STATE OF WASHINGTON

DEPARTMENT OF HEALTH

Olympia, Washington 98504

June 15, 2015

CERTIFIED MAIL # 7009 0960 0000 5565 0574

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

RE: Certificate of Need Application #15-12

Dear Mr. Gallagher:

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

For the reasons stated in the enclosed decision, the application is consistent with the applicable criteria of the Certificate of Need Program, provided Sunnyside Community Hospital Association agrees to the following in its entirety.

Project Description

This Certificate of Need approves Sunnyside Community Hospital Association to establish a ten-bed PPS exempt psychiatric unit at Sunnyside Community Hospital in Yakima County. Psychiatric services to be provided in the ten-bed unit include inpatient psychiatric care for patients 18 years of age and older, including geriatric patients. The patients typically have acute psychiatric disorders and cognitive impairments. In addition, Sunnyside Community Hospital intends to secure certification to admit the involuntary detained patient commonly referenced as an 'ITA patient.' At project completion, Sunnyside Community Hospital would be licensed for 35 acute care beds, shown in the breakdown below.

Type	Approved
General Medical/Surgical	25
Psychiatric	10
Total	**35**

Conditions

1. Sunnyside Community Hospital Association agrees with the project description stated above. Sunnyside Community Hospital Association 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.
2. Prior to providing services, Sunnyside Community Hospital Association will provide the approved version of the adopted medical director job description and identification of the medical director for the department's review and approval. Copy of the adopted document must be consistent with the draft document provided in the application.
3. Prior to providing services, Sunnyside Community Hospital Association will provide the approved versions of the adopted policies listed below for the department's review and approval. Copies of the adopted policies must exclude the following language identified in the draft policies.
   "Printed copies are for reference only. See the hospital intranet for approved version."
   - Patient's Rights Policy
   - Informed Consent Policy
   - Nondiscrimination Policy
   - Charity Care Policy 1
4. Prior to providing services, Sunnyside Community Hospital Association will provide the approved psychiatric admission policy for the department's review and approval. The adopted policy must be consistent with the draft policy provided in the application.
5. So long as the state desires to contract with the facility for providing care to Involuntary Treatment Act patients, Sunnyside Community Hospital will contract with the state to provide that care. An ITA referral may only be rejected if there are no beds available at Sunnyside Community Hospital at the time of referral or if such referral is clinically inappropriate.
6. Sunnyside Community Hospital will provide charity care in compliance with the charity care policy referenced above, or any subsequent polices reviewed and approved by the Department of Health. Sunnyside Community Hospital will use reasonable efforts to provide charity care at the amount identified in the application or comparable to the average amount of charity care provided by the hospitals in the Central Region. Currently, this amount is 2.34% for gross revenue and 5.39% for adjusted revenue. Sunnyside Community Hospital will maintain records documenting the amount of charity care it provides and demonstrating its compliance with its charity care policies.

Approved Capital Costs:

The approved capital expenditure associated with the establishment of the ten-bed psychiatric unit at Sunnyside Community Hospital is $3,486,607, and includes construction, equipment, and associated fees and taxes.

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

If you reject any of the above provisions, your application will be denied. The department will send you a letter denying your application and provide you information about your appeal rights.

Send your written response to the Certificate of Need Program, 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

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, Community Health Systems

Enclosure

EVALUATION DATED JUNE 15, 2015, FOR 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]

This application proposes the establishment of a ten-bed psychiatric 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 below is a summary of SCH's current and proposed license bed capacity by type. [source: Application, pp6-7 and CN historical files]

Bed Type	Current	Proposed
Medical/Surgical	25	25
PPS Exempt Psychiatric	0	10
Licensed Beds Not In Use	13	13
Total Licensed Beds	**38**	**48**

[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]

Services to be provided in the ten-bed unit include inpatient psychiatric care for patients 18 years of age and older, including geriatric patients. The patients typically have acute psychiatric disorders and cognitive impairments. In addition, SCH intends to secure certification to admit the involuntary detained patient commonly referenced as an 'ITA patient.[4]' [source: Application, p8]

The estimated capital expenditure associated with the establishment of the ten-bed psychiatric unit at SCH is $3,486,607, and includes construction, equipment, and associated fees and taxes. [source: Application, p27]

If approved, SCHA anticipates the ten-bed psychiatric unit would be operational in June 2016. Under this timeline, SCH's first full calendar year of operation with 48 licensed beds is 2017 and year three is 2019. [source: December 29, 2014, supplemental information, p2]

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:

[4] In Washington State, specialized investigators, called Designated Mental Health Professionals (DMHPs), are responsible for determining if individuals can be committed for 72 hours under the state's Involuntary Treatment Act (ITA). The criteria established under the ITA statute (RCW 71.05) allow individuals to be involuntary detained to a psychiatric facility if, as a result of a mental disorder, the individual is gravely disabled or presents a substantial risk of serious harm to him or herself or others. [source: Washington State Institute for Public Policy website]

"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.[5]

TYPE OF REVIEW

This application was reviewed under the regular review timeline outlined in WAC 246-310-160, which is summarized below.

APPLICATION CHRONOLOGY

Action	Sunnyside Community Hospital Association
Letter of Intent Submitted	August 12, 2014
Application Submitted	October 22, 2014
Department's pre-review activities • DOH 1st Screening Letter • Applicant's Responses Received • DOH 2nd Screening Letter • Applicant's Responses Received	 November 13, 2014 December 29, 2014 January 1, 2015 March 4, 2015
Beginning of Review	March 11, 2015
Public comments accepted through end of public comment	April 15, 2015
Public hearing conducted	None
End of Public Comment	April 15, 2015
Rebuttal Comments Submitted	April 30, 2015
Department's Anticipated Decision Date	June 15, 2015
Department's Actual Decision Date	June 15, 2015

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

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."

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. Neither Providence Health and Services nor Kadlec Regional Medical Center submitted comments related to the project. As a result, no entities qualified to receive affected person status for this project.

SOURCE INFORMATION REVIEWED

- Sunnyside Community Hospital Association application received October 22, 2014
- Sunnyside Community Hospital Association supplemental information received December 29, 2014, and March 4, 2015
- Public comments received through April 15, 2015
- Sunnyside Community Hospital Association rebuttal comments received April 30, 2015
- Department of Health Hospital and Patient Data Systems Analysis received June 5, 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
- 1987 Washington State Health Plan
- 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 Valley Memorial Hospital website at www.yakimamemorial.org
- Year 2015 Annual Hospital License Application submitted on November 24, 2014 by Yakima Valley Memorial
- 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
- Washington State Institute for Public Policy website at www.wsipp.wa.gov
- Certificate of Need historical files

CONCLUSION

For the reasons stated in this evaluation, the application submitted by Sunnyside Community Hospital Association proposing to establish a ten-bed PPS exempt psychiatric unit at Sunnyside Community Hospital is consistent with applicable criteria of the Certificate of Need Program, provided Sunnyside Community Hospital Association agrees to the following in its entirety.

