STATE OF WASHINGTON

DEPARTMENT OF HEALTH

Olympia, Washington 98504

December 14, 2015

CERTIFIED MAIL # 7009 0960 0000 5565 0406

John Gallagher, Chief Executive Officer
Sunnyside Community Hospital
1016 Tacoma Avenue
Post Office Box 719
Sunnyside, Washington 98944

RE: Certificate of Need Application #15-23

Dear Mr. Gallagher:

We have completed our reconsideration review of the Certificate of Need (CN) application submitted by Sunnyside Community Hospital Association proposing to establish a ten-bed rehabilitation unit at Sunnyside Community Hospital in Yakima County. Enclosed is a written evaluation of the application.

For the reasons stated in this evaluation, the department has concluded that the project is not consistent with the Certificate of Need review criteria identified below, and a Certificate of Need is denied.

Washington Administrative Code 246-310-220	Financial Feasibility
Washington Administrative Code 246-310-240	Cost Containment

This decision may be appealed. The two appeal options are listed below.

Appeal Option 1:
You or any person with standing may request a public hearing to reconsider this decision. The request must state the specific reasons for reconsideration in accordance with Washington Administrative Code 246-310-560. A reconsideration request must be received within 28 calendar days from the date of the decision at one of the following addresses:

Mailing Address:	Physical Address
Department of Health	Department of Health
Certificate of Need Program	Certificate of Need Program
Mail Stop 47852	111 Israel Road SE
Olympia, WA 98504-7852	Tumwater, WA 98501

Appeal Option 2:
You or any person with standing may request an adjudicative proceeding to contest this decision within 28 calendar days from the date of this letter. The notice of appeal must be filed according to the provisions of Revised Code of Washington 34.05 and Washington Administrative Code 246-310-610. A request for an adjudicative proceeding must be received within the 28 days at one of the following addresses:

Mailing Address:	Physical Address
Department of Health	Department of Health
Adjudicative Service Unit	Adjudicative Service Unit
Mail Stop 47879	111 Israel Road SE
Olympia, WA 98504-7879	Tumwater, WA 98501

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

Sincerely,

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

Enclosure

RECONSIDERATION EVALUATION DATED DECEMBER 14, 2015, OF THE CERTIFICATE OF NEED APPLICATION SUBMITTED BY SUNNYSIDE COMMUNITY HOSPITAL ASSOCIATION DBA SUNNYSIDE COMMUNITY HOSPITAL & CLINICS PROPOSING TO ADD TEN ACUTE CARE BEDS TO SUNNYSIDE COMMUNITY HOSPITAL LOCATED IN YAKIMA COUNTY

APPLICANT DESCRIPTION

Sunnyside Community Hospital Association [SCHA] is a non-profit corporation governed by the following three members.

Name	Title
Chris Rivas	President
Dave Ballinger	Secretary
Stephen Winfree	Treasurer

SCHA is currently registered with both the Washington State Secretary of State office and the Department of Revenue. [source: Washington State Secretary of State and Washington State Department of Revenue websites]

SCHA owns and operates Sunnyside Community Hospital located in Yakima County. The hospital provides healthcare services to the residents of Yakima and Benton counties through its healthcare clinics listed below. [source: Application, Exhibit 1 and Sunnyside Community Hospital & Clinics website]

Name	Address	City / Zip	County
Grandview Medical Center	208 North Euclid	Grandview / 98930	Yakima
John Hughes Student Health Center	1801 East Edison	Sunnyside / 98499	Yakima
Lincoln Avenue Family Medicine	803 Lincoln Avenue	Sunnyside / 98944	Yakima
Lower Valley OB/GYN	803 Lincoln Avenue	Sunnyside / 98944	Yakima
Medical Plaza in Prosser	355 Chardonnay Avenue	Prosser / 99350	Benton
Sunnyside Pediatrics	812 Miller Avenue, #C	Sunnyside / 98944	Yakima
Sunnyside Specialty Center	500 South 11th Street	Sunnyside / 98944	Yakima
Valley Internal Medicine	2925 Allen Road	Sunnyside / 98944	Yakima
Valley Regional Orthopedics	2705 East Lincoln Avenue	Sunnyside / 98944	Yakima
Valley Regional Rural Health Clinic	2705 East Lincoln Avenue	Sunnyside / 98944	Yakima

All of the clinics listed above are included in Sunnyside Community Hospital's license issued by the Department of Health. [source: Application, p2 and DOH ILRS data]

Additionally, on May 12, 2015, Sunnyside Community Hospital was approved to establish a home health agency in Yakima County to provide Medicare and Medicaid home health services to the residents of Yakima and Benton counties.[1] The home health agency is not yet operational. [source: Certificate of Need historical files]

For this project, SCHA is the applicant and Sunnyside Community Hospital is the site for the project described below.

[1] CN #1546 approves Benton County and CN #1547 approves Yakima County.

PROJECT DESCRIPTION

This project focuses on Sunnyside Community Hospital [SCH] located at 1016 Tacoma Avenue in Sunnyside. SCH is currently licensed for 38 acute care beds and is designated by the Department of Health as a level IV adult trauma center. SCH holds a federal Critical Access Designation from Centers for Medicare & Medicaid Services.[2] Under the Critical Access Hospital [CAH] designation, hospitals can have no more than 25 acute care beds in operation. [source: Application, p1 and CN historical files] A CAH may also operate a distinct part rehabilitation and/or psychiatric unit, each with up to ten beds. [source: Department of Health and Human Services Centers for Medicare and Medicaid Services]

On July 31, 2015, CN #1556 was issued to SCHA approving the establishment of a ten-bed psychiatric unit at SCH. The psychiatric unit would use 10 of the 13 beds that have been retained by SCH after it received its CAH designation. The psychiatric unit approval reduces the total number of licensed beds from 38 to 35. As of the writing of this evaluation, SCH has not implemented the psychiatric project; therefore, SCH's license remains at 38.

This application proposes the establishment of a ten-bed rehabilitation unit within space at SCH. The ten beds would be located in an existing wing of the hospital and would be designated as PPS exempt.[3] The table on the following page is a summary of SCH's current and proposed license bed capacity by type, and includes the recently approved ten-bed psychiatric unit. [source: Application, pp6-7 and CN historical files-Application #15-12]

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[2] A Critical Access Hospital (CAH) is a federal designation under the Rural Hospital Flexibility Program that is administered by the federal Office of Rural Health Policy. A CAH is a small hospital located in rural areas of the state. CAHs are often the central hub of health services in their communities, providing primary care, long-term care, physical and occupational therapy, cardiac rehabilitation and other services in addition to emergency and acute care. Hospital staff provides these services either directly or in partnership with other community providers. A CAH has no more than 25 acute care beds and may add a distinct part ten bed psychiatric unit and/or a distinct part ten-bed rehabilitation unit.

