



STATE OF WASHINGTON
DEPARTMENT OF HEALTH

September 19, 2013

CERTIFIED MAIL # 7011 1570 0002 7802 6548

Palmer Pollock, Vice President of Planning
Northwest Kidney Centers
700 Broadway
Seattle, Washington 98122

Re: CN13-42

Dear Mr. Pollock:

We have completed review of the amended Certificate of Need application submitted by Northwest Kidney Centers proposing to amend Certificate of Need #1443 because of increase in the capital expenditure beyond the 12% allowable. For the reasons stated in this evaluation, the application submitted by Northwest Kidney Centers is consistent with applicable criteria of the Certificate of Need Program, provided Northwest Kidney Centers agrees to the following in its entirety.

Project Description:

This amended certificate approves the establishment of a 5-station kidney dialysis within King County ESRD planning area #12. At project completion, the dialysis center is approved to provide the following services hemodialysis, peritoneal dialysis, shifts after 5:00 p.m., and training/support for dialysis patients. A breakdown of all five stations is below.

Private Isolation Room	1
Permanent Bed Station	1
Other In-Center Stations	3
Total	5

Terms:

1. Northwest Kidney Centers agrees with the project description as stated above. Northwest Kidney Centers further agrees that any change to the project as described in the project description is a new project that requires a new Certificate of Need. This condition continues to remain in effect as applicable.



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2. Northwest Kidney Centers will provide the department with a finalized lease that is consistent with the rates and terms outlined in the letter of intent provided with the application. [Condition met May 9, 2013] This condition continues to remain in effect as applicable.
3. Northwest Kidney Centers will provide the department with a copy of the executed medical director agreement with Dr. Ahmad prior to commencement of services consistent with the draft agreement provided within the application. [Condition met May 9, 2013] This condition continues to remain in effect as applicable.
4. Northwest Kidney Centers will provide the department with an executed copy of a patient transfer agreement for department review and approval prior to commencement of services consistent with the draft agreement provided within the application. [Condition met May 9, 2013] This condition continues to remain in effect as applicable.

Approved Costs:

The approved capital expenditure for this project is \$2,550,205.

Please notify the Department of Health within 20 days of the date of this letter whether you accept the above in its entirety. Your written response should be sent to the Certificate of Need Program, at one of the following addresses.

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

Other Than By Mail:
Department of Health
Certificate of Need Program
111 Israel Road SE
Tumwater, WA 98501

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

Sincerely,



Steven M. Saxe, FACHE
Director

Enclosure

EVALUATION DATED SEPTEMBER 19, 2013, FOR THE CERTIFICATE OF NEED APPLICATION SUBMITTED BY NORTHWEST KIDNEY CENTERS PROPOSING TO AMEND CERTIFICATE OF NEED #1443

APPLICANT DESCRIPTION

Northwest Kidney Centers (NKC) is a private, not-for-profit entity incorporated in the state of Washington. NKC was established in 1962 as a community based dialysis program working to meet the needs of dialysis patients and their physicians and it provides dialysis services through its facilities located in King and Clallam counties. NKC is governed by a volunteer board of trustees comprised of medical, civic and business leaders from the communities it serves. An appointed executive committee of the board oversees NKC's operating policies, performance and approves capital expenditures for all of the facilities owned or operated by NKC.

In Washington State, NKC owns or operates 15 kidney dialysis facilities. Fourteen of the fifteen-dialysis facilities are located in King County and one is located in Clallam County. Below is a listing of the facilities owned or operated by NKC in Washington. [Source: Historical Files, NKC website]

King County

Auburn Kidney Center	Renton Kidney Center
Broadway Kidney Center	Scribner Kidney Center
Enumclaw Kidney Center	Seattle Kidney Center
Elliot Bay Kidney Center	SeaTac Kidney Center
Kent Kidney Center	Snoqualmie Ridge Kidney Center
Lake City Kidney Center	Totem Lake Kidney Center
Lake Washington Kidney Center	West Seattle Kidney Center

Clallam County

Port Angeles Kidney Center

BACKGROUND INFORMATION AND INITIAL APPROVAL

On June 6, 2011, Certificate of Need [CN] #1443 was issued to NKC approving the establishment of a new 5-station kidney dialysis center. The new facility known as Enumclaw Kidney Center is in King County planning area #12. The approved capital expenditure for the project is \$1,566,470. [Source: Initial Evaluation dated April 28, 2011]