Project Description

This Certificate of Need approves Sunnyside Community Hospital Association to establish a ten-bed PPS exempt psychiatric unit at Sunnyside Community Hospital in Yakima County. Psychiatric services to be provided in the ten-bed unit include inpatient psychiatric care for patients 18 years of age and older, including geriatric patients. The patients typically have acute psychiatric disorders and cognitive impairments. In addition, Sunnyside Community Hospital intends to secure certification to admit the involuntary detained patient commonly referenced as an 'ITA patient.' At project completion, Sunnyside Community Hospital would be licensed for 35 acute care beds, shown in the breakdown below.

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Psychiatric	10
Total	**35**

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6. Sunnyside Community Hospital will provide charity care in compliance with the charity care policy referenced above, or any subsequent polices reviewed and approved by the Department of Health. Sunnyside Community Hospital will use reasonable efforts to provide charity care at the amount

identified in the application or comparable to the average amount of charity care provided by the hospitals in the Central Region. Currently, this amount is 2.34% for gross revenue and 5.39% for adjusted revenue. Sunnyside Community Hospital will maintain records documenting the amount of charity care it provides and demonstrating its compliance with its charity care policies.

Approved Capital Costs:

The approved capital expenditure associated with the establishment of the ten-bed psychiatric unit at Sunnyside Community Hospital is $3,486,607, and includes construction, equipment, and associated fees and taxes.

CRITERIA DETERMINATIONS

A. Need (WAC 246-310-210)

Based on the source information reviewed and provided the applicant agrees to the conditions stated in the 'conclusion' section of this evaluation, the department determines Sunnyside Community Hospital Association met the applicable need criteria in WAC 246-310-210 and the acute care bed methodology and standards outlined in the 1987 State Health Plan.

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

WAC 246-310 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 also has a numeric methodology for projecting psychiatric bed need; however the department is unable to obtain the required data to apply this methodology. As a result, the evaluation of the need criterion for psychiatric beds begins with an evaluation of the numeric need methodology provided by the applicant.

Sunnyside Community Hospital Alliance's Numeric Need Methodology

[source: Application, 21-25]

The applicant's numeric need methodology was based on the following factors: planning area, population estimates and forecasts, use rate, and current capacity. The table below shows in the factors used.

Table 1
Sunnyside Community Hospital's Methodology Assumptions and Data

Assumption	Data Used
Planning Area	Yakima County
Population Forecasts	Office Of Financial Management Population Data released May 2012. Age group of 18 years and older. Forecast years 2016 through 2018.
Use Rate	27.25 per 100,000 population. In years 2012 and 2013, the department approved the addition of psychiatric beds in King and Snohomish counties. In those projects, the applicants applied an average use rate of other Northwest states [27.25]. The department concurred that this was a reasonable determination of a use rate. SCHA used this same approach.
Current Capacity	Yakima Valley Memorial Hospital • "*somewhere between 4 and 9 beds*" Used 9 for existing capacity

Based on the assumption and data above, SCHA projected the number of psychiatric beds needed in Yakima County for years 2016 through 2018 as shown in Table 2 below.

Table 2
Applicant's Numeric Methodology
Summary of Psychiatric Bed Need Projections for Yakima County

	2016	2017	2018
Population 18 years and Older	181,126	183,039	185,019
Use Rate	27.25	27.25	27.25
Gross Bed Need	49.4	49.9	50.4
Minus Current Supply	9.0	9.0	9.0
Net Bed Need	**40.4**	**40.9**	**41.4**
Sunnyside Community Hospital # of Beds	10.0	10.0	10.0
Unmet Bed Need	**30.4**	**30.9**	**31.4**

The 'net bed need' line item shows that more than 40 psychiatric beds are needed in Yakima County planning area in 2016 through 2018. The 'unmet bed need' line item shows that even with SCHA providing psychiatric services with ten beds beginning in year 2016, additional psychiatric beds may be needed in Yakima County.

Department's Numeric Methodology and Review

Yakima Valley Memorial Hospital is the only provider of inpatient psychiatric services in Yakima County. Comments submitted in response to this application indicate that a recent collaboration between Yakima Valley Memorial Hospital and Comprehensive Mental Health has occurred. To determine the existing supply of psychiatric beds in Yakima County, the department reviewed Yakima Valley Memorial Hospital's year 2015 hospital license renewal application submitted in November 2014. The license application identifies 18 dedicated PPS exempt psychiatric beds at the hospital. Since the license applications was submitted, Yakima Valley Memorial Hospital has reduced its number of psychiatric beds to eight.

The department has previously concluded that the 27.25 use rate per 100,000 persons is a reasonable measure for Washington State counties.

In its methodology, SCHA used population for Yakima County residents ages 18 and older. OFM population figures breakdown for ages 15–19 and 20-24, but do not breakdown for 18 and older. For this reason, the department calculated its methodology using the age group 20 years and older. A comparison of the data points used in the applicant's and department numeric methodology is identified below.

Table 3
Applicant's and Department's Methodology Comparisons

Data Points	Department's Numbers	Applicant's Numbers
2017 Population Estimate • Department: 20 years and older • Applicant: 18 years and older	173,698	181,126
Calculated Use Rate	27.25 / 100,000	27.25 / 100,000
Gross Bed Need	47.3	49.4
Minus Current Supply	8.0	9.0
Net Bed Need	**39.3**	**40.4**
Minus Project's # of Beds	10.0	10.0
Unmet Bed Need	**29.3**	**30.4**

As shown in Table 3 above, the department's numeric methodology uses a smaller population, but the net result still shows numeric need in the projection years beginning in 2016. The 'net bed need' line item shows that 39 psychiatric beds are needed in Yakima County planning area in year 2016. The 'unmet bed need' line item shows that even with SCHA providing psychiatric services with ten beds beginning in year 2016, additional psychiatric beds may be needed in Yakima County.

During the review of this project, no entities submitted comments directly related to the numeric methodology used by the applicant. In summary, relying on the department's numeric methodology, need for additional psychiatric bed capacity in Yakima County is justified.

In addition to the numeric methodology, SCHA provided information related to the need for more psychiatric beds in Yakima County. SCHA's information is summarized below. [source: Application, pp15-19 and December 29, 2014, supplemental information, p7 and Attachment 2]

- In 2013, SCHA completed a Community Health Needs Assessment Implementation Plan for the hospital. The Plan proposed an evaluation of inpatient psychiatric services in response to an identified need by the community for additional behavioral health services. This project is in response to the identified need for psychiatric services.
- The Washington State Health Youth Survey found that the rate of students reporting that they have felt depressed for two consecutive weeks or longer was higher in the Sunnyside School District (32.6%) and Yakima County (29.5%) when compared to the state (24.9%).
- Yakima County has a higher psychiatric bed/population ratio than the rest of the state primarily due to the development of collaborative community based programs that are specifically designed to support residents in a mental health crises or impaired by drugs or alcohol. However, the county is still in need of additional psychiatric inpatient bed capacity.
- The 2014 County Health Rankings reports the average number of days in the previous 30 days when a person indicates their activities are limited due to mental health difficulties. The information concluded that Yakima County had a higher number of poor mental health days (3.6) than Washington State as a whole (3.3).
- Yakima Valley Memorial Hospital has shouldered the burden of inpatient acute psychiatric care in the county. In partnership with Central Washington Comprehensive Mental Health, the hospital downsized its acute unit in early 2014 following the opening of a new 16-bed Evaluation and Treatment facility in the county.