[3] Prospective Payment System (PPS) is a method of reimbursement in which Medicare payment is made based on a predetermined, fixed amount. The payment amount for a particular service is derived based on the classification system of that service (for example, diagnosis-related groups [DRGs] for inpatient hospital services). CMS uses separate PPSs for reimbursement to acute inpatient hospitals, home health agencies, hospice, hospital outpatient, inpatient psychiatric facilities, inpatient rehabilitation facilities, long-term care hospitals, and skilled nursing facilities. Since October 1, 1983, most hospitals have been paid under the hospital inpatient PPS. However, certain types of specialty hospitals and units were excluded from PPS because the PPS diagnosis related groups do not accurately account for the resource costs for the types of patients treated in those facilities. Facilities originally excluded from PPS included rehabilitation, psychiatric, children's, cancer, and long term care hospitals, rehabilitation and psychiatric hospital distinct part units, and hospitals located outside the 50 states and Puerto Rico. These providers continued to be paid according to Section 1886(b) of the Social Security Act, as amended by Section 101 of the Tax Equity and Fiscal Responsibility Act (TEFRA) of 1982. They are frequently referred to as TEFRA facilities or PPS exempt. These facilities are paid on the basis of Medicare reasonable costs per case, limited by a hospital specific target amount per discharge. Each hospital has a separate payment limit or target amount which was calculated based on the hospital's cost per discharge in a base year. The base year target amount is adjusted annually by an update factor. [source: CMS website]

Bed Type	Current	Psychiatric Project	Rehabilitation Project
Medical/Surgical	25	25	25
PPS Exempt Psychiatric	0	10	10
PPS Exempt Rehabilitation	0	0	10
Licensed Beds Not In Use	13	0	0
Total Licensed Beds	**38**	**35**	**45**

SCHA describes the services to be provided in the proposed ten-bed rehabilitation unit to include inpatient intensive rehabilitation in combination with management of the primary diagnosis and co-morbidities. The most common conditions treated include stroke and other cerebrovascular accidents/conditions, respiratory diseases, neurologic disorders, such as multiple sclerosis and musculoskeletal/orthopedic conditions including major joint replacements and amputations. [source: Application, p9]

If approved, SCHA anticipates the ten-bed rehabilitation unit would be operational in January 2017. Under this timeline, SCH's first full calendar year of operation with a ten-bed rehabilitation unit is 2017 and year three is 2020. [source: Application, p15]

The estimated capital expenditure associated with the establishment of the ten-bed rehabilitation unit at SCH is $2,634,000, and includes construction, equipment, and associated fees and taxes. [source: Application, p32]

BACKGROUND INFORMATION ON THE PROJECT

On July 24, 2015, the department denied SCHA's application primarily based on the applicant's failure to demonstrate need for level I rehabilitation beds. For Certificate of Need purposes, rehabilitation services are identified by levels. Level I services are the most acute the services that would be provided in a hospital. Level I rehabilitation services are considered a 'tertiary service' as defined in Revised Code of Washington (RCW) 70.38.025(14) and Washington Administrative Code (WAC) 246-310-010(59).[4] These services require Certificate of Need review. In reviewing the application, SCHA referred to 'acute' rehabilitation services, which the department interpreted as 'level I rehabilitation services.' The interpretation was incorrect. While SCHA's application referred to 'acute' rehabilitation services, SCHA did not intend to provide level I rehabilitation services.[5]

[4] Level I rehabilitation services are services for persons with usually nonreversible, multiple function impairments of a moderate-to-severe complexity resulting in major changes in the patient's lifestyle and requiring intervention by several rehabilitation disciplines. Services are multidisciplinary, including such specialists as a rehabilitation nurse; and physical, occupational, and speech therapists; and vocational counseling; and a physiatrist. The service is provided in a dedicated unit with a separate nurses station staffed by nurses with specialized training and/or experience in rehabilitation nursing. While the service may specialize (i.e., spinal cord injury, severe head trauma, etc.), the service is able to treat all persons within the designated diagnostic specialization regardless of the level of severity or complexity of the impairments

[5] During the initial review of this application, the department continued to refer to the rehabilitation services as 'level I' in its correspondence to SCHA. Further the formal Beginning of Review Notice referred to the project as a level I rehabilitation project. While SCHA had ample opportunity to correct the misunderstanding, it did not. As a result, the denial of the project was based on an incorrect understanding of the project.

On August 21, 2015, SCHA submitted a request for reconsideration related to two issues. As referenced above, one issue focused on the level of rehabilitation services to be provided in the ten-bed unit. For the second issue, SCHA asserts that the department relied on incorrect historical rehabilitation data. On September 2, 2015, the department granted SCHA's reconsideration request. A reconsideration hearing was conducted on October 13, 2015. During the hearing, SCHA provided additional documentation related to the rehabilitation services and historical rehabilitation services provided in Yakima County. This document is the evaluation of the reconsideration information.

APPLICABILITY OF CERTIFICATE OF NEED LAW

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

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."*

WAC 246-310 does not contain service or facility standards for acute care bed additions. To obtain Certificate of Need approval, SCHA must demonstrate compliance with the applicable criteria found in

WAC 246-310-210 (need); 246-310-220 (financial feasibility); 246-310-230 (structure and process of care); 246-310-240 (cost containment); and portions of the 1987 Washington State Health Plan as it relates to the acute care bed methodology.[6]

RECONSIDERATION EVALUATION CRITERIA

WAC 246-310-570 outlines the grounds that the department may deem to show good cause for reconsideration. For this project, SCHA identified its grounds for reconsideration under subsection (2)(b)(ii), which states:

> *"Information on significant changes in factors or circumstances relied upon by the department in making its findings and decision."*

The two reconsideration issues raised by SCHA focus on:

1) the level of rehabilitation proposed to be provided at the hospital; and
2) the historical data relied on by the department during its review of the project.

The review for a reconsideration project is limited to only those criteria identified in the reconsideration request; however, the result of the department's reconsideration review may impact other review criteria within the application.

TYPE OF REVIEW

The initial application was reviewed under the regular review timeline as outlined in WAC 246-310-160. The reconsideration review was also conducted under the regular review timeline. The tables below show the timelines for each process in the review.

APPLICATION CHRONOLOGY

Action	Sunnyside Community Hospital Association
Letter of Intent Submitted	August 12, 2014
Application Submitted	February 2, 2015
Department's pre-review activities • DOH 1st Screening Letter • Applicant's Responses Received	 March 6, 2015 April 13, 2015
Beginning of Review	April 17, 2015
Public comments accepted through end of public comment	May 22, 2015
Public hearing conducted	None
End of Public Comment	May 22, 2015
Rebuttal Comments Submitted[7]	June 9, 2015, 2015
Department's Anticipated Decision Date	July 24, 2015
Department's Actual Decision Date	July 24, 2015

[6] 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(3), (4) (5), and (6).

[7] All public comments submitted were in support of the project. SCHA did not provide rebuttal comments.

RECONSIDERATION REVIEW CHRONOLOGY

Action	Sunnyside Community Hospital Association
Request for Reconsideration	August 21, 2015
Department Grants Reconsideration	September 21, 2015
Reconsideration Public Hearing Conducted	October 13, 2015
End of Reconsideration Public Comment	October 13, 2015
Reconsideration Rebuttal Comments Due[8]	October 28, 2015
Department's Anticipated Reconsideration Decision Date	December 14, 2015
Department's Actual Reconsideration Decision Date	December 14, 2015

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."

During the initial review of this project, the department acknowledged that Providence Health and Services requested affected person status related to this project on behalf of Kadlec Regional Medical Center located in Richland, within Benton County. Since neither Providence Health and Services nor Kadlec Regional Medical Center submitted comments during the initial review, no entities qualified to receive affected person status as defined above.

During the reconsideration review, the department notified both Providence Health and Services and Kadlec Regional Medical Center of its decision to reconsider SCHA's project. The notification provided the specifics related to the public hearing and the timeline for submission of reconsideration comments. Again, neither Providence Health and Services nor Kadlec Regional Medical Center submitted comments during the reconsideration review. As a result, no entities sought or received affected person status during the initial or reconsideration review of this project.

