trend[10]**	**State 2009**	**MHS/TG 2009**	**Projected 2013**	**Projected 2014**	**Projected 2015**
Long Term Debt to Equity	B	0.551	-	N/A	N/A	N/A
Current Assets/Current Liabilities	A	2.221	84.687	N/A	N/A	N/A
Assets Funded by Liabilities	B	0.433	0.008	N/A	N/A	N/A
Operating Exp/Operating Rev	B	0.942	0.890	0.450	0.445	0.440
Debt Service Coverage	A	5.928	10.561	N/A	N/A	N/A
Definitions:	**Formula**					
Long Term Debt to Equity	Long Term Debt/Equity					
Current Assets/Current Liabilities	Current Assets/Current Liabilities					
Assets Funded by Liabilities	Current Liabilities + Long term Debt/Assets					
Operating Expense/Operating Rev	Operating expenses / operating revenue					
Debt Service Coverage	Net Profit+Depr and Interest Exp/Current Mat. LTD and Interest Exp					

Comparing MHS-TG's most current (2009) ratios with the statewide ratios (2009) revealed that the hospital is in the normal range for all five ratios. After evaluating the hospital's projected ratios and statement of operations for years 2013-2015, staff from HPDS indicated MHS-TG has had an above average financial foundation in the past. [Source: HPDS analysis, p2]

The capital expenditure for this project is $2,247,270. The project is part of a larger project estimated to have a capital expenditure of $31,601,000. HPDS provides a summary of the balance sheets from the application in Table 16 below.

[10] A is better if above the ratio, and B is better if below the ratio.

Table 18
Years 2013 through 2015
FHS-St. Joseph with ICN level II Project
Projected Statement of Operations Summary

	Projected Year 1 (2013)	Projected Year 2 (2014)	Projected Year 3 (2015)
Total Operating Revenue	$618,104,000	$618,374,000	$618,568,000
Total Operating Expenses	$537,943,000	$537,966,000	$537,984,000
Net Profit or (Loss)	**$80,161,000**	**$80,408,000**	**$80,584,000**

Source: Response to Screening Questions p 30-31

As shown in Table 18 above, when the forecasts for the hospital as a whole are reviewed, the hospital as a whole is meeting its total financial needs.

To assist the department in its evaluation of this sub-criterion, the department's Hospital and Patient Data Systems (HPDS) provided a summary of the short and long-term financial feasibility of the project, which includes a financial ratio analysis. The analysis assesses the financial position of an applicant, both historically and prospectively. The financial ratios typically analyzed are: 1) long-term debt to equity; 2) current assets to current liabilities; 3) assets financed by liabilities; 4) total operating expense to total operating revenue; and 5) debt service coverage. If a project's ratios are within the expected value range, the project can be expected to be financially feasible. Additionally, HPDS reviews a project's three-year projected statement of operations to evaluate the applicant's immediate ability to finance provide the service and long term ability to sustain the service.

HPDS compared the financial health of FHS-St. Joseph to the statewide 2009 financial ratio guidelines for hospital operations. HPDS also included the financial ratios for the proposed project for years 2013 through 2015, or three years after project completion. Table 19 summarizes the comparison provided by HPDS. [Source: HPDS analysis, p2]

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

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

MHS-TG

MHS-TG identified a capital expenditure for this project of $2,247, 270. The costs are broken down in Table 21 below.

Table 21
MHS-TG's Capital Cost Breakdown

Breakdown Of Costs	Total	% Of Total
Construction Costs	$1,112,528	49.5%
Moveable Equipment	$503,017	22.4%
Architect / Consulting Fees	$144,967	6.4%
Supervision & Inspection of Site	$53,307	2.4%
Washington State Sales Tax	$121,723	5.4%
Information Systems	$311,728	13.9%
Total	**$2,247,270**	**100.00%**

To further assist the department in its evaluation of this sub-criterion, HPDS reviewed the financial data reported by the hospital. Staff from HPDS provided the following analysis. [Source: HPDS analysis, p3]

> *"There are several ways to review hospital newborn cost information. Hospitals report data to DOH through the financial format and the hospital inpatient format. In the financial reporting system, hospitals can report all newborn revenue and expense for delivery and post partum care under account 6100 Alternative Birth Center or they can report it under 6170 Nursery for the baby only and 6070 Acute Care for the mom. Newborns that need intensive care are reported under 6010 Intensive Care, which also includes Adult and Pediatric patients. MHS-TG currently uses 6100 Alternative Birth Center when it reports its year end data to DOH. This applications projected revenue and expense is in the middle for those hospitals that report only using 6100 Alternative Birth Center."*