- In late 2013, SCH applied for, and was awarded, a $1.32 million capital grant from the Department of Commerce for the establish of a 10-bed psychiatric unit. This funding became available as a result of changes to the Washington State Involuntary Treatment Act that took effect in year 2012.
- The State Supreme Court has mandated that Washington end its single bed certification practice by December 2014. This practice has led to the boarding of psychiatric patents in facilities that are unable to provide appropriate services. Yakima County has no more than 9 acute care inpatient psychiatric beds and 16 beds within a recently established Evaluation and Treatment facility to serve the entire county population.
- SCHA recognizes that the numeric methodology projects need for more than ten psychiatric beds for Yakima County; however, as a CAH, SCH is limited to operating a maximum of ten psychiatric beds.

During the review of this project, the department received a total of six letters both in support (4) and opposition (2) for the ten-bed psychiatric unit at SCH. Below is a summary of the comments that focus on need for the additional psychiatric services in the county.

Support

- The shortage of psychiatric beds in Washington State is well-known and has been called out in various recent publications. In the Lower Yakima Valley[6], the closest beds are either located in the city of Yakima or in the Tri-Cities. Both operate at a high occupancy. Unlike many other emergency rooms in the state where volume has flattened, at SCH the number of emergency room visits has increased in the last few years, which includes an increase in psychiatric patients. [source: Medical Director, Sunnyside Community Hospital]
- The Yakima Valley Farmworkers 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. We operate a behavioral health program for adults, children, adolescents, and their families. Despite our comprehensive program, significant need for psychiatric inpatient services still exist. [source: Executive Director, Yakima Valley Farm Workers Clinic]
- As the representative of Washington's 15th Legislative District, which includes the communities of Grandview, Selah, Sunnyside, and Toppenish, I am aware of the psychiatric bed shortage in the state and within my district. The communities within the district have unique transportation, access, and cultural needs that have compromised access to behavioral health inpatient treatment. [source: Washington State Senator Jim Honeyford]
- SCH provides ongoing support and training to its primary care clinics to help manage behavioral health issues, but our clinics are not staffed or resourced to manage patients in crisis or otherwise in need of support beyond the primary care setting. Currently, the closest inpatient resources are in the city of Yakima or in the Tri-Cities. Both operate at a high occupancy. Our patients strongly prefer local care. Currently our clinics spend hours attempting to coordinate care and refer patients to more intense resources. Having the care and expertise locally will greatly benefit our community. [source: Administrator-Physician Services, Sunnyside Community Hospital]

[6] The Lower Yakima Valley is defined by zip codes: 98944 (Sunnyside); 98930 (Grandview); 98935 (Mabton); 98938 (Outlook); 98932 (Granger); and 98953 (Zillah) all located in Yakima County. The area also includes the zip codes of 99350 (Prosser) in Benton County and 99349 (Mattawa) in Grant County.

The letters of opposition were submitted by Central Washington Comprehensive Mental Health and Lourdes Counseling Center, which is a division of Lourdes Health Network. Below is a summary of the comments that focus on need for the additional psychiatric services in the county.

Opposition

Central Washington Comprehensive Mental Health

[source: President and CEO, Central Washington Comprehensive Mental Health]

- Central Washington Comprehensive Mental Health currently serve Kittitas, Yakima, Klickitat, Benton, Franklin, and Walla Walla counties and provides some statewide services. We serve nearly 20,000 behavioral health patients annually in the service area. The organization also serves as the Designated Mental Health Professional in four of the counties, including Yakima. We provide mobile crisis outreach and are responsible for coordinating nearly all of the psychiatric hospitalizations in our service area. We operate a very broad spectrum of services, including outpatient, residential and skilled nursing, and inpatient services for all ages. There is no need for another ten psychiatric beds in Yakima County. In collaboration with Yakima Valley Memorial Hospital, a new 16-bed Evaluation and Treatment facility was established in Yakima, resulting in a net gain of 10 adult beds. The existing units operate on very tight margins and require a daily census of 95% to operate cost effectively. The new Evaluation and Treatment facility accepts 6-8 admissions per month from outside its service area to maintain its occupancy.

Lourdes Counseling Center

[source: President and CEO, Lourdes Counseling Center]

- Lourdes Counseling Center has been providing mental health and chemical dependency services to the community for over 40 years. We have a 32-bed licensed psychiatric hospital inpatient unit that provides services to both voluntary and involuntary patients. The average daily census is 16. Lourdes Counseling Center provides acute psychiatric inpatient, residential crisis triage, jail diversion, medium and longer-term supportive housing, counseling, case management, medication management, and chemical dependency counseling.
- In August 2014, we opened a residential crisis triage unit and the average daily census is 11. Both the inpatient and the crisis triage have capacity to treat additional patients.

In response to the letters of opposition, SCHA provided the following information restated below. [source: April 30, 2015, rebuttal documents submitted by SCHA]

Central Washington Comprehensive Mental Health

Central Washington Comprehensive Mental Health (CWCMH) is a highly regarded and necessary provider in Yakima County and provides Evaluation and Treatment services, not acute inpatient care. Part of CWCMH's opposition focuses on need for the ten psychiatric beds. CWCMH states there has been a '*steady increase in available beds to meet psychiatric needs of the region*.' This is incorrect. The planning area for this project is Yakima County; not the Greater Columbia Regional Support Network planning area of Kittitas, Yakima, Klickitat, Benton, Franklin, and Walla Walla counties. SCHA information shows that there are now 4-9 acute psychiatric beds in Yakima County, which is a reduction from 9 – 14 beds since year 2014. The CN Program does not count

evaluation and treatment beds for psychiatric bed projects. This is a long-standing approach that was recently reaffirmed by CN staff in an adjudicative hearing.[7]

Lourdes Counseling Center at Lourdes Health Network

- This facility is located in Richland, within Benton County. SCH's primary service area is Yakima County and need is demonstrated based on Yakima County resident need. Year 2013 CHARS data shows less than 3% of Yakima County residents seek inpatient acute psychiatric care at Lourdes Health Network.
- Lourdes Health Network provided no data to substantiate why a ratio other than 27.25 [per 100,000 residents] should be used to evaluate this project. Even if the ratio were adjusted downward by 75%, the beds we are requesting would be fully supported. There is absolutely no data in the record to suggest that such an adjustment is reasonable.
- Lourdes Health Network states it has 32 licensed beds that run an average daily census of 16. These beds are located at Lourdes Counseling Center. According to its website, the counseling center operates a "*20-bed inpatient hospital that serves adults aged 18 and over*."[8] A census of 16 with 20 beds is average midnight occupancy of 80% Depending on bed configuration, patient clinical needs, etc., an average midnight occupancy of 80% could mean that on many days the hospital is operating at 100% effective occupancy. Lourdes Health Network also reported 20 beds on its most recent year-end report to the Department of Health [document attached]. This document shows that Lourdes Health Network has 32 licensed beds and 20 ***available beds***. The department has been clear and consistent on this matter: it counts available beds in supply, not licensed beds.