INITIAL APPLICATION SOURCE INFORMATION REVIEWED

- Sunnyside Community Hospital Association application received February 12, 2015
- Sunnyside Community Hospital Association supplemental information received April 13, 2015
- Public comments received through May 22, 2015
- Department of Health Hospital and Patient Data Systems Analysis received July 10, 2015
- Population data obtained from the Office of Financial Management based on year 2010 census and published May 2012.
- Historical charity care data for years 2011, 2012, and 2013 obtained from the Department of Health Hospital and Patient Data Systems office
- Hospital Discharge Data for years 2012, 2013, and 2014 for rehabilitation DRGs 945 and 946
- 1987 Washington State Health Plan

[8] During the reconsideration review, all public comments submitted were in support of the project. SCHA did not provide rebuttal comments.

INITIAL APPLICATION SOURCE INFORMATION REVIEWED (continued)

- Licensing and survey data provided by the Department of Health's Investigations and Inspections Office
- Licensing and compliance history data provided by the Department of Health's Medical Quality Assurance Commission
- Department of Health internal database - Integrated Licensing and Regulatory System [ILRS]
- Sunnyside Community Hospital & Clinics website at http://sunnysidehospital.org
- Yakima Regional Medical and Cardiac Center website at www.yakimaregional.com
- Year 2015 Annual Hospital License Application submitted on November 19, 2014, by Yakima Regional Medical and Cardiac Center
- Year 2014 Annual Hospital License Application submitted on December 4, 2013, by Yakima Regional Medical and Cardiac Center
- Washington State Secretary of State website at www.sos.wa.gov
- Washington State Department of Revenue website at www.dor.wa.gov
- Centers for Medicare & Medicaid Services website at www.cms.gov
- Certificate of Need historical files

RECONSIDERATION SOURCE INFORMATION REVIEWED

- Sunnyside Community Hospital Association reconsideration request received August 21, 2015
- Sunnyside Community Hospital Association reconsideration information submitted at the October 13, 2015, reconsideration public hearing
- Public comments received between September 21, 2015, through October 13, 2015, focusing on the reconsideration review criteria
- The Department of Health's initial evaluation released on July 24, 2015
- Sunnyside Community Hospital's Determination of Reviewability #16-12 submitted on October 29, 2015
- Sunnyside Community Hospital's December 2, 2015, supplemental information related to Determination of Reviewability #16-12
- September 2015 Progress Report for CN #1556 issued on July 31, 2015.

CONCLUSION

For the reasons stated in this evaluation, the application submitted by Sunnyside Community Hospital Association proposing to establish a ten-bed PPS exempt rehabilitation unit at Sunnyside Community Hospital is not consistent with applicable criteria of the Certificate of Need Program, and a Certificate of Need is denied.

CRITERIA DETERMINATIONS

A. Need (WAC 246-310-210)

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 Sunnyside Community Hospital Association's project has met the applicable 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.

Initial Evaluation Summary

In its July 24, 2015, initial evaluation the department concluded that SCHA did not meet this sub-criterion. This conclusion was based on the applicant's inability to demonstrate need for level I rehabilitation, a tertiary service, at a critical access hospital. [source: July 24, 2015, initial evaluation, pp7-17]

Reconsideration Review

In its reconsideration documents, SCHA clarified that while the rehabilitation services proposed to be provided were acute in nature, SCHA did not intend to establish and provide level I rehabilitation service. SCHA provided the clarification on the type of rehabilitation services to be provided, but did not provide additional documentation related to this sub-criterion. Rather, SCHA asserted that the information and documentation provided in its initial application supported the establishment of a ten-bed rehabilitation unit that is not a tertiary service. Below is the department's reconsideration review of this sub-criterion with the acceptance that the proposed service is not level I rehabilitation--a tertiary service.

WAC 246-310 does not contain an acute care bed forecasting method. The determination of numeric need for acute care hospital beds is performed using the Hospital Bed Need Forecasting method contained in the 1987 Washington State Health Plan (SHP). Though the SHP was "sunset" in 1989, the department has concluded that this methodology remains a reliable tool for predicting baseline need for acute care beds. The 1987 SHP does not include a numeric methodology for projecting rehabilitation bed need. As a result, SCHA adjusted the twelve-step methodology to focus on rehabilitation. The evaluation of the need criterion for rehabilitation beds begins with an evaluation of the numeric need methodology provided by the applicant.

Sunnyside Community Hospital Alliance's Numeric Need Methodology

[source: Application, 24-30; Exhibit 8; and April 13, 2015, supplemental information, Attachment 8]

While SCHA provided two separate numeric need methodologies, both were based on the following factors: planning area, historical data, population estimates and forecasts, projected use rates, market share, and current capacity. Table 1 on the following page shows the factors used in both methodologies.

Table 1
Rehabilitation Methodology Assumptions and Data

Assumption	Data Used
Planning Area	Yakima County
Historical Data	CHARS[9] data based on years 2004 through 2013 Patients aged 15 and older
Diagnosis Related Grouping [DRG][10]	DRG 945 – Rehabilitation with complications/co-morbidities or major complications/co-morbidities. DRG 946-Rehabilitation without complications/co-morbidities or major complications/co-morbidities
Population Forecasts	Office Of Financial Management Population Data released May 2012. Population aged 15 years and older. Population was broken into two categories: 15-64 and 65+ Forecast years 2014 through 2020.
Projected Use Rates	Methodology #1 Calculated and applied use rates from health service area (HSA) #3, which includes the following eight counties: Benton, Chelan, Douglas, Franklin, Grant, Kittitas, Okanogan, and Yakima. Methodology #2 Calculated and applied use rates from HSA #4 which includes the following eleven counties: Adams, Asotin, Columbia, Ferry, Garfield, Lincoln, Pend Oreille, Stevens, Spokane, Walla Walla, and Whitman.
Market Shares	Based on Year 2013 CHARS data and broken down by age groups Ages 15-64 Percentage of Yakima County residents that obtained rehabilitation services in Yakima County is 50.93%. Percentage of Washington residents residing outside of Yakima County that obtained rehabilitation services in Yakima County 0.14%. Ages 65+ Percentage of Yakima County residents that obtained rehabilitation services in Yakima County is 82.18%. Percentage of Washington residents residing outside of Yakima County that obtained rehabilitation services in Yakima County 0.31%.
Current Capacity	15 level I rehabilitation beds All are located at Yakima Regional Medical and Cardiac Center.

Below is a summary of the twelve-step methodology and a description of SCHA's application of the methodology for this project.

Steps 1 through 4 of the numeric methodology develop trend information on hospital utilization.
In these steps, SCHA appropriately focused on historical data to determine the health service area [HSA], planning area, and use trends for all rehabilitation services. SCHA computed a use trend line for the HSA, planning area, and statewide. The use trend line projected a mild decline in rehabilitation use for the HSA, planning area, and statewide. It is the practice of the CN program

[9] Comprehensive Hospital Abstract Reporting System.
[10] For years 2004 through 2006, DRG 462 was used for level I rehabilitation services; beginning in 2007 through present year 2015, DRGs 945 and 946 are used.

to accept the use of the trend line that has the lowest adjustment because the lower adjusted trend line would show the least change from base-year use rates. Following this practice, SCHA determined that the statewide trend line was the most statistically reliable and applied the data derived from those calculations to the projections years in the following steps.

Steps 5 through 9 calculate a baseline non-psychiatric bed need forecasts.
These steps determine in-migration and out-migration for residents of Yakima County that obtained rehabilitation services. These steps also apply the use trend line to the projected population to determine a use rate broken down by population ages 15-64 and 65+.

In Methodology #1, SCHA multiplied the use rates derived from step 6 for the HSA #3 planning area by the projected population for Yakima County. The population is broken down by age group and projects for years 2014 through 2020.