AMENDMENT PROJECT DESCRIPTION

NKC proposes to amend CN#1443 because the capital costs to establish the 5-station dialysis center increased beyond the allowable amount identified in Washington Administrative Code 246-310-570. CN #1443 approves a capital cost of \$1,566,470 to establish the 5-station NKC Enumclaw Kidney Center. The costs for the 5-station kidney center were based on construction costs and the purchase of fixed and moveable equipment. The department allows an increase in costs before an amendment CN is required. The increase must be within 12% or \$50,000 whichever is greater when compared to the approved costs [Washington Administrative Code 246-310-570].

As a result, the costs associated with CN #1443 could increase to \$1,754,446 before an amended CN is required.¹ Information within the amendment application submitted by NKC stated the capital cost to establish the 5-station Enumclaw Kidney Center increased to \$2,550,205. As a result, an amendment is required under WAC 246-310-570(1)(f). Besides the increase in project capital expenditure, the amendment application did not identify any other changes related to CN#1443. According to the project progress reports submitted by NKC, this project has commenced as required under WAC 246-310-580.

APPLICABILITY OF CERTIFICATE OF NEED LAW

This project is subject to review under Washington Administrative Code 246-310-570(2)(a) and (b) because the costs for the project have increased beyond the 12% or \$50,000 threshold permitted by rule.

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 direction in how the department is to make its determinations. It states:

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

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

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

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

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

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

¹ \$1,566,470 + \$187,976 (12%) = \$1,754,446.

The review for an amendment project is limited to only those criteria that would be affected by the amendment, provided that the amendment does not significantly alter the project. NKC stated that its approved capital cost increased, but the approved project has not changed. The service to be provided at the 5-station NKC Enumclaw Kidney Center has not changed. As a result, the department's review will focus on applicable portions of financial feasibility (WAC 246-310-220), structure and process of care (WAC 246-310-230), and cost containment (WAC 246-310-240).²

CN#1443 was issued with a specific project description and three terms. The project description focused on the location of the new 5-station dialysis center and services to be provided. The terms focused on the draft agreements provided in the application. All three terms have been met. If this amendment application is approved, the project description and the three terms would not change. [Source: Initial Evaluation dated April 28, 2011 and CN#1443 dated June 6, 2011]

TYPE OF REVIEW

As allowed under WAC 246-310-570, the department accepted this project as an amendment to an existing Certificate of Need. This application was reviewed under the expedited review timeline as outlined in WAC 246-310-150.

APPLICATION CHRONOLOGY

Action	Northwest Kidney Centers
Letter of Intent Submitted	May 7, 2013
Application Submitted	June 19, 2013
Department's pre-review activities including screening and responses	June 20, 2013, through August 14, 2013
Beginning of Review <ul style="list-style-type: none"> • public comments accepted throughout review; • no public hearing conducted under the expedited review rules 	August 15, 2013
End of Public Comment	September 4, 2013
Rebuttal Comments Submitted ³	September 16, 2013
Department's Anticipated Decision Date	October 7, 2013
Department's Actual Decision Date	September 19, 2013

² Each criterion contains certain sub-criteria. The following sub-criteria are not discussed in this evaluation because they are not relevant to this amendment project: WAC 246-310-210; WAC 246-310-230(1) and (2); and WAC 246-310-240 (3).

³ There were no public comments submitted during the review, therefore NKC did not submit any.

AFFECTED PERSONS

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

“...an “interested person” who:

- (a) *Is located or resides in the applicant's health service area;*
- (b) *Testified at a public hearing or submitted written evidence; and*
- (c) *Requested in writing to be informed of the department's decision.”*

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

SOURCE INFORMATION REVIEWED

- Northwest Kidney Centers Certificate of Need amended application submitted June 19, 2013
- Northwest Kidney Centers responses to screening questions received August 7, 2013
- Certificate of Need #1443 issued on June 6, 2011
- The department’s April 28, 2011, evaluation approving the issuance of Certificate of Need #1443
- Quarterly progress reports related to Certificate of Need #1443

CONCLUSION

For the reasons stated in this evaluation, the application submitted by Northwest Kidney Centers proposing to amend Certificate of Need #1443 because of increase in the approved capital expenditure is consistent with applicable criteria of the Certificate of Need Program, provided Northwest Kidney Centers agrees to the following in its entirety.