Department's Evaluation

The department has already concluded that the 27.25 per 100,000 persons is a reasonable use rate to use in the numeric methodology for Washington State counties. The department has also already concluded that numeric need for the additional psychiatric beds in Yakima County is met.

Both Central Washington Comprehensive Mental Health and Lourdes Health Network do not support SCHA's application for additional inpatient psychiatric beds. For Certificate of Need purposes, the planning area focus for this project is Yakima County. The department will not consider denial of this project on the perception that there is no need for additional psychiatric beds in Benton County, where Lourdes Health Network is located, or the expanded six counties served by Central Washington Comprehensive Mental Health.

SCHA asserts that Yakima County has only 9 dedicated psychiatric beds to serve to both voluntary and involuntary psychiatric patients. The department's records show 8 beds, rather than 9. The department does not count Evaluation and Treatment beds—such as those located at Central Washington Comprehensive Mental Health—for hospital inpatient psychiatric bed projects. As a result, the department concurs that 8 psychiatric beds is a low number for a county the size of Yakima.

Additionally, Central Washington Comprehensive Mental Health's concerns regarding the occupancy of the new Evaluation and Treatment facility cannot be considered in this review.

[7] Adjudicative Hearing conducted on August 28-29, 2014, for Master Case 2013-1283.
[8] A copy of the screenshot for the website was included in the rebuttal documents.

Central Washington Comprehensive Mental Health implies in its public comments that Yakima Valley Memorial Hospital's occupancy could be jeopardized by adding psychiatric beds to the county; however, Yakima Valley Memorial Hospital did not provide any public comments—either in support or opposition—to this project. The department cannot consider comments purported to be on behalf of another entity.

In summary, numeric need for ten dedicated psychiatric beds has been demonstrated. SCHA also provided information supporting need for the beds in the planning area of Yakima County. Based on the above information, need for additional psychiatric beds to be located in Yakima County has been demonstrated. **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.

SCH has been providing healthcare services to the residents of Yakima County and surrounding communities for many years through its hospital and medical clinics. Healthcare services have been available to low-income, racial and ethnic minorities, handicapped and other underserved groups. SCH currently participates in the Medicare and Medicaid programs. For this project, SCHA must demonstrate a commitment to be available to the residents of the community, maintain its Medicare and Medicaid participation, and provide a percentage of charity care in the planning area.

Admission Policy

To determine whether all residents of the community would continue to have access to the applicant's proposed services, the department requires applicants to provide a copy of its current or proposed admission policy. The admission policy provides the overall guiding principles of the facility as to the types of patients that are appropriate candidates to use the facility and any assurances regarding access to treatment. The admission policy must also include language to ensure all residents of the service area would have access to services. This is accomplished by providing an admission policy that states patients would be admitted without regard to race, ethnicity, national origin, age, sex, pre-existing condition, physical, or mental status.

To demonstrate compliance with this sub-criterion, SCHA provided copies of three separate policies: Patient's Rights Policy; Informed Consent Policy, and the Nondiscrimination Policy. [source: Application, Exhibit 6]

The Patient Rights Policy provides 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.

The Informed Consent Policy is used to describe 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.

The Nondiscrimination Policy includes 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."

All three policies are posted on the Department of Health website. Additionally, all three 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 three policies must be considered draft. If this project is approved, the department would attach conditions requiring SCHA to provide the approved versions of all three policies.

In addition to the policies referenced above, SCHA also provided a policy specific to psychiatric services to be used at SCH. This policy is a draft and is entitled "Psychiatric Service Admission Policy." The policy includes the required non-discrimination language and also provides the process SCH would use to admit psychiatric patients into either voluntary or involuntary treatment. [source: December 29, 2014, supplemental information, Attachment 6] If this project is approved, the department would attach a condition requiring SCHA to provide the approved version of this policy.

Medicare and Medicaid Programs

The department uses Medicare certification to determine whether the elderly would have access or continue to have access to the proposed services. To demonstrate compliance with this sub-criterion SCHA provided the current and projected source of revenues by payer at SCH. Medicare revenues are, and would continue to be, 28.9% of total revenues at the hospital. Additionally, the financial data provided in the application shows Medicare revenues. [source: March 4, 2015, supplemental information, Attachment 1]

The department uses the facility's Medicaid eligibility or contracting with Medicaid to determine whether low-income residents would have access to the proposed services. To demonstrate compliance with this sub-criterion, SCHA also provided the current and projected percentage of Medicaid revenues at 44.5% for SCH. Additionally, the financial data provided in the application shows Medicaid revenues. [source: March 4, 2015, supplemental information, Attachment 1]

Charity Care Policy

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

SCH has historically provided charity care to community residents for many years. To demonstrate compliance with this sub-criterion, SCHA provided a copy of the Charity Care Policy currently used at SCH and posted on the Department of Health's website. The policy includes the process one must use to access charity care, and includes the non-discrimination language referenced above. The pro forma financial documents provided in the application also include a charity care 'line item.' [source: March 4, 2015, supplemental information, Attachment 1] This policy also includes the following language: *"Printed copies are for reference only. See the hospital intranet for approved version.*" If this project is approved, the department would attach a condition requiring SCHA to provide the approved version of this policy.

For charity care reporting purposes, the Department of Health's Hospital and Patient Data Systems program (HPDS), divides Washington State into five regions: King County, Puget Sound (less King County), Southwest, Central, and Eastern. SCH is one of 21 hospitals located in the Central Washington Region. According to 2011 - 2013[9] charity care data obtained from HPDS, SCH has historically provided less than the three-year average charity care provided in the region. The table below is a comparison of the average charity care for the Central Washington Region, and the historical and projected percentages of charity care for SCH. [source: March 4, 2015, supplemental information, Attachment 1 and HPDS 2011-2013 charity care summaries**]**

Table 4
Charity Care Percentage Comparisons

	% of Total Revenue	% of Adjusted Revenue
Central Washington Region	2.34%	5.39%
Sunnyside Community Hospital Historical	1.80%	5.12%
Sunnyside Community Hospital Projected	2.21%	8.32%

The pro forma revenue and expense statements submitted by SCHA for SCH indicate that the hospital will provide charity care at slightly less than the regional average for total revenue. The department concludes a charity care condition is necessary for this project.

No public comments were submitted for this sub-criterion.

If this project is approved, the department would attach conditions requiring SCHA to provide the approved versions of its Patient's Rights Policy; Informed Consent Policy, Nondiscrimination Policy, and Charity Care Policy. The approved versions of the policies would exclude the following language:

"Printed copies are for reference only. See the hospital intranet for approved version."

Additionally, the department would attach a condition requiring SCH to provide charity care in an amount comparable to or exceeding the average amount of charity care provided by hospitals in the Central Region.

Based on the source documents evaluated and the applicant's agreement to the conditions referenced above, the department concludes that all residents, including low income, racial and ethnic minorities, handicapped, and other under-served groups would continue to have access to the services provided by SCH. **This sub-criterion is met.**

[9] Charity care data for year 2014 is not available as of the writing of this evaluation.

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

Based on the source information reviewed and provided the applicant agree to the conditions identified in the 'conclusion' section of this evaluation, the department concludes that Sunnyside Community Hospital Association 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 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.