In Methodology #2, SCHA multiplied the use rates calculated in the HSA #4 planning area by the projected population in Yakima County. The population is broken down by age group and projects for years 2014 through 2020.

Table 2 below shows the use rates and in-migration ratio, by age group, that SCHA applied to the projected population.

Table 2
Rehabilitation Methodology
Use Rates and In-Migration Ratio Applied to Projected Populations

	15-64 Age Group	65 + Age Group
Use Rate-HSA #3	11.36 days/1,000 residents	68.10 days/1,000 residents
Use Rate-HSA #4	11.71 days/1,000 residents	122.47 days/1,000 residents
In-Migration Ratio	0.14%	0.31%
Project Population	151,746	31,393

When the use rates are applied to the projected population, the result is the projected number of rehabilitation patient days for the planning area. A comparison of the use rates by age group in Table 2 shows that the 15-64 use rates are not significantly different between HSA #3 and HSA #4. However, the HSA #4 use rate for the 65+ population is nearly double the use rate for HSA #3. Table 2 also shows a small percentage of in-migration for patients that do not reside in Yakima County.

It is the practice of the department to evaluate need for a given project through at least seven years from the last full year of available CHARS data. When the initial application was submitted in February 2015, the last full year of available CHARS data was 2013. Year 2014 CHARS data became available in May 2015; however, for consistency in this reconsideration evaluation, the department will focus on 2013 CHARS data and continue to project to the target year of 2020.

Steps 10 through 12 are intended to determine the total baseline hospital bed need forecasts, including need for short-stay psychiatric services.
In steps 10 through 12, SCHA projected the number of rehabilitation beds needed in Yakima County, subtracted the existing capacity, resulting in a net need for rehabilitation beds. For existing capacity, SCHA subtracted 15 rehabilitation beds located at Yakima Regional Medical and Cardiac Center.

Step 11 projects short-stay psychiatric bed need, which SCHA appropriately did not compute. Step 12 is the adjustment phase where any necessary changes are made to the calculations in the prior steps to reflect conditions which might cause pure application of the methodology to under-or over-state the need for acute care beds. SCHA did not make any adjustments in these steps; all adjustments that were made by SCHA were described in the previous steps.

Tables 3 below show the results of the numeric methodology for years 2014 through 2020 using the HSA #3 use rates calculated by SCHA in step 6. [source: April 13, 2015, supplemental information, Attachment 8]

Tables 3
Bed Need Methodology Results Using HSA #3 Use Rates

	15-64 Age Group	65 + Age Group
Use Rate-HSA #3	11.36	68.10

	2015	2016	2017	2018	2019	2020
Gross Number of Beds Needed	15	15	16	16	16	17
Minus Existing Capacity	15	15	15	15	15	15
Net Bed Need or (Surplus)	0	0	1	1	1	2

Tables 4 below show the results of the numeric methodology for years 2014 through 2020 using the HSA #4 use rates in step 6. [source: April 13, 2015, supplemental information, Attachment 8]

Tables 4
Bed Need Methodology Results Using HSA #4 Use Rates

	15-64 Age Group	65 + Age Group
Use Rate-HSA #4	11.71	122.47

	2015	2016	2017	2018	2019	2020
Gross Number of Beds Needed	22	23	24	24	25	25
Minus Existing Capacity	15	15	15	15	15	15
Net Bed Need or (Surplus)	7	8	9	9	10	10

Comparing the results in Tables 3 and 4 shows that applying the higher use rate to the 65+ population projects an additional eight rehabilitation beds in Yakima County for year 2020. SCHA asserts that it is reasonable to apply the HSA #4 use rate in Yakima County for the reasons summarized below. [source: Application pp28-30]

- <u>HSA #3 use rates understate actual need in Yakima County</u>
  Washington State in general and HSA #3 in particular have limited availability of acute rehabilitation services. This lower availability is likely impeding access. HSA #3's use rate and bed-to-population ratios are lower than the State—68.1/1,000 residents for the HSA vs. 82.4/1,000 residents for the state. HSA #4 has the best availability of beds at 0.14/1,000 residents when compared to HSA #3 (0.05/1,000 residents) and the state (0.06/1,000 residents). Applying the HSA #4 use rate to the numeric methodology results in an additional 1,710 days in the community, which equates to 8 more beds projected in year 2020.

- <u>Out-migration for rehabilitation services have increased Yakima County residents</u>
  Information provided in Table 7 [of the application] shows an increase in out-migration for residents of Yakima County requiring rehabilitation services. The table [replicated below] shows out-migration has increased by 13% in Yakima County and by 54% in the primary service area between 2004 and 2013. Higher out-migration is disruptive to patients and families, more costly, and could impact outcomes for rehabilitation patients.

Percentage of Acute Rehabilitation Discharges in Yakima County
[source: Application, p18]

	2004 Percentage of Discharges Occurring in Yakima County	2013 Percentage of Discharges Occurring in Yakima County	Percentage of Change
Primary Service Area*	58.6%	26.8%	-54.2%
Yakima County	86.6%	75.5%	-12.8%

* The primary service area is described on page 17 of the application. Yakima County zip codes are: 98944-Sunnyside; 98930-Grandview; 98935-Mabton; 98938, Outlook; 98932-Granger; and 98953-Zillah. The primary service are also includes 99350-Prosser located in Benton County and 99349-Mattawa located in Grant County.

- <u>The 1987 State Health Plan allows for considerations other than numeric need</u>
  Criterion #2 of the 1987 State Health Plan (SHP) provides the following guidance when the methodology does not identify need, but the community has need. [source: 1987 SHP, C27-C28]

  Hospital bed need forecasts are only one aspect of planning hospital services for specific groups of people. Bed need forecasts by themselves should not be the only criterion used to decide whether a specific group of people or a specific institution should develop additional beds, services, or facilities. Even where the total bed supply serving a group of people or planning area is adequate, it may be appropriate to allow an individual institution to expand.

  Standards:
  b. Under certain conditions, institutions may be allowed to expand even though the bed need forecasts indicate that there are underutilized facilities in the area. The conditions might include the following:
  - *the proposed development would significantly improved the accessibility or acceptability of services for underserved groups; or*
  - *The proposed development would allow expansion or maintenance of a institution which has staff who have greater training or skill, or which has wider range of important services, or whose programs have evidence of better results than do neighboring and comparable institutions; or*
  - *the proposed development would allow expansion of a crowded institution which has good cost, efficiency, or productivity measures of its performance while underutilized services are located in neighboring and comparable institutions with higher costs, less efficient operations, or lower productivity.*

  In such cases, the benefits of expansion are judged to outweigh the potential costs of possible additional surplus.

  SCHA states in the case of this application that the proposed services will significantly improve accessibility for the communities that SCH serves and will provide access to high quality post-

acute services. SCHA asserts that the HSA #4 use rate is a better reflection of demand when beds are appropriately available and accessible. The HSA #4 use rate identifies need for the beds requested at SCH.

No public comments were submitted for this sub-criterion.

Department's Evaluation

In general, SCHA submitted a numeric methodology consistent with other rehabilitation methodologies reviewed and approved by the department for applications requesting to expand level I rehabilitation beds. Since DRGs 945 and 946 do not provide a breakdown of rehabilitation services by acuity, the applicant and department would continue to rely on DRGs 945 and 946 for reconsideration even though SCHA does not propose level I rehabilitation services at SCH.

As shown in Table 1 of this evaluation, SCHA relied on seven assumptions in the methodology. Of the seven assumptions identified, five are consistent with past applications and the department does not dispute them. The remaining two assumptions must be further discussed. The T-Chart below shows the seven assumptions.