HPDS also notes those newborn days in the intensive care unit are usually a small percent of the total. HPDS reviewed the hospital inpatient database (CHARS) for comparison data. Revenue Code 0172 is ICN level II care and 0173 is NICU level III care in the CHARS database. HPDS calculated the average charges per day for those discharges that included Revenue Code 0172 and those for 0173. The average charge per day in 2009 in CHARS was

C. **Structure and Process (Quality) of Care (WAC 246-310-230) and the Year 2005 Washington State Perinatal Level of Care Guidelines.**

MHS-TG

Based on the source information reviewed, the department concludes that the applicant has met the structure and process (quality) of care criteria in WAC 246-310-230 and is consistent with the 2010 Washington State Perinatal Level of Care guidelines.

FHS-St. Joseph

Based on the source information reviewed, the department concludes that the applicant has met the structure and process (quality) of care criteria in WAC 246-310-230 and is consistent with the 2010 Washington State Perinatal Level of Care guidelines.

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

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

MHS-TG

MHS-TG currently offers both ICN level II and NICU level III services. The MHS-TG ICN level II nursery is staffed by qualified staff specifically trained in neonatal intensive care. The staff includes registered nurses (RN), respiratory therapists, neonatologists, neonatal nurse practitioners, nurse case managers, social workers, neonatal pharmacist, neonatal nutritionist, lactation consultant, and ancillary support staff. The staffs providing direct patient care are "flexed" with increasing patient days. There is some flexing of FTEs providing ancillary support services. [Source: Application, p49 & 52] Review of the ICN cost center projections provided by MHS-TG indicates they are not anticipating any increase in staff since they are currently operation 26 ICN level II beds and will only be adding the 4 addition ICN level II beds to be located adjacent to the proposed NICU level III unit. A review of the ancillary and support units affected by this project also indicates no increase in staff due to this project. [Source: Application, Exhibit 20]

MHS-TG states that it expects no difficulty in retaining FTEs for a variety of reasons. The applicant offers a competitive wage scale and benefits package. In addition they offer internal residency programs to provide specific skills needed for staffing the neonatal unit. [Application, p52 & 53]

These key medical staff positions are further evaluated in conjunction with the department's evaluation of the project's conformance with the Washington State Perinatal Levels of Care guidelines shown below. These guidelines detail the requirements for the services supporting the neonatal units.

ACOG guidelines of selected high-risk pregnancy conditions such as: Preterm labor judged unlikely to deliver before 32 weeks gestation	consistent with ACOG guidelines of selected high-risk pregnancy condition s such as (ref 3) Preterm labor judged unlikely to deliver before 32 weeks gestation	
Patient Transport		**Pass**
All hospitals demonstrate capabilities to stabilize and initiate transport of patients in the event of unanticipated maternal-fetal- newborn problems that require care outside the scope of the designated level of care. Access to return transport services may be a necessary capability for Level IIIA and Level III B intensive care nurseries. **A hospital that transports patients to a higher level of care facility should:** Demonstrate on-going relationships with referral hospital(s) for education, immediate consultation, urgent transport facilitation, and quality assurance. Establish a written policy and procedures for maternal and neonatal transport that includes an established triage system for identifying patients at risk who should be transferred to a facility that provides the appropriate level of care. Establish guidelines that ensure a provider's continuing responsibility for and care of the patient until transport team personnel or receiving hospital personnel assume full responsibility for the patient. A hospital that accepts maternal or neonatal transports in order to provide a higher level of care than is offered at the referral hospital should: Participate in perinatal and/or neonatal case reviews a the referral hospital Collaborate with state contracted perinatal center for coordinating outreach education Maintain a 24/hr/day system for reliable, comprehensive communication between hospitals for immediate consultation, initiation, and approval of maternal and newborn transports Provide referring physicians with ongoing communications and recommendations for ongoing patient care at discharge	Meets level IIB criteria for patient transport	MHS-TG operates the Neonatal transport service and provided documentation required to meet patient transport guideline.