If this project is approved, SCHA expects to begin providing psychiatric services in Yakima County in June 2016. [source: December 29, 2014, supplemental information, p2] Based on this timeline, year 2017 would be full calendar year one with a ten-bed psychiatric unit and 2019 would be year three.

To evaluate this sub-criterion, the department first reviewed the assumptions used by SCHA to determine the projected number of psychiatric admissions at SCH. The assumptions are summarized below. [source: Application, p25; December 29, 2014, supplemental information, p1 and p5]

- Based on 2008-2013 actual Washington State CHARS data for patients age 18 and older for major diagnostic category (MDC) #19 – Mental Diseases and Disorders, an average length of stay (ALOS) of 9.1 days is assumed. The ALOS is consistent with patients served in Yakima County and Lourdes Counseling Center located in Benton County.
- The projections assume 50% of the patients would be residents of Yakima County and 50% would in-migrate from outside the county.
- Year 2016 represents six months of psychiatric services; years 2017 through 2019 represent full years.

Using the assumptions summarized above, SCHA projected the number of psychiatric patients, patient days, average daily census, and utilization for the ten-bed psychiatric unit shown in Table 5 below. [source: December 29, 2014, supplemental information, p1]

Table 5
Sunnyside Community Hospital Psychiatric Projections

	Partial Year 2016	Year -1 2017	Year -2 2018	Year-3 2019
Psychiatric Patient Discharges	101	261	327	327
Psychiatric Patient Days	913	2,372	2,960	2,960
Average Daily Census	5.0	6.5	8.1	8.1
Percentage of Utilization	50%	65%	81%	81%

It is noted that SCHA assumed 50% in-migration for the psychiatric services. In response to the department's inquiry regarding this assumption, SCHA provided the following explanation. [source: December 29, 2014, supplemental information, pp4-5]

> *"The need rationale beginning on page 16 of our application demonstrates that the inpatient migration is not necessary for us to achieve our volumes. At 1.6 – 3.6 [psychiatric] beds per 100,000, Yakima County's bed to population is at the very low end of all of the more populated counties in the state, so it is reasonable that more than 50% of our patients will come from Yakima County. That said: 1) our grant application to the Department of Commerce for 1.32 million to fund the project indicated that our serve area was the Greater Columbia Region; and 2) our support from the Greater Columbia Mental Health (the local RSN) was based on beds being available to serve the entirety of the region. For planning purposes, we assumed 50% in-migration."*

Taking into consideration the need projection methodology and the assumptions used by SCHA to project the number of psychiatric patients and patient days, the department concludes that the assumptions used are reasonable.

Using the projected number of psychiatric patients and patient days in Table 5 above, SCHA provided the projected revenue and expense statement for the ten-bed psychiatric unit and the hospital-wide statement, which includes the psychiatric unit. The assumptions for the revenue and expense statements are summarized below. [source: December 29, 2014, supplemental information, and March 4, 2015, supplemental information, Attachment 1]

- Inpatient revenue includes psychiatric room, board, treatments, and supplies for psychiatric inpatients. This revenue is included in both statements.
- Outpatient revenue includes treatments/test, and supplies for psychiatric outpatients. This revenue is included in both statements.
- Non-operating revenue includes revenue derived from rental space, etc. The hospital-wide statement includes this revenue; the psychiatric unit does not.
- For the psychiatric unit statement, salaries and wages include the salaries/benefits of two psychiatrists at a combined total of $512,000 and all support staff associated with psychiatric services. The hospital-wide statement includes salaries/benefits for all hospital staff.
- Allocated costs are estimated at $21,000 in year 2016; $56,940 in year 2017; and $71,520 in years 2018 and 2019. This expense is a separate line item in the psychiatric unit statement.
- Professional fees include medical director and other professional fees. For the psychiatric unit, these fees are estimated at $50,000/annually for each projection year. For the hospital-wide statement, these fees are estimated at $1,347,600 annually for each projection year.
- Purchased services-other includes collection services, lab, legal fees, management fees, and other contract services. These expenses are included in both statements.
- Both statements include depreciation and insurance expenses.
- Psychiatric unit statement has no rental or lease expenses; hospital-wide statement includes those expenses for equipment.
- Other Direct Expenses include travel, licenses/taxes, dues/subscriptions, recruitment, etc. These expenses are not in the psychiatric unit but are in the hospital wide statement.

Tables 6 and 7 below provide the summary of the information. [source: March 4, 2015, supplemental information, Attachment 1]

Table 6
Sunnyside Community Hospital
Psychiatric Unit Revenue and Expense Summary

	Partial Year 2016	Year -1 2017	Year -2 2018	Year-3 2019
Net Revenue	$ 949,450	$ 2,439,213	$ 2,998,113	$ 2,998,113
Total Operating Expenses	$ 1,161,796	$ 2,170,446	$ 2,388,418	$ 2,388,418
Net Profit / (Loss)	($ 212,346)	$ 268,767	$ 609,695	$ 609,695

The 'Net Revenue' line item is gross revenue and any deductions for charity care, bad debt, and contractual allowances. The 'Total Operating Expenses' line item includes salaries and wages for the psychiatric unit's staff, and all allocated costs. As shown in the table above, SCHA projected the psychiatric unit would operate at a loss in partial year 2016; and a profit in full years 2017 through 2019.

Table 7
Sunnyside Community Hospital
Hospital-Wide Revenue and Expense Summary

	Full Year 2016	Full Year 2017	Full Year 2018	Full Year 2019
Net Revenue	$ 58,206,932	$ 59,696,695	$ 60,255,595	$ 60,255,595
Total Operating Expenses	$ 55,847,378	$ 56,820,988	$ 57,024,380	$ 57,024,380
Net Profit / (Loss)	$ 2,359,554	$ 2,875,707	$ 3,231,215	$ 3,231,215

The 'Net Revenue' line item is gross revenue and any deductions for charity care, bad debt, and contractual allowances. The 'Total Operating Expenses' line item includes salaries and wages for all staff, including the psychiatric unit. As shown in the table above, SCHA projected the hospital would operate at a profit in all projections years with the ten-bed psychiatric unit.

To assist in the evaluation of this sub-criterion, the department also reviewed projected balance sheets for years one through three. Table 8 below shows a summary of year three. [source: December 29, 2014, supplemental information, Attachment 1]

Table 8
Sunnyside Community Hospital
Projected Balance Sheet for Year 2019

Assets		**Liabilities**	
Current Assets	$ 32,353,015	Current Liabilities	$ 12,460,565
Fixed Assets	$ 19,700,700	Long Term Debt	$ 4,766,557
Board Designated Assets	$ 0	Other Liabilities	$ 63,000
Other Assets	$ 877,300	**Equity**	**$ 35,640,893**
Total Assets	**$ 52,931,015**	**Total Liabilities and Equity**	**$ 52,931,015**

After reviewing the projected balance sheet summarized above, the department concludes that the addition of a ten-bed psychiatric service at SCH is not expected to jeopardize the financial health of the hospital.