Assumptions-Undisputed	Assumptions-Further Discussion
• Planning Area • Historical CHARS Data • DRGs • Population Forecasts • Market Shares	• Current Capacity • Use Rates

Current Capacity

The numeric methodology requires a projection of rehabilitation beds and a subtraction of current capacity, resulting in a net need. For its methodology, SCHA identified 15 level I rehabilitation beds in Yakima County. All 15 beds are located at Yakima Regional Medical and Cardiac Center. The department verified that Yakima Regional Medical and Cardiac Center is the only provider of level I rehabilitation services in the county.

To determine current capacity, the department reviewed Yakima Regional Medical and Cardiac Center's Certificate of Need facility file. From at least 1971 through approximately 2000, the hospital was known as St. Elizabeth Medical Center. In year 2000, the name was changed to Providence Yakima Medical Center. In year 2003, the hospital was purchased by Health Management Associates, Inc. and the name was changed to Yakima Regional Medical and Cardiac Center. In year 2014, Health Management Associates, Inc. and Community Health Systems, Inc. merged which resulted in change of ownership for Yakima Regional Medical and Cardiac Center, but no name change.

- On July 21, 1983, CN #747 was issued to St. Elizabeth Medical Center approving the establishment of a 12-bed level II adult inpatient rehabilitation unit.
- In 1986, the department approved the expansion of St. Elizabeth Medical Center's level II adult rehabilitation service from 12 to 15.
- Certificate of Need historical files show that in 1990, St. Elizabeth Medical Center was operating a 17-bed level III rehabilitation unit. In 1990, rehabilitation services were listed by levels—I, II, and III; with level III the most acute type of service.

- In 1996, the Certificate of Need rules changed level III rehabilitation services to level I to align the Certificate of Need definition with the definition used by the Department of Health's Office of Emergency Medical and Trauma Prevention.
- Year 2014 annual hospital license application shows 17 level I rehabilitation beds at Yakima Regional Medical and Cardiac Center. The license application was submitted on December 4, 2013.
- Year 2015 annual hospital license application shows 17 level I rehabilitation beds at Yakima Regional Medical and Cardiac Center. The license application was submitted on November 19, 2014.

In summary, Yakima Regional Medical and Cardiac Center is approved for the operation of a 17-bed PPS exempt level I rehabilitation unit at the hospital. The current capacity in Yakima County is 17, rather than 15 as identified by SCHA in the methodology. Further all 17 beds could accommodate from the lowest acuity (level III) to the highest acuity (level I) rehabilitation patient.

Use Rate

SCHA relied on a numeric methodology used in previous level I rehabilitation applications; however, in both previous applications, the hospitals relied on the use rate of their own HSA. SCHA asserts that the lack of rehabilitation beds in the HSA would artificially suppress a calculated use rate; therefore the larger use rate of HSA #4 is more reliable. In lieu of using use rates derived from HSA #3, SCHA relied on the use rate of HSA #4, where the long-established, 102-bed rehabilitation hospital known as St. Luke's Rehabilitation Institute is located.[11] SCHA further asserts that Yakima County patients are out-migrating because the county does not have enough rehabilitation beds.

In its July 24, 2015, initial evaluation, the department included several tables. Table 5 provided a three year summary of historical statewide rehabilitation discharges for DRGs 945 and 946. The intent of this table is to determine whether there has been any increase or decrease in rehabilitation discharges statewide. Since Table 5 continues to be relevant to this reconsideration review, it is shown below. Table 5 below provides a summary of all rehabilitation discharges for Washington State hospitals, regardless of patient zip code. [source: CHARS data, years 2012, 2013, and 2014]

Table 5
Statewide Rehabilitation Discharges

	2012	2013	2014
Patient Discharges	8,149	7,971	7,428
Patient Days	106,462	103,192	99,171

In the initial evaluation, the department also reviewed the number of rehabilitation discharges for residents of HSA #3 regardless of where the patient received the rehabilitation services in the state. A summary of this information was provided in Table 6. In its reconsideration request, SCHA

[11] On October 10, 1994, CN #1113 was issued to joint applicants Empire Health Centers Group and Sacred Heart Medical Center approving the establishment of a 102-bed rehabilitation hospital—now known as St. Luke's Rehabilitation Institute. The dedicated rehabilitation hospital was opened 1996 and has remained in continuous operation since its inception. As a dedicated rehabilitation hospital in Spokane County, St. Luke's Rehabilitation Institute's rehabilitation services range from highest acuity (level I) to lesser acuity (level III). The dedicated rehabilitation hospital draws patients from neighboring counties and neighboring states.

asserted that the historical data provided in Table 6 was incorrect. For this reconsideration evaluation, the department will include Table 6 and provide corrections as necessary.

Table 6
Rehabilitation Discharges for Patients Residing in HSA #3 Counties of Benton, Chelan, Douglas, Franklin, Grant, Kittitas, Okanogan, and Yakima

	2012	2013	2014
Patient Discharges	1,323	1,350	1,101
Patient Days	15,537	15,969	13,519

In its initial evaluation, the department also reviewed the number of discharges for residents in HSA #4, regardless of where the patient received the rehabilitation services in the state. A summary of the review was shown in Table 7. In its reconsideration request, SCHA asserted that the historical data provided in Table 7 was also incorrect. For this reconsideration evaluation, the department will include Table 7 and provide corrections as necessary.

Table 7
Rehabilitation Discharges for Patients Residing in HSA #4 Counties of Adams, Asotin, Columbia, Ferry, Garfield, Lincoln, Pend Oreille, Stevens, Spokane, Walla Walla, and Whitman

	2012	2013	2014
Patient Discharges	1,582	1,440	1,530
Patient Days	21,514	18,522	19,889

When comparing the discharge and patient day data in Table 5 and corrected Tables 6, and 7, the department notes an overall decrease in rehabilitation discharges statewide (Table 5) and in HSA #3 for years 2012 to 2014. The statewide decrease in patients and patient days is 8.8% and 6.8%, respectively.

The corrected data provided in Table 6 above shows that the number of HSA #3 rehabilitation patients stayed relatively flat for years 2012 and 2013. In year 2014, the number of patients decreased approximately 18% from year 2013. Focusing on the total discharges, again the number stayed relatively flat for years 2012 and 2013, and in year 2014, decreased approximately 15% from year 2013.

For HSA #4 residents shown in Table 7, the percentage of decrease for patients and patient days from year 2012 to 2014 is less than 10%. Although not shown in the tables above, of the four HSAs in Washington State, only HSA #1 has experienced a slight increase from year 2012 to 2014.[12] For HSA #1, the increase in patients and patient days is 2.0% and 8.5%, respectively.

The department also reviewed patient discharge and patient day data for historical years 2012, 2013, and 2014 for the 17 dedicated level I rehabilitation beds at Yakima Regional Medical and Cardiac Center. Table 8 on the following page provides a summary of the review.

[12] The ten counties included in HSA #1 are: Clallam, Island, Jefferson, King, Kitsap, Pierce, San Juan, Snohomish, Skagit, and Whatcom. The ten counties included in HSA #2 are: Cowlitz, Clark, Grays Harbor, Klickitat, Lewis, Mason, Pacific, Skamania, Thurston, and Wahkiakum.

Table 8
Yakima Regional Medical and Cardiac Center
Three-Year Rehabilitation Discharge, Utilization, and Occupancy Percentages

	2012	2013	2014
Patient Discharges	335	256	173
Patient Days	3,892	2,848	1,774
Total Number of Beds	17	17	17
Occupancy Percentage	62.7%	45.9%	28.6%
# of available beds	6	9	12

The discharge and patient day data in Table 8 also shows a decrease in rehabilitation discharges for Yakima Regional Medical and Cardiac Center. The decrease in patients and patient days is 48.4% and 54.4%, respectively. The occupancy data shows that Yakima Regional Medical and Cardiac Center has rehabilitation beds available to serve patients in the county.