GUIDELINE LEVEL IIB	MHS-TG's PROGRAM (IIB)	PASS/FAIL
Nurse Patient Ratio		**Pass**
Staffing parameters should be clearly delineated in a policy that reflects (a) staff mix and ability levels (b) patient census, intensity, and acuity (c) Plans for delegation of selected clearly defined tasks to competent assistive personnel. It is an expectation that allocation of personnel provides for safe care of all patients in a setting where census and acuity are dynamic Intrapartum 1:2 patients in labor 1:2 induction or augmentation of labor 1:1 patients in second-stage labor 1:1 patients with medical or obstetric complications 1:1 coverage for intuiting epidural anesthesia 1:1 circulation for caesarean delivery Antepartum/postpartum 1:6 patients without complications 1:4 recently born neonates and those requiring close observation 1:3-4 normal mother-baby couplet care 1:3 antepartum/postpartum patients with complications but in stable condition Newborns 1:6-8 neonates requiring only routine care* 1:4 recently born neonates and those requiring close observation 1:3-4 neonates requiring continuing care 1:2-3 neonates requiring intermediate care 1:1-2 neonates requiring intensive care 1:1 neonates requiring multisystem care 1:1 or greater unstable neonates requiring complex critical care *Reflects traditional newborn nursery care. A nurse should be available at all times, but only one may be necessary, as most healthy neonates will not be physically present in the nursery. Direct care of neonates in the nursery may be provided by ancillary personnel under the nurse's direct supervision. Adequate staff is needed to respond to acute and emergency situations.	Meets all required nurse patient ratios, as delineated	MHS-TG meets ICN level IIA requirements

GUIDELINE LEVEL IIB	MHSTG's PROGRAM (IIB)	PASS/FAIL
Respiratory Therapy		**Pass**
The role of a Respiratory Care Practitioner is prescribed by the Medical Director and clearly delineated per written protocol. If attending deliveries or providing neonatal respiratory care	Same as Level I plus: Respiratory Care Practitioner with documented competence and experience in the management of neonates with cardiopulmonary disease; when CPAP in use, an RCP should be in-house and immediately available	MHS-TG meets requirement.
X-Ray/Ultrasound		**Pass**
Level I Service Plus: Ultrasound equipment immediately accessible and available to the Labor and Delivery unit 24/hrs/day	Level I services plus: Ultrasound equipment immediately accessible and available to the Labor and Delivery unit 24 hrs/day	MHS-TG meets requirement
Laboratory		**Pass**
Same as Level I plus: Lab technician in-house 24hrs/day Personnel skilled in phlebotomy and IV placement in the newborn immediately available 24/hrs/day Micro technique for hematocrit and blood gases within 15 minutes	Comprehensive services available 24 hrs/day	MHS-TG meets requirement.
Blood Bank		**Pass**
Blood bank technician on-call and available within 30 minutes for performance of routine blood banking procedures Provision for emergent availability of blood and blood products	Meet Blood Bank Criteria	MHS-TG meets requirement.

In addition to the comparison chart provided on the previous pages, MHS-TG also provided the following documents to further demonstrate that it meets the existing standards of care with its ICN level IIB services:

- MultiCare Health System, Tacoma General Hospital, Intermediate Care Nursery Functional Program
- MultiCare Health System Utilization Review Plan
  This policy is designed to determine whether a patient meets the criteria for admission and continued stay criteria for the hospital and to assist in the patients needs at discharge. [Source: Application, Exhibit 25]
- MultiCare Health System, Discharge Planning Policy

FHS-St. Joseph and Perinatal Levels of Care Criteria Comparison

GUIDELINE LEVEL IIB	FHS-St. Joseph CURRENT PROGRAM (IIB)	PASS/FAIL
General Function		**Pass**
All Level I functions plus Diagnosis and management of selected complicated pregnancies and neonates ≤ 340/7 weeks gestation and .1500 grams Care of mildly ill neonates with problems that are expected to resolve rapidly and are not anticipated to need Level III services on an urgent basis Management of recovering neonates who can be appropriately back-transported from a referral center Arrangement for developmental follow-up for high-risk neonates Mechanical ventilation may be provided for stabilization pending transport to a Level III facility	FHS-ST. JOSEPH currently meets the Level IIB neonatal guidelines FHS-ST. JOSEPH currently has the capability to provide mechanical ventilation, advanced respiratory therapy and perform procedures for central venous catheters.	FHS-St. Joseph currently meets the Level IIB neonatal guidelines currently meets the Level IIB neonatal guidelines