HPDS also provided a financial ratio analysis. The analysis assesses the financial position of an applicant, both historically and prospectively. The financial ratios typically analyzed are **1)** long-term debt to equity; **2)** current assets to current liabilities; **3)** assets financed by liabilities; **4)** total operating expense to total operating revenue; and **5)** debt service coverage. If a project's ratios are within the expected value range, the project can be expected to be financially feasible. Additionally, HPDS reviews a project's projected statement of operations to evaluate the applicant's immediate ability to finance the service and long term ability to sustain the service.

For Certificate of Need applications, HPDS compares projected ratios with the most recent year financial ratio guidelines for hospital operations. For this project, HPDS used 2013 data for comparison with projected years 2016 through 2019. The ratio comparisons for full years 2017 through 2019 are shown in the table below. [source: June 5, 2015, HPDS analysis, p3]

Table 9
Projected Debt Ratios for Sunnyside Community Hospital

Category	Trend*	State 2013	Projected Year 1 2017	Projected Year 2 2018	Projected Year 3 2019
Long Term Debt to Equity	B	0.513	0.258	0.188	0.131
Current Assets/Current Liabilities	A	2.356	2.327	2.506	2.685
Assets Funded by Liabilities	B	0.416	0.401	0.359	0.319
Operating Expense/Operating Revenue	B	0.945	0.890	0.797	0.797
Debt Service Coverage	A	5.887	N/A	N/A	N/A

Definitions:	Formula
Long Term Debt to Equity	Long Term Debt/Equity
Current Assets/Current Liabilities	Current Assets/Current Liabilities
Assets Funded by Liabilities	Current Liabilities + Long term Debt/Assets
Operating Expense/Operating Revenue	Operating expenses / operating revenue
Debt Service Coverage	Net Profit+Depr and Interest Exp/Current Mat. LTD and Interest Exp

* A is better if above the ratio, and B is better if below the ratio

As noted above, the debt service coverage ratio is not used because no debt is associated with the project. SCHA intends to fund its portion of the project—$2,283,607—with hospital reserves. By the end of the third full year of operation, all ratios are within range.

There was no public comment submitted related to this sub-criterion.

Based on the financial and utilization information above, the department concludes that the immediate and long-range operating costs of the project can be 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.

The estimated capital expenditure associated with the establishment of the ten-bed psychiatric unit at SCH is $3,486,607. A breakdown of the costs is shown below. [source: Application, p27]

Item	Cost	% of Total
Construction Costs [includes fixed equipment]	$ 2,853,000	81.8%
Moveable Equipment	$ 180,000	5.2%
Architect/Engineering/Supervision Fees	$ 214,000	6.1%
Sales Tax	$ 239,607	6.9%
Total	**$ 3,486,607**	**100.0%**

The hospital has been located at 1016 Tacoma Avenue in Sunnyside for many years. The psychiatric unit within the hospital is expected to be approximately 5,200 gross square feet and would be located within an existing, to-be-renovated wing of the hospital. Construction costs identified above include all costs for renovation and any fixed equipment to be installed into the space. [source: Application p6]

SCHA also provided the estimated start-up costs for the project. These start-up costs include all costs incurred after construction is complete, but before the unit is open for patient care. A breakdown of the start-up costs is below. [source: Application, p30]

Item	Cost	% of Total
Recruitment/Staff Training	$ 74,000	63.2%
Supplies	$ 3,000	2.6%
Minor Equipment	$ 5,000	4.3%
Purchased Services	$ 30,000	25.6%
Allocated Costs	$ 5,000	4.3%
Total	**$ 117,000**	**100.0%**

To further demonstrate compliance with this sub-criterion, SCHA provided SCH's hospital-wide current and projected revenue sources. SCHA states that the revenue sources are not expected to change with the addition of psychiatric services at the hospital. [source: Application, p33]

Table 10
Sunnyside Community Hospital
Sources of Patient Revenue

Payer Source	Percentage
Medicare	28.9%
Medicaid	44.5%
HMO/PPO/Commercial	21.8%
Private Pay/Other Insurance	4.8%
Total	**100.0%**

As shown in Table 10, 28.9% of the payer source is Medicare. Since the psychiatric unit will be PPS exempt, the reimbursement is made based on a predetermined, fixed amount. As a result, these costs are not expected to have an impact on the operating costs and charges for psychiatric services in Yakima County.

Medicaid is the single largest payer for mental health services in the United States and is increasingly playing a larger role in the reimbursement of substance use disorder services. [source: CMS website] Medicaid is also a cost-based reimbursement under the PPS exemption.

There was no public comment submitted related to this sub-criterion.

Since the combined percentages of Medicare and Medicaid payer source make up the majority [73.4%] of the projected revenue at SCH, the department concludes that the costs of this project will probably not result in an unreasonable impact to the costs and charges for health care services within the services 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.

As previously stated, the total capital expenditure for the establishment of the ten-bed psychiatric unit at SCH is $3,486,607. SCHA intends to fund the project with a combination of money from the Department of Commerce grant and accumulated reserves from SCH. The startup costs of $117,000 will also be funded with SCH reserves. Below is a breakdown of the funding sources and amounts for this project. [source: Application, pp29-30]

Table 11
Funding Sources for
Sunnyside Community Hospital Psychiatric Unit

Item	Hospital Reserves	Department of Commerce Grant
Capital Expenditure	$ 2,166,607	$ 1,320,000
Startup Costs	$ 117,000	None
Total Project Cost	**$ 2,283,607**	**$ 1,320,000**

To demonstrate that the funding for the project is available, SCHA provided the following documents. [source: Application, Exhibit 8 and Appendix 1]

- A letter from SCH's chief financial officer demonstrating a commitment to the project and the costs;
- A letter from the Department of Commerce demonstrating award of the grant provided that SCH received all state and federal approvals;
- SCHA's year 2012 and 2014 audited financial statements demonstrating the funds for the project are available.

To determine whether SCH has the funding sources for this project, HPDS also reviewed 2013 historical balance sheets. The information is shown in the table below. [source: June 5, 2015, HPDS analysis, p2]

Table 12
Sunnyside Community Hospital
Historical Balance Sheet for Year 2013

Assets		**Liabilities**	
Current Assets	$ 27,152,442	Current Liabilities	$ 11,368,576
Fixed Assets	$ 13,286,439	Long Term Debt	$ 0
Board Designated Assets	$ 540,860	Other Liabilities	$ 6,051,588
Other Assets	$ 905,017	**Equity**	**$ 24,464,594**
Total Assets	**$ 41,884,758**	**Total Liabilities and Equity**	**$ 41,884,758**

After reviewing the 2013 balance sheet above, HPDS noted that the total capital expenditure of $3,486,607 is 8.3% of the total assets and 14.3% of the equity. These percentages are reasonable and demonstrate that SCH could fund the entire project if necessary. A calculation of SCH's portion of the funding—$2,283,607 is 5.4% of the total assets and 9.3% of the equity.

There was no public comment submitted related to this sub-criterion.