Project Description:

This amended certificate approves the establishment of a 5-station kidney dialysis within King County ESRD planning area #12. At project completion, the dialysis center is approved to provide the following services hemodialysis, peritoneal dialysis, shifts after 5:00 p.m., and training/support for dialysis patients. A breakdown of all five stations is below.

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Approved Costs:

The approved capital expenditure for this project is \$2,550,205.

CRITERIA DETERMINATIONS

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

Based on the information provided and the applicant's agreement to the conditions identified in the "Conclusion" section of this evaluation, the department determines that Northwest Kidney Centers has met the financial feasibility criteria in WAC 246-310-220.

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

WAC 246-310 does not contain specific WAC246-310-220(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.

Initial Evaluation Summary

In its April 28, 2011, initial evaluation supporting the issuance of CN #1443, the department concluded that this sub-criterion was met based on the following factors:

- 1) a review of NKC's projected number of patients and dialyses treatments for years FY2013 through FY2015;
- 2) a review of the intent to lease agreement for the site at 857 Roosevelt Avenue East within the city of Enumclaw;
- 3) a review of a draft medical director agreement between NKC and Suhail Ahmad, MD;
- 4) a review of the facility's revenue and expense statements for fiscal years 2013 through 2015; and
- 5) Lease costs and the medical director costs were both substantiated in the pro forma financial document. [Source: Initial evaluation, Pages 8-9]

Amendment Application

This application proposes to amend CN #1443 because of increase in the capital expenditure beyond the allowable amount. Information provided in the amended application shows the facility is built and operational. NKC stated that after it leased the facility, a detailed inspection uncovered many code deficiencies that had to be addressed before the facility can be used as a dialysis center. Corrections of the code deficiencies increased the construction costs of the project. [Source: Application, pages 4-5]

NKC's initial application identified Dr. Suhail Ahmad as the medical director for the proposed dialysis center and provided a draft medical director's agreement. NKC's May 8, 2013 letter to the department stated that Dr. Suhail Ahmad as NKC's Chief Medical Officer invited Dr. Vilma Quijada to serve as NKC-Enumclaw medical director. The letter stated because Dr. Quijada's office is located in south King County, she is better able to provide services to NKC-Enumclaw patients.

Within this amended application, NKC submitted a supplemental medical director agreement and identified Dr. Vilma Quijada as the medical for NKC-Enumclaw. The executed supplemental medical director agreement between NKC and Dr. Vilma Quijada identified cost for the medical director position. [Sources: Application, page 18 and Supplement 1] Summarized in the table below is NKC’s anticipated revenues and expenses statement provided within the amended application. [Source: Application Page 23 and A12]

Table 1
NKC-Enumclaw Kidney Center
Projected Revenue and Expenses for Years 2013 through 2016

	Partial Year 2013	Year 1 2014	Year 2 2015	Year 3 2016
# of Stations	5	5	5	5
# of Treatments [1]	702	3,120	3,432	3,744
# of Patients [1]	18	20	22	24
Utilization Rate [1]	3.6	4.0	4.40	4.80
Net Patient Revenue [1]	\$278,095	\$1,235,974	\$1,359,871	\$1,483,169
Total Operating Expenses [2]	\$279,626	\$1,034,253	\$1,105,939	\$1,178,752
Contribution to Overhead	(\$1,532)	\$201,721	\$253,932	\$304,417
Overhead	\$51,204	\$220,746	\$235,536	\$249,239
Net Profit /(Loss)	(\$52,736)	(\$19,025)	\$18,396	\$55,178

[1] Includes in-center patient only; [2] includes bad debt and charity care

The ‘Net Patient Revenue’ line item is gross revenue minus any deductions for charity care, bad debt, and contractual allowances. The ‘Total Expenses’ line item includes salaries and wages, and depreciation. This line item changed based on the lease agreement for the new site. The number of the patient’s projections and dialysis treatments provided in the application slightly changed from the numbers provided in the initial application. This is because NKC adjusted the post project patient’s projections to reflect the actual data for the opening of the facility on March 4, 2013. Information within the application stated the applicant assumed that 75% or more of the resident in-center patients within the planning area will chose to use the new facility instead of going to distant facilities for treatments. NKC stated that its experience providing dialysis treatments in the county inform its assertions that it would treat more in-center patients. The ‘Overhead Expense’ line item includes all allocated costs for NKC-Enumclaw.