SCHA asserts that an increasing number of Yakima County residents are out-migrating to hospitals outside of Yakima County for rehabilitation services. In its July 24, 2015, initial evaluation, the department included a table (Table 9) intending to show a three year summary of historical out-migration for Yakima County residents for DRGs 945 and 946. Below is corrected Table 9 showing the historical data.

Table 9
Yakima County Resident Data
Three-Year Rehabilitation Patient Discharges and Patient Days

	2012	2013	2014
Total Yakima County Resident Patient Discharges	392	325	222
Total Yakima County Resident Patient Days	4,821	3,850	2,567
Total # of Patients at Yakima Regional Medical Center	335	256	173
Total # of Patient Days at Yakima Regional Medical Center	3,892	2,848	1,774
YRMC Percentage of Yakima County Patient Discharges	85.5%	78.7%	77.9%
YRMC Percentage of Yakima County Patient Days	79.4%	74.1%	69.1%
Total # of Yakima Patients at Yakima Regional Medical Center	304	228	160
Total # of Yakima Patient Days at Yakima Regional Medical Center	3,593	2,533	1,634
Percentage of YRMC Patients that are Yakima County Residents	90.7%	89.1%	92.5%
Percentage of YRMC Patient Days that are Yakima County Residents	92.3%	88.9%	92.1%

With the corrected data, Table 9 above provides a summary of the patient discharge and patient day data for Yakima County residents. Table 9 shows that the total number of Yakima County residents that received rehabilitation services--regardless of where the services were provided--is decreasing. This is evidenced by the decrease in resident discharges/days from 2012 through 2014. Year 2012 shows 392 Yakima County residents received rehabilitation services, which decreased to 325 and then to 222 in years 2013 and 2014, respectively.

Table 9 also shows the total number of rehabilitation patient days at Yakima Regional Medical and Cardiac Center is decreasing during the same historical years. This is evidenced by the decrease in

total rehabilitation discharges/days from 2012 through 2014. [This data was also provided in Table 8 above.]

Table 9 shows that the majority of Yakima County residents remained in the county and received rehabilitation services at Yakima Regional Medical and Cardiac Center. This is evidenced by Yakima Regional Medical and Cardiac Center's percentage of Yakima County patient discharges and days, which averages 90% for patients and 91% for patient days. While the total number of rehabilitation patients/patient days is decreasing, Yakima Regional Medical and Cardiac Center's market share of Yakima County residents remained consistent.

Table 9 above also shows the percentage of patients out-migrating has increased for Yakima County residents. This is evident when subtracting the total number of Yakima County patients at Yakima Regional Medical Center from the total number of Yakima County resident patient discharges. In year 2012, the percentage of Yakima County patients that out-migrated for rehabilitation services was 15.1%; by the end of year 2014, the percentage increased to 22.1%.

During the initial review of this project, the department received a total of three letters of support and no letters of opposition for the ten-bed rehabilitation unit at SCH. Below is a summary of the comments that focus on need for the additional rehabilitation beds and services in the county.

- Neuro related diagnoses and disorders are the top reasons for referral to acute rehabilitation. Nationwide, stroke accounts for about 20% of all acute rehab admissions. Debility and neurologic disorders account for another 20%. Today, with my Lower Valley practice, I recommend about 10 patients per month for acute rehabilitation, but it is my experience that there are delays in transfer, and some patients and families opt not to go to acute rehabilitation because they do not want to leave the lower valley. As the Lower Yakima Valley grows and ages, neuro disorders and diagnoses are increasing, and more accessible acute rehabilitation and other post-acute services are a top need. [source: neurosurgeons, Nova Health]
- The vast majority of our patients reside in the Lower Yakima Valley, and many have limited transportation and resources to access care out-of-area. Historically the Lower Valley has had limited rehabilitation options. Because fracture of the lower extremity and major joint procedures are two of the most high volume reasons for admissions to acute rehabilitation, I personally refer about 10 to 15 patients per month to acute rehabilitation. …Given the rapidly growing population and the need to achieve optimal patient outcomes, a local acute rehabilitation program would help us achieve better patient outcomes. [source: physician at Sunnyside Community Hospital]
- Yakima Valley Farm Workers Clinic provides comprehensive medical, dental, behavioral health and other enabling services to over 127,000 patients in Washington and Oregon. In Yakima County, we operate clinics in Toppenish, Yakima, Sunnyside, Grandview, and Wapato. …Historically there have been barriers for Lower Yakima Valley residents needing access to post-acute services in particular, the lack of local services. [source: Executive Director, Yakima Valley Farm Workers Clinic]

The common theme throughout the public comments is the need for rehabilitation services within the Lower Yakima Valley. While patients in the lower valley can and do travel to Yakima County for rehabilitation services, for many patients, it is a hardship to leave the community. Barriers to rehabilitation services for patients with limited transportation and resources is the 30+ mile travel

to the closest rehabilitation hospital located in Yakima County. Families of these patients typically also have limited resources and transportation, and travel for the families is also a barrier.

During the reconsideration review of this project, the department received additional letters of support from Nova Health, Yakima Valley Farm Workers Clinic, and a neurosurgeon from SCH. The letters of support reiterated the need for additional rehabilitation beds in Yakima County to be located at SCH. As with the initial review of this project, there were no letters of opposition submitted during the reconsideration review.

Again, the common theme throughout the public comments is the need for rehabilitation services within the Lower Yakima Valley. SCH's letters of support included information on five recent cases where discharge to an inpatient rehabilitation unit at SCH would have been the preferred choice. In all five cases, the patient elected to either delay rehabilitation services or chose not to obtain the rehabilitation services because the patient could not travel outside of the Sunnyside community.

Focusing on the numeric methodology, the department concluded that Yakima Regional Medical and Cardiac Center has a total of 17 level I rehabilitation beds. These beds can be used for rehabilitation services of high or low acuity. Using the numeric methodology provided by the applicant and summarized in Table 3 of this evaluation, when the 17 beds are subtracted, year 2016 shows a surplus of two beds and projection year 2020 shows no need for additional rehabilitation beds in Yakima County.

SCHA asserts that the more appropriate use rate that should be applied to the methodology is HSA #4. However, the department does not concur with SCHA that applying a use rate that is almost twice the use rate of HSA #3 for populations 65+ is justified. [HSA #3 use rate is 68.1/1000 vs HSA #4 use rate of 122.47/1,000.]

SCHA asserts that the department has the authority under Criterion #2 of the 1987 State Health Plan to consider other criteria or conditions if need is not demonstrated in the numeric methodology. The specific language referenced by SCHA does allow for consideration of other criteria. In this reconsideration evaluation, the department acknowledges that SCHA is not requesting a tertiary rehabilitation service, rather, SCHA is requesting the addition of acute care beds at SCH that would be dedicated to rehabilitation services--not level I. For this reconsideration evaluation, the department will take into consideration other factors outside of the numeric methodology.

Because SCHA intends to dedicate the ten beds to rehabilitation services, it provided an acute care bed methodology that focused on rehabilitation DRGs 945 and 946. Other factors that can be considered include geographical or other types of identified barriers to healthcare services.

The letters of support focused on need for rehabilitation services in the Lower Yakima Valley region where SCH is located. In the initial review, the department's evaluation concluded SCHA did not demonstrate need for a tertiary rehabilitation service at a CAH. While none of the letters of support referenced 'level I' rehabilitation services, the letters asserted that the high acuity rehabilitation patient was unable to access needed services in the valley.