Based on the documents submitted, the department concludes the project can be funded. **This sub-criterion is met.**

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

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

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

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

As a 25-bed CAH, SCH is currently staffed to provide acute care services. The addition of a ten-bed psychiatric unit in year 2016 would require additional staff through year 2019. SCHA provided SCH's current and projected hospital-wide and psychiatric unit full time equivalents (FTEs). The information is summarized in Table 13 on the following page. [source: March 3, 2015, supplemental information, p1]

Table 13
Sunnyside Community Hospital Staffing for Years 2016-2019

Category	Full Year 2016	Full Year 2017	Full Year 2018	Full Year 2019
Clinical Director	0.5	1.0	1.0	1.0
Registered Nurse (RN)	55.2	58.4	60.4	60.4
Medical Social Workers (MSW)	1.5	2.0	2.0	2.0
Clinical Coordinator (outpatient)	0.5	1.0	1.0	1.0
Therapists (outpatient)	0.7	1.4	1.4	1.4
Clerical	0.5	1.0	1.0	1.0
OT/RT & Community Education Manager	0.5	1.0	1.0	1.0
Housekeeping	15.7	16.4	16.4	16.4
Other[10]	268.0	268.0	268.0	268.0
Total FTE's	**343.1**	**350.2**	**352.2**	**352.2**

Specific to the proposed ten-bed psychiatric unit, SCHA expects to add 7.1 FTEs in year 2016, another 7.1 FTEs in year 2017, and then 2.0 FTEs in year 2018, for a total hospital increase of 16.2 FTEs.

To further demonstrate compliance with this sub-criterion, SCHA provided the following statements related to its ability to recruit and retain staff. [source: Application, p35]

> *"Sunnyside [Community Hospital] has a proven history as a competitive employer, offering a comprehensive wage and benefit package to its employees. To assist with retention, Sunnyside [Community Hospital] annually undertakes a survey to ensure that its salary and benefit levels remain competitive. Sunnyside [Community Hospital] is also committed to ensuring that bilingual and bicultural staff [is] available for the psychiatric unit due to the large number of residents in our service area who speak a language other than English at home."*

SCHA must recruit psychiatric specific staff for the ten-bed inpatient psychiatric unit, which includes both psychiatrist and psychologists. Additionally, SCH will have a medical director specific to the psychiatric unit. The staff will be employees of SCH, so no medical director contracts will be established. SCHA provided a draft job description for the medical director that outlines responsibilities for the position. [source: December 29, 2014, supplemental information, Attachment 5]

There was no public comment submitted related to this sub-criterion.

If this project is approved, the department would attach a condition requiring SCHA to provide a copy of the executed medical director job description and identification of the medical director.

Based on the source information reviewed the department concludes that sufficient staffing is available or can be recruited. **This sub-criterion is met.**

[10] Other staff includes administration, medical records, business office, human resources, dietary, plant administration, and information technology staff.

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

WAC 246-310 does not contain specific WAC 246-310-230(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.

SCH has been providing acute care hospital services to Yakima County and surrounding communities for many years. As a 25-bed CAH, SCH currently has long established ancillary and support relationships. Specific to its proposed ten-bed psychiatric unit, SCH intends to provide much of the ancillary services on site, such as pharmacy, dietary, and lab services. The addition of psychiatric services will require SCH to establish working relationships with existing behavioral health specialists, such as private outpatient providers, designated mental health professionals, Regional Support Network staff, etc. Since the psychiatric services are not operational, SCH has not yet secured these relationships. [source: Application, p36]

During the review of this project, the department received comments from Central Washington Comprehensive Mental Health related to this sub-criterion. Below is a summary of the comments.

Central Washington Comprehensive Mental Health

[source: President and CEO, Central Washington Comprehensive Mental Health]

- Operation of a ten-bed psychiatric unit requires close coordination of care with a number of systems, including hospital, medical providers, the local RSN, local community mental health and chemical dependency providers, the Designated Mental Health Professionals, and other psychiatric providers, and local courts. There has been no coordination from Sunnyside Community Hospital with my organization Central Washington Comprehensive Mental Health or the Designated Mental Health Professional.
- The operator has no experience in the operation of mental health, psychiatric, or inpatient services. The application reflects a lack of understanding of system structure, referral patterns, payment mechanisms, and the interplay of the voluntary and involuntary treatment system. As the largest behavioral health provider in the area and the provider of crisis and intervention services, we are concerned about the unforeseen impacts from this lack of experience.

In response to the comments above, SCHA provided the following information restated below.

Sunnyside Community Hospital Association Rebuttal

[source: April 30, 2015, rebuttal documents submitted by SCHA]

- CWCMH is correct that our Department of Commerce application for funding indicated that we had local support and we would coordinate closely with local agencies if grant funding was provided.
- We have coordinated with staff from CWCMH. They participated in our Community Health Needs Assessment and attended the meeting where the priorities, including more behavioral health services, were established.
- We have not yet coordinated transfer of care because we do not hold a CN and need state construction review approval before commencing. Further, the Greater Columbia RSN

supported our Department of Commerce grant and has been helpful in providing data for this application.

- We stand behind our statements that '*we will endeavor to develop relationships with local courts and prosecutors, as well as local law enforcement agencies to support involuntary commitment of patients needing such services*.'

Department's Evaluation

The concerns raised by Central Washington Comprehensive Mental Health appear to focus on SCHA's perceived lack of coordination with it before submitting this application. SCHA asserts it coordinated with Central Washington Comprehensive Mental Health and its staff participated in the Community Health Needs Assessment completed in year 2013. It is not a requirement for applicant's to coordinate with or inform existing healthcare providers in its community before submitting an application, but in some cases it is highly advised.

The focus of this sub-criterion is to ensure that an applicant would establish ancillary and support relationships in the community it proposes to serve. Specific to this project, SCH has been providing healthcare services in the community for many years and has much experience establishing the working relationships necessary to maintain the healthcare services. For the new inpatient psychiatric services, SCH must establish relationships with providers it has not previously worked with in the past. This requires a coordinated effort on behalf of SCH and the intended healthcare providers. Based on documents provided in the application and SCH's historical ability to establish ancillary and support relationships, the department concludes there is reasonable assurance that SCH will have appropriate ancillary and support services for the ten-bed psychiatric unit. **This sub-criterion is met.**

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

WAC 246-310 does not contain specific WAC 246-310-230(3) criteria as identified in WAC 246-310-200(2) (a) (i). There are known recognized standards as identified in WAC 246-310-200(2) (a) (ii) and (b) that a facility must meet when it is to be Medicare certified and Medicaid eligible. 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. 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.

SCH has been a healthcare provider in Washington for many years through its hospital in Sunnyside and physician clinics in Yakima and Benton Counties. As part of this review, the department must conclude that the proposed services provided by SCH would be provided in a manner that ensures safe and adequate care to the public.[11] To accomplish this task, the department reviewed the quality of care compliance history for all healthcare facilities either owned, operated, or managed by SCH or SCHA.

[11] WAC 246-310-230(5).

Using the department's internal database, the department obtained survey data for SCH. Since 2011, three surveys have been conducted and completed by Washington State surveyors. All surveys resulted in no significant non-compliance issues.[12] [source: ILRS survey data]

Given the compliance history of the SCH, the department concludes that there is reasonable assurance that the ten-bed psychiatric services would continue to operate in compliance with state and federal regulations with the additional nine dialysis stations. **This sub-criterion is met.**

There was no public comment submitted related to this sub-criterion.