Maintain a 24/hr/day system for reliable, comprehensive communication between hospitals for immediate consultation, initiation, and approval of maternal and newborn transports Provide referring physicians with ongoing communications and recommendations for ongoing patient care at discharge		
Medical Director		**Pass**
Obstetrics: Board-certified in OB/GYN or Family Medicine Nursery: Board-certified in Neonatology	FHS-St.Joseph's obstetrical department has a medical director. (Peter Robilio, M. D.) is board certified in maternal/fetal medicine.	FHS-St. Joseph currently meets the Level IIB neonatal guidelines
Medical Providers		**Pass**
Level II A coverage plus: Continuous in –house presence of personnel experienced in airway management and diagnosis, and treatment of pneumothorax when a patient is being treated with nasal CPAP or conventional mechanical ventilation Radiologist on staff with daily availability who can interpret neonatal studies such as chest and abdominal radiographs and cranial ultrasounds Ophthalmologist with pediatric experience available to do eye exams for neonates who are at high risk for retinopathy of prematurity(ROP) if accepting back transport of such infants; written protocol for referral or treatment Arrangements for neurodevelopment follow-up or referral for written protocol	FHS-St. Joseph already operates with the capacity to provide immediate availability of an obstetrician who is capable of managing complicated labor and delivery patients. FJS-St. Joseph already operates with the immediate availability of neonatologists or neonatal nurse practitioner to manage all severely ill neonates. FHS-St. Joseph has an obstetrical anesthesiologist who is immediately available. Pediatric imaging is also readily available FHS- St. Joseph will offer a complete range of genetic diagnostic services and genetic counselor on staff, referral arrangement for geneticist and diagnostics per written protocol. FHS-St. Joseph has, and will continue arrangements of perinatal pathology services.	FHS-St. Joseph currently meets the Level IIB neonatal guidelines

GUIDELINE LEVEL IIB	FHS-St. Joseph CURRENT PROGRAM (IIB)	PASS/FAIL
Nursing Management		**Pass**
Nurse manger of perinatal services Nurse manager of nursery services		
Capabilities include: Maintains RN licensure Directs perinatal and/or nursery services Guides perinatal and/or nursery policies and procedures Collaborates with medical staff Consults with higher level of care units as necessary One RN may manage both services but additional mangers may be necessary based on number of births, average daily census, or number of full-time equivalency (FTEs) Same as Level I plus: Advanced degree desirable	FHS-St. Joseph's Nurse Manager of perinatal services is Debbie Ranierio, RN, MBA and the Nurse Manager of Nursery Services is Barbara Booth, RN, MSN.	FHS-St. Joseph currently meets the Level IIB neonatal guidelines
Pharmacy, Nutrition/Lactation and OT/PT		**Pass**
Registered pharmacist with experience in neonatal/perinatal pharmacology available for, 24 hrs/day and 7 days/wk.	FHS- St. Joseph has pharmacy service with experience in neonatal/perinatal pharmacology in-house 24/7	FHS-St. Joseph meets the Level IIB guidelines
Nutrition/Lactation Same as Level II A services plus: One healthcare professional knowledgeable in management of parenteral nutrition of low birth weight and other high risk neonates	FHS-St. Joseph has a contracted dietitian experienced in perinatal nutrition. All patients are provided with nutritional counseling prior to discharge.	
OT/PT Services Provide for inpatient consultation and outpatient follow-up services	FHS-St. Joseph has contracted OT/PT services for patients. These are available on an as needed basis (either inpatient consultation or outpatient services).	
Social Services/Case Management		**PASS**
	FHS-St. Joseph has 2 MSWs to serve the ICN level II nursery. They are very experience with the problems of high-risk mothers and babies. MSW services are available 24/7	FHS-St. Joseph meets the Level IIB

(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.*

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

MHS-TG

This sub-criterion was extensively evaluated within the sub-criterion above. **This sub-criterion is met.**

FHS-St. Joseph

This sub-criterion was extensively evaluated within the sub-criterion above. **This sub-criterion is met.**

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

WAC 246-310 does not contain specific WAC 246-310-230(3) criteria as identified in WAC 246-310-200(2)(a)(i). There are no 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.[12] Therefore, using its experience and expertise the department assessed the applicant's history in meeting these standards at other facilities owned or operated by the applicant.