Noted throughout this review is the absence of a letter of opposition from the only provider of rehabilitation services in the county—Yakima Regional Medical and Cardiac Center. If SCH is

approved to add ten beds dedicated to rehabilitation services, the department expects Yakima Regional Medical and Cardiac Center would be impacted by the approval. Since Yakima Regional Medical and Cardiac Center did not provide any information to the contrary, the department assumes that the hospital expects little or no impact to its existing rehabilitation service. Since Yakima Regional Medical and Cardiac Center provides level I rehabilitation services, and SCH would be providing a less acute level of rehabilitation services, the assumption that Yakima Regional Medical and Cardiac Center may not be significantly impacted could be reasonable. However, without specific comments from a representative of Yakima Regional Medical and Cardiac Center about this project, the department can only speculate on the impact to the hospital's tertiary service.

Provided that SCHA dedicates the ten additional beds to rehabilitation services and provided level I services would not be provided in the hospital, the department concludes that SCHA demonstrated need for rehabilitation services at SCH. Based on the reconsideration information provided, the department concludes that **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.

Initial Evaluation Summary

In its July 24, 2015, initial evaluation the department concluded that SCHA's application met this sub-criterion with specific conditions. This conclusion was reached, in part, based on a review of the following policies. [source: July 24, 2015, initial evaluation, pp18-20]

Admission Policy - this policy demonstrated that all residents of the community would have access to the proposed rehabilitation services. The admission policy did not include specific language that stated patients would be admitted without regard to race, ethnicity, national origin, age, sex, pre-existing condition, physical, or mental status. To demonstrate compliance with this sub-criterion, SCHA also provided copies of three additional policies: Patient's Rights Policy; Informed Consent Policy, and the Nondiscrimination Policy.

Patient Rights Policy - this policy provided the following non-discrimination language:

> *"Each patient has the right to impartial access to treatment, regardless of race, religion, sex, sexual orientation, ethnicity, age, or handicap."*

This policy provides roles and responsibilities for both SCH and the patient and outlines the process for admission into SCH.

Informed Consent Policy - described the various types of patient consent for treatment at SCH, such as implied consent, express consent, and emergent consent. This policy is used in conjunction with the Admission Policy described above.

Non-Discrimination Policy **-** included the required non-discrimination language and is used for "*all members of the Sunnyside Community Hospital's workforce, including employees, medical staff members, contracted services providers, and volunteers, and all vendors, representatives, and any other individuals providing services to or on behalf of Sunnyside Community Hospital*."

Charity Care Policy - included the process one must use to access charity care, and included the non-discrimination language referenced above.

All policies referenced above are posted on the Department of Health website. Additionally, all policies include the following language: *"Printed copies are for reference only. See the hospital intranet for approved version.*" It is unclear why this language is included in the policies; however, because it is included, for Certificate of Need purposes, all policies must be considered draft. In its initial evaluation, the department concluded that if this project is approved, conditions requiring SCHA to provide the approved versions of all policies would be necessary.

Rehabilitation Unit Admission Criteria

In addition to the policies referenced above, SCHA also provided a document specific to rehabilitation services to be used at SCH. This document is a draft and is entitled "Rehabilitation Unit Admission Criteria." The document identifies the 13 CMS designated diagnoses for patients before admission into the rehabilitation unit. It also outlines the process SCH will use for patients that do not fall within the 13 diagnoses to ensure appropriateness for the rehabilitation unit. In its initial evaluation, the department also concluded that if this project is approved, it would attach a condition requiring SCHA to provide the approved version of this document.

Medicare and Medicaid Access to Services

Additionally, SCHA demonstrated its intent to serve Medicare and Medicaid patients and provide charity care at an amount comparable to or exceeding the average amount of charity care provided by hospitals in the Central Region two hospitals in the planning area. [source: July 24, 2015, initial evaluation, pp18-20]

Reconsideration Review

There was no additional information reviewed in this reconsideration that would change the department's initial conclusion. With the conditions described in the conclusion section of this evaluation, **this sub-criterion remains met**.

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

Based on the source information reviewed, the department determines that Sunnyside Community Hospital Association's project has not met the financial feasibility criteria in WAC 246-310-220.

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

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

Initial Evaluation Summary

In its July 24, 2015, initial evaluation the department concluded that SCHA did not meet this sub-criterion. This conclusion was based on the following factors.

- A review of the assumptions used to project the number of rehabilitation discharges and patient days at SCH.
- The projected average daily census and utilization of the ten-bed rehabilitation unit.

- The projected number of rehabilitation patients referenced above was used as a basis for the pro forma Revenue and Expense Statement and Balance Sheets provided in the initial application.

In the initial evaluation, the department concluded that SCHA did not demonstrate need for the tertiary rehabilitation service at SCH. As a result, the department also concluded that the projections could not be substantiated and the immediate and long-range operating costs of the project could not be met. [source: July 24, 2015, initial evaluation, pp21-24]

Reconsideration Review

In the initial application, SCHA based its financial projections on the rehabilitation services to be provided at SCH that did not include level I tertiary services. Under this reconsideration, revisions to the Revenue and Expense Statement or the Balance Sheets were not necessary. If the ten-bed rehabilitation unit were to be located at SCH in its current location, the department would conclude that SCHA's projections are reasonable and the immediate and long-range operating costs of the project could be met.

However, on October 29, 2015—sixteen days after the reconsideration hearing—SCHA submitted its Determination of Reviewability [DOR #16-12] as allowed under WAC 246-310-050.[13] Within the DOR and the supplemental information received on December 3, 2015, SCHA asserts that SCH will be replaced, in its entirety, to a new site located less than three miles from the existing site. Further, no hospital services will continue at the current location once the hospital is relocated to the new site. SCHA estimates the replacement hospital will be operational in March 2018.

Within its rehabilitation application, SCHA expected the ten bed rehabilitation unit to be operational in January 2017. With a replacement hospital being built, the department is uncertain whether the rehabilitation unit would be operational at the current site and then move to the new site. This uncertainty is based on correspondence related to a recently approved psychiatric project at SCH. On July 31, 2015, CN #1556 was issued to SCHA approving the establishment of a ten-bed psychiatric unit within space at SCH. Within the September 2015 progress report for CN #1556, SCHA provided the following statement.

> "*Sunnyside will be amending CN #1556 due to a change in site. This will likely result in changes to the cost of the project*."

The September progress report also indicates that there may be changes in the approved financing.

For these reasons, the department must conclude in this reconsideration evaluation that the financial documents are unreliable for this project. **This sub-criterion is not met**.

(2) <u>*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.*</u>

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.

[13] DOR #16-12 was submitted 16 days after the reconsideration public hearing.

Initial Evaluation Summary
In its July 24, 2015, initial evaluation the department concluded that SCHA did not meet this sub-criterion. This conclusion was based on the department's conclusion that the immediate and long range capital and operating costs of the project could not be met under sub-criterion (1) above. [source: July 24, 2015, initial evaluation, pp24-25]

Reconsideration Review
In the reconsideration evaluation, the department concluded that the project did not does not meet the sub-criterion under WAC 246-310-220(1). The department must also conclude in this reconsideration evaluation that the financial documents are unreliable for this project. **This sub-criterion is not 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
In its July 24, 2015, initial evaluation the department concluded that SCHA met this sub-criterion. This conclusion was based on a review of SCHA's source of financing for the project. The capital expenditure for the ten-bed rehabilitation unit is $2,634,000 and SCHA determined another $95,000 would be needed for startup costs, for total funding of $2,729,000. SCHA demonstrated that funding for the project is available by providing the following documents.