Given the compliance history of SCH, the department concludes there is reasonable assurance the new inpatient psychiatric services would be operated in conformance 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 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.

To demonstrate compliance with this sub-criterion, SCHA stated it fully expects that the proposed inpatient psychiatric services would promote continuity in the delivery and care of mental health patients in Yakima County and surrounding communities. SCHA also states that discharge planning begins at admission. Staff will review discharge options throughout the patient's stay to ensure that continuity of care is achieved, while also ensuring that the patient receives the most appropriate level of care. [source: Application, p37]

There was no public comment submitted related to this sub-criterion.

Based on the source information reviewed, the department concludes that approval of this project would not cause unwarranted fragmentation of the existing healthcare system. **This sub-criterion is met.**

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

This sub-criterion is evaluated in sub-section (3) above, and based on that evaluations; the department concludes that **this sub-criterion is met**.

[12] Quality of care surveys conducted in November 3, 2011, December 13, 2012, and November 20, 2013.

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

Based on the source information reviewed and provided the applicant agree to the conditions identified in the 'conclusion' section of this evaluation, the department concludes Sunnyside Community Hospital Association 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 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.

Step One

For this project, SCHA's project met the review criteria under WAC 246-310-210, 220, and 230. Therefore, the department moves to step two below

Step Two

Before submitting this application to establish a ten-bed psychiatric unit at SCH, SCHA stated that it considered two other alternatives. The two alternatives and SCHA's rationale for rejecting them is summarized below and on the following page.

Do nothing

The applicant stated it immediately ruled out this alternative because of the demonstrated shortage of acute psychiatric beds in Yakima County. Additionally, once SCH secured the Department of Commerce grant funding for this project, the option of do nothing was rejected. [source: Application, p39]

Establish a ten-bed psychiatric unit using ten of the thirteen licensed, but not operational beds.

SCHA states it rejected this option for two reasons. First, Yakima County has been experiencing some growth in recent years. The community of Sunnyside has also experienced recent growth. The population of Sunnyside exceeds 82,000, which is a 25% increase since year 2000. If SCH

were to choose to relinquish its CAH designation, the hospital could begin using the 13 licensed beds. Second, SCHA believes if the additional 13 beds were to be needed in the future, the beds would be needed for general medical/surgical care, rather than psychiatric care. Using the 13 beds for psychiatric care at this time was not considered by SCHA to be prudent healthcare planning. [source: December 29, 2014, supplemental information, p8]

For the reasons stated above and coupled with the demonstrated numeric need for psychiatric beds in Yakima County, SCHA submitted this application.

Step Three

This step is used to determine the best available alternative between two or more approvable projects. The department did not receive any other application proposing to add psychiatric bed capacity to Yakima County. Therefore, this **step is not applicable to this project.**

Department's Evaluation

For background information, before November 25, 2003, SCH was licensed for 38 acute care beds. On November 25, 2003, SCH received notification from the Department of Health that it met the federal and state requirements to become a designated CAH. One of the requirements of the CAH is that the hospital maintains no more than 25 inpatient beds that may also be used for swing bed services. 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]

One option not discussed by SCHA is the option of creating a ten-bed psychiatric unit under Second Substitute Senate Bill [SSSB] 6312 that was signed into law on April 4, 2014. SSSB 6312 includes a temporary change in the Certificate of Need requirements for hospitals licensed under RCW 70.41. Specifically, from July 1, 2014, through June 30, 2015, full Certificate of Need review is suspended for acute care hospitals requesting to change the use of existing licensed beds to psychiatric care, provided the psychiatric care includes involuntary treatment services. The process that would be used to implement SSSB 6312 is an exemption application.[13] SCHA's Certificate of Need application submitted on October 22, 2014, was well within the timeline to take advantage of SSSB 6312 and convert ten of the 13 licensed, but not operational, beds to psychiatric use. During several phone conversations between DOH staff and representatives of SCHA, SCHA maintained its position that did not want to risk the ability to revert back to 38 licensed beds if it chooses to relinquish its CAH designation in the future. SCHA chose to move forward with this application, rather than create the ten-bed psychiatric unit under SSSB 6312 with an exemption application. [source: SSSB 6312 and CN historical files]

Revised Code of Washington 70.38.105(4) identifies the types of projects that require Certificate of Need review and approval. It states:

"(4) The following shall be subject to certificate of need review under this chapter:"

Sub-section (e)(iii) provides the following clarification specific to CAH designation and the required reduction in acute care beds to 25.

[13] The process to return the use of the exempt psychiatric beds back to their previous use is also submission of an exemption application, rather than a full Certificate of Need review.

"(e) A change in bed capacity of a health care facility which increases the total number of licensed beds or redistributes beds among acute care, nursing home care, and assisted living facility care if the bed redistribution is to be effective for a period in excess of six months, or a change in bed capacity of a rural health care facility licensed under RCW 70.175.100 that increases the total number of nursing home beds or redistributes beds from acute care or assisted living facility care to nursing home care if the bed redistribution is to be effective for a period in excess of six months. A health care facility certified as a critical access hospital under 42 U.S.C. 1395i-4 may increase its total number of licensed beds to the total number of beds permitted under 42 U.S.C. 1395i-4 for acute care and may redistribute beds permitted under 42 U.S.C. 1395i-4 among acute care and nursing home care without being subject to certificate of need review. If there is a nursing home licensed under chapter 18.51 RCW within twenty-seven miles of the critical access hospital, the critical access hospital is subject to certificate of need review except for:

(iii) Up to twenty-five swing beds for critical access hospitals which do not have a nursing home licensed under chapter 18.51 RCW within the same city or town limits. Up to one-half of the additional beds designated for swing bed services under this subsection (4)(e)(iii) may be so designated before July 1, 2010, with the balance designated on or after July 1, 2010. Critical access hospital beds not subject to certificate of need review under this subsection (4)(e) will not be counted as either acute care or nursing home care for certificate of need review purposes. If a health care facility ceases to be certified as a critical access hospital under 42 U.S.C. 1395i-4, the hospital may revert back to the type and number of licensed hospital beds as it had when it requested critical access hospital designation;
[emphasis added]

As noted in RCW 70.38.105(4)(e)(iii) above, the addition of acute care beds at a hospital requires prior Certificate of Need review and approval, except when a CAH chooses to revert back to the number of licensed beds prior to its CAH designation. Specific to this project, if the CAH designation for SCH was relinquished, SCH could revert back to 38 medical surgical beds, in addition to the ten psychiatric beds requested in this project, for a facility total of 48 acute care beds. As a result, SCHA's concern that it would lose access to the 13 licensed, but not operational, beds at SCH if they were used for this project is unfounded and not supported by the Certificate of Need law.

Based on the above information, the department concludes that need for the ten PPS exempt psychiatric beds at SCH is demonstrated. However, SCHA has failed to demonstrate that the ten additional beds should be new beds added to SCH's license when taking into account RCW 70.38.105(4)(e). If SCHA agrees to establish the ten-bed psychiatric unit using ten of the 13 beds currently licensed, but not operational, at SCH, **this sub-criterion is met**.