Department’s Review

NKC submitted this application to amend CN#1443 because the project incurred additional costs related to structural defects in the building it had just leased. NKC stated construction cost increased because the building had structural defects that needed to be fixed in order for it to pass code inspections. NKC asserted it did not know about the building structural codes defects until a detailed inspection was done. As a result, NKC’s actual capital expenditure increased to \$2,550,205. A comparison of the initial projected net profits and the amended net profits show changes. As shown in the table above, at the projected volumes identified in the application, NKC anticipates that the 5-station facility would be operating at a profit during the second full year of the project.

Based on the above information, the department concludes that NKC's projected revenues and expenses are reasonable and can be substantiated for this amendment application. The department concludes that the immediate and long-range operating cost of the project is met. **This sub-criterion is met.**

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

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

Initial Evaluation Summary

In its April 28, 2011, initial evaluation approving the project, the department concluded that this sub-criterion was met based on the following factors:

- 1) a review of NKC's capital expenditure breakdown associated with the establishment of the 5-station facility;
- 2) a review of NKC's anticipated funding sources; and
- 3) a review of NKC's projected sources and percentages of revenue by payer.

[Source: Initial evaluation, Pages 9- 10]

The approved capital expenditure associated with the establishment of the 5-station NKC Enumclaw facility is \$1,566,470. A breakdown of the initial capital cost associated with the 5-station NKC Enumclaw is shown below. [Source: Initial Evaluation, page 10]

**Table 2
Estimated Capitals Costs of Enumclaw Facility**

Item	Cost
Construction	\$1,069,000
Fixed Equipment	\$159,575
Moveable Equipment	\$209,873
Architect, Engineering & Fees	\$128,022
Total Estimated Capital Costs	\$1,566,470

Amendment Application

This application proposes to amend CN #1443 because of increase in the capital expenditure beyond the allowable amount. Information provided in the application demonstrates that NKC's funding source would not change. NKC provided documentation showing the amended capital costs associated with the five stations facility to be \$2,550,205. Summarized in the table below are the amended capital costs for NKC Enumclaw. [Source: Application, Pages 4 and A9 –A11]

Table 2
NKC Enumclaw Capital Costs

Item	Cost
Construction	\$1,961,419
Fixed Equipment	\$174,266
Moveable Equipment's	\$206,101
Fees and Sales Tax	\$208,419
Total Expenditure	\$2,550,205

Department's Review

As stated in the project description section of this evaluation, the reason NKC submitted this application is due to the increase in construction and equipment cost. Based on the information provided above, the department concludes that the cost of this project will not result in an unreasonable impact on the costs and charges for health services within the service area. **This sub-criterion is met.**

(3) The project can be appropriately financed.

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

Initial Evaluation Summary

The department's April 28, 2011, initial evaluation approving the issuance of CN#1443, noted that NKC intended to use board reserves to fund the project and concluded that this sub-criterion was met based on the following factors:

- 1) a review of NKC's historical financial health; and
- 2) a review of NKC's current financial health
- 3) the number of projected patient and treatments for NKC-Enumclaw. [source: Initial evaluation, Pages A9-10]

Amendment Application

Within the amendment application, NKC stated it funded the entire project with NKC's board designated reserves, even though the initial approved capital cost costs increased from \$1,566,470, to \$2,550,205. [Source: Application, pages 4 and 15]

To demonstrate compliance with this sub-criterion, NKC provided its historical and pro-forma financial statements, which includes income statements, cash flow statements and balance sheets for both NKC as a whole and NKC-Enumclaw. [Source: Application, pages A11-12 and A36-43]

Department's Review

Based on the above information, the department concludes that NKC's source of financing continues to be appropriate even with the increase in costs for this project. **This sub-criterion is met.**

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

Based on the source information reviewed and the applicant's agreement to the conditions identified in the "Conclusion" section of this evaluation, the department determines that Northwest Kidney Centers has met the structure and process of care criteria in WAC 246-310-230(3), (4), and (5).