MHS-TG

MHS-TG will continue to provide Medicare and Medicaid services to the residents of Pierce County and surrounding communities. The hospital contracts with the Joint Commission to survey and accredit the quality of service provided. The Joint Commission lists MHS-TG in full compliance with all applicable standards following the most recent on-site survey in March 8, 2008.

Complementing reviews performed by the Joint Commission are the surveys conducted by the department's Investigation and Inspection's Office (IIO). For the most recent two years, IIO completed one licensing survey at the hospital. There were no adverse licensing actions as a result of the survey. Review of the credentialing records maintained by the department

[12] Also pertains to WAC 246-310-230(5).

services or what types of relationships with a services area's existing health care system should be for a project of this type and size. Therefore, using its experience and expertise the department assessed the materials in the application.

MHS-TG

In response to this sub-criterion, MHS-TG reports currently having census in the unit that exceeds the capacity on a frequent basis. MHS-TG is improving its outreach activities which are expected it increase census in the unit. MHS-TG is one of five providers operating ICN level II nurseries in its defined service area.

The department concludes that there is reasonable assurance that approval of this project would allow residents access to approved quality ICN level II service. Further, MHS-TG's relationships within the existing health care system would continue and are not likely to result in an unwarranted fragmentation of services. **This sub-criterion is met.**

FHS-St. Joseph

In response to this sub-criterion, FHS-St. Joseph notes that they have a sizable newborn service. Having the ICN level II service enables them to care for infants that would have to be transferred if the hospital was not able to offer this service. MHS-TG also offers ICN level II services in the service area defined by FHS-St. Joseph. MHS-TG has operated their unit in excess of 75% occupancy on a consistent basis.

The department concludes that there is reasonable assurance that approval of this project would allow residents access to approved quality ICN level II service. Further, FHS-St. Joseph's relationships within the existing health care system would continue and are not likely to result in an unwarranted fragmentation of services. **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.

MHS-TG

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

FHS-St. Joseph

This sub-criterion is also addressed in sub-section 3 above. **This sub-criterion is met.**

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

MHS-TG

Based on the source information reviewed, the department concluded that the MHS-TG has met the cost containment criteria in WAC 246-310-240(1), (2), and (3).

FHS-St. Joseph

Based on the source information reviewed, the department concluded that the FHS-St. Joseph has met the cost containment criteria in WAC 246-310-240(1), (2), and (3).

Request recognition of the current 26 bassinette ICN level IIB service

The need calculations performed by the applicant indicate that MHS-TG could be approaching a high level of occupancy for its existing unit by 2015. If the applicant achieves the growth of patient days projected in the need calculations, they could experience a need for additional ICN level II bassinettes. While ICN level II services could be provided by other providers in the four-county planning area, MHS-TG is the only provider of NICU level III services in the planning area. This option was rejected by the applicant since it would not address the increasing market demand. Also this alternative does not take advantage of the opportunity to be a part of a larger project for funding and space for the additional neonatal services.

Request a larger number of bassinettes

MHS-TG reports that this alternative would provide for improved access, but is not supported by the need calculations. This alternative would be more costly and less efficient and could possibly be disapproved.

The department agrees the do nothing option should be rejected. However the department's conclusion is based on the fact that MHS-TG is operating beds that are required to be included in its License are not. The department also agrees requesting more than the four new beds is not supported by the need methodology.

FHS-St. Joseph

Step One

For this project, FHS-St. Joseph has met the review criteria under WAC 246-310-210, 220, and 230. Additionally, FHS-St. Joseph has met the service specific review criteria identified in the Washington State Perinatal Levels of Care Criteria adopted by the Perinatal Advisory Committee on September 2010. Therefore, the department moves to step two below.

Step Two

Before submitting this application, FHS-St. Joseph considered two alternatives to the application that was submitted. Below is a summary of FHS-St. Joseph's alternatives and the rationale for rejecting them. [Source: Application p40]

Maintain the current 18 Level II beds as unlicensed

"For the existing 18 bed Level II, and given the Department's recent clarification of the need to have neonatal beds licensed, FHS-St. Joseph has no option but to submit a CN to add the beds to our license. We currently operate all 320 of our existing licensed beds at an average midnight occupancy level approaching 90% (in fact Harborview is the only other hospital in the state that operates at this level). We do not have any unused licensed bed capacity to convert Level II, and as such, have submitted this request to add Level II beds.

The department agrees with FHS-St. Joseph that the above option should be rejected for the same reasons state for MHS-TG's project.

FHS-St. Joseph

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