- A letter from SCH's chief financial officer demonstrating a commitment to the project and the costs; and
- SCHA's year 2012 and 2014 audited financial statements demonstrating the funds for the project are available.

A review of the documents demonstrated that the funds are available for the project. [source: July 24, 2015, initial evaluation, pp25-26]

Reconsideration Review
In the reconsideration evaluation, the department concluded that the project did not does not meet the sub-criterion under WAC 246-310-220(1) and (2) above. The department must also conclude in this reconsideration evaluation that the financial documents are unreliable for this project. **This sub-criterion is not met**.

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

Based on the source information reviewed and the applicant's agreement to the conditions identified in the conclusion section of this evaluation, the department determines that Sunnyside Community Hospital Association's project has met the structure and process of care criteria in WAC 246-310-230.

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

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 compared the proposed project's source of financing to those previously considered by the department.

<u>Initial Evaluation Summary</u>

In its July 24, 2015, initial evaluation the department concluded that SCHA met this sub-criterion. This conclusion was based on a review of the following factors.

- SCHA's current and projected FTEs for the hospital as a whole and the rehabilitation unit alone. The staff table identified an increase in staff beginning in year 2017 with 13 additional staff. By the end of year three (2017) and additional registered nurses and therapists would be added, for a total of 2.3 more FTEs; and
- SCHA's demonstration of its ability to recruit and retain needed staff.

SCHA also stated that all staff, including the medical director would be employees of SCH, so no medical director contract would need to be established. SCH provided a draft job description of the medical director.

The department's evaluation concluded that this sub-criterion would be met if SCHA agreed to a condition related to the medical director job description document. [source: July 24, 2015, initial evaluation, pp26-28

<u>Reconsideration Review</u>

In its initial application, SCHA based its staffing projections on the projected utilization of the ten-bed rehabilitation unit. Under this reconsideration, revisions to the staffing table were not necessary. As a result, there was no additional information reviewed in this reconsideration that would change the department's initial conclusion. With SCHA's agreement to a condition related to the document outlining the medical director's job description, **this sub-criterion remains met**.

(2) <u>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.</u>

WAC 246-310 does not contain specific WAC 246-310-230(2) as identified in WAC 246-310-200(2) (a) (i). There are also no known recognized standards as identified in WAC 246-310-200(2)(a)(ii) and (b) that directs what relationships, ancillary and support services should be for a project of this type and size. Therefore, using its experience and expertise the department assessed the materials contained in the application.

Initial Evaluation Summary
In its July 24, 2015, initial evaluation the department concluded that SCHA met this sub-criterion. This conclusion was based on a review of SCHA's history of providing acute care services to Yakima County and surrounding communities for many years. Even though the department did not agree that SCH should be approved to establish a tertiary rehabilitation service, the department acknowledged SCH had already established long standing support and ancillary services with existing health providers as an acute care hospital. Additionally, the department reviewed SCHA's intentions to pursue additional relationships specific to the rehabilitation services. [source: July 24, 2015, initial evaluation, pp28-29]

Reconsideration Review
There was no additional information reviewed in this reconsideration that would change the department's initial conclusion. **This sub-criterion remains met**.

(3) *There is reasonable assurance that the project will be in conformance with applicable state licensing requirements and, if the applicant is or plans to be certified under the Medicaid or Medicare program, with the applicable conditions of participation related to those programs.*
WAC 246-310 does not contain specific WAC 246-310-230(3) criteria as identified in WAC 246-310-200(2) (a) (i). There are known recognized standards as identified in WAC 246-310-200(2) (a) (ii) and (b) that a facility must meet when it is to be Medicare certified and Medicaid eligible. As part of its review, the department must conclude that the proposed service would be operated in a manner that ensures safe and adequate care to the public.[14] 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 July 24, 2015, initial evaluation the department concluded that SCHA met this sub-criterion. This conclusion was based on a review of SCHA's facility compliance history.
[source: July 24, 2015, initial evaluation, p29]

Reconsideration Review
There was no additional information reviewed in this reconsideration that would change the department's initial conclusion. **This sub-criterion remains 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 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.

[14] Also WAC 246-310-230(5).

Initial Evaluation Summary

In its July 24, 2015, initial evaluation the department concluded that SCHA did not meet this sub-criterion. In the initial evaluation, the department acknowledged that SCH provided documentation to demonstrate that:

- the inpatient rehabilitation services would promote continuity in the delivery and care of patients in Yakima County and surrounding communities;
- the rehabilitation unit will offer a therapeutic environment for the purpose of increasing functional abilities in self-care, mobility, communication, and cognitive performances; and
- discharge planning would begin at admission to ensure that continuity of care is achieved, while also ensuring that the patient receives the most appropriate level of care in the least intensive and less restrictive level.

The department concluded that approval of the project may cause unwarranted fragmentation of the existing healthcare system because of SCHA's failure to demonstrate need for a ten-bed tertiary rehabilitation service. [source: July 24, 2015, initial evaluation, pp29-30]

Reconsideration Review

During the reconsideration review, the department concluded that SCHA demonstrated need for an additional ten acute care beds that would be dedicated to rehabilitation services. As a result, the additional information reviewed in this reconsideration would change the department's initial conclusion. **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

In its July 24, 2015, initial evaluation the department concluded that SCHA met this sub-criterion based on its ability to meet the sub-criterion in sub-section (3) above. [source: July 24, 2015, initial evaluation, p30]

Reconsideration Review

There was no additional information reviewed in this reconsideration that would change the department's initial conclusion. **This sub-criterion remains met**.

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

Based on the source information reviewed, the department determines that Sunnyside Community Hospital Association's project has not 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 the applicable criteria, the department would move to step two in the process and assess the other options the applicant or applicants considered prior to submitting the application

under review. If the department determines the proposed project is better or equal to other options the applicant considered before submitting their application, the determination is either made that this criterion is met (regular or expedited reviews), or in the case of projects under concurrent review, move on to step three.

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

Initial Evaluation Summary

In its July 24, 2015, initial evaluation the department concluded that SCHA did not meet this sub-criterion because it failed to meet the sub-criterion under need [WAC 246-310-210(1)]; financial feasibility [WAC 246-310-220(1) and (2)]; and structure and process of care [WAC 246-310-230(4)]. [source: July 24, 2015, initial evaluation, pp30-31]

Reconsideration Review

During the reconsideration review, the department concluded that SCHA demonstrated need for an additional ten acute care beds that would be dedicated to rehabilitation services. However, because SCHA has recently announced that it will relocate the hospital in its entirety, the department concluded that the project's financial information is unreliable. For these reasons, the department must also conclude that approval of this reconsideration project is not the best alternative for the community. The better alternative is for SCHA to submit an application for rehabilitation services **after** the hospital relocates to the new site. **This sub-criterion is not met**.

(2) *In the case of a project involving construction:*
 (a) *The costs, scope, and methods of construction and energy conservation are reasonable; and*
 (b) *The project will not have an unreasonable impact on the costs and charges to the public of providing health services by other persons.*

Initial Evaluation Summary

In its July 24, 2015, initial evaluation the department concluded that SCHA did not meet this sub-criterion based on its conclusion that the project failed to meet the sub-criterion in sub-section WAC 246-310-220(2) above. [source: July 24, 2015, initial evaluation, p31]

Reconsideration Review

During reconsideration of this project, the department again concluded that the project failed to meet sub-section WAC 246-310-220(2) above. As a result, the department concludes **this sub-criterion is not met**.