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

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

Initial Evaluation Summary

In its April 28, 2011, initial evaluation supporting the issuance of CN #1443, the department concluded that this sub-criterion was met based on the following factors:

- 1) a review of NKC's quality of care history since January 2008; and
- 2) review of the facility's medical directors credential and compliance history. [Source: Initial evaluation, Pages12-13]

Amendment Application

NKC owns and operates 15 dialysis centers in two counties, within Washington State. NKC does not own or operate any out-of-state facilities. The Department of Health's Investigations and Inspections Office (IIO) conducts quality of care and compliance surveys for the types of healthcare facilities operated by NKC.

Since January 2010, the Department of Health's Investigations and Inspections Office completed certification and compliance surveys for those facilities own or operated by NKC. The compliance surveys resulted in minor non-compliance citations. The minor non-compliance citations are related to the care and management issues at those facilities. NKC submitted plan of corrections and it has since fully implement the plans of corrections. [Source: Facility survey data provided by the Investigations and Inspections Office]

As previously stated, NKC changed its medical director from the physician identified in the initial application. The new medical director is Vilma Quijada, MD. NKC provided an executed copy of the medical director agreement. A review of the compliance history of Dr. Vilma Quijada did not revealed any recorded sanctions. [Source: Compliance history provided by Medical Quality Assurance Commission]

Department's Review

Given the compliance history of NKC and that of Dr. Vilma Quijada, the department concludes that there is reasonable assurance that NKC Enumclaw would continue to operate in compliance with state and federal regulations. **This sub-criterion is met.**

- (4) The proposed project will promote continuity in the provision of health care, not result in an unwarranted fragmentation of services, and have an appropriate relationship to the service area's existing health care system.

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

Initial Evaluation Summary

In its April 28, 2011 initial evaluation supporting the issuance of CN #1443, the department concluded that this sub-criterion was met based on the following factors:

- 1) a review of NKC's history of providing dialysis services to the residents of the state through its long-standing centers; and
- 2) the results of the ESRD numeric methodology [WAC 246-310-284] and NKC's intent to meet the projected dialysis station need by adding dialysis station capacity in the planning area.

[Source: Initial evaluation, Page 6-7]

Amendment Application

Currently, NKC operates 15 dialysis centers in two separate counties. Information within the application indicated the project is completed and the dialysis stations certified by Medicare. Currently, NKC Enumclaw is operational and providing services to the residents of the planning area. [Source: Application, Page 15]

Department's Review

Given the long-standing history of NKC as a dialysis provider in Washington, the department continues to conclude that approval of this project will not result in an unwarranted fragmentation of services within the planning area. **This sub-criterion is met.**

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

Initial Evaluation Summary

The department's April 28, 2011, initial evaluation supporting the issuance of CN #1443, concluded that this **sub-criterion is met** based on the sub-criterion that was addressed in subsection (3) above. [Source: Initial evaluation, Page 13]

Amendment Application Review

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

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

Based on the source information reviewed and the applicant's agreement to the conditions identified in the "Conclusion" section of this evaluation, the department determines that Northwest Kidney Centers has met the cost containment criteria in WAC 246-310-240.

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

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

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

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

Initial Evaluation Summary

In its April 28, 2011, initial evaluation supporting the issuance of CN #1443, the department concluded that this sub-criterion was met based on the applicant's ability to meet the review criteria in WAC 246-310-210, WAC 246-310-220; and WAC 246-310-230. [Source: Initial evaluation, Page 14]

Amendment Application Review

To evaluate NKC's amendment application, the department begins with the three steps identified above.

Step One

For this project, NKC met the applicable review criteria under WAC 246-310-220 and WAC 246-310-230. Therefore, the department moves to step two below.

Step Two

WAC 246-310-570(1)(e) requires a certificate holder to obtain an amended Certificate of Need if the costs for the project increase beyond 12% or \$50,000 [whichever is greater] before an amendment is required. As a result, NKC's approved project could increase to \$1,754,447 or an additional \$187,977 from the approved cost of \$1,566,470. NKC's approved capital expenditure increased by 62.8% to \$2,550,205. Once the costs increased beyond the allowable amount, NKC's only option is to submit an amendment application. NKC appropriately submitted this amendment application when it identified the final costs of the project.

Step Three

This step is used to determine the best available alternative between two or more approvable projects. NKC's initial application did not undergo a comparative review. Based on the information above, the department concludes this project continues to be NKC's best available alternative for the residents of King County planning area #12. **This sub-criterion is met**

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

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

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

(b) The project will not have an unreasonable impact on the costs and charges to the public of providing health services by other persons.

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