



STATE OF WASHINGTON
DEPARTMENT OF HEALTH
Olympia, Washington 98504

February 25, 2016

CERTIFIED MAIL # 7015 0640 0000 6441 5928

Frank Gilbert, Executive Director
Proliance Highlands Surgery Center
510 8th Ave NE, Ste 100
Issaquah, Washington 98029

RE: Certificate of Need Application #16-04

Dear Mr. Gilbert:

We have completed review of the Certificate of Need (CN) application submitted by Proliance Surgeons, Inc., P.S. dba Proliance Highlands Surgery Center proposing to convert the existing four-OR ambulatory surgery center into a Certificate of Need-approved Ambulatory Surgery Center. 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 Proliance Surgeons, Inc., P.S. dba Proliance Highlands Surgery Center agrees to the following in its entirety.

Project Description

This certificate approves the establishment of a four-operating room ambulatory surgery center in Issaquah, within East King County. The surgery center will serve patients ages 6 months and older who require orthopedic, ENT, endocrine, digestive, plastic, urologic, and general surgical procedures that can be served appropriately in an outpatient setting.

Conditions

1. Proliance Surgeons, Inc., P.S. dba Proliance Highlands Surgery Center agrees with the project description as stated above. Proliance Surgeons, Inc., P.S. dba Proliance Highlands Surgery Center 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. Before commencement of the project, Proliance Surgeons, Inc., P.S. dba Proliance Highlands Surgery Center must provide to the department for review and approval a final copy of the Admission Policy for Proliance Highlands Surgery Center. The policy must include the

- required non-discrimination language, and must identify the admitting process and appropriate candidates for outpatient surgery.
3. The approved Admission Policy must be posted on the surgery center web page in the same location that the surgery center's other patient forms are located.
 4. Before commencement of the project, Proliance Surgeons, Inc., P.S. dba Proliance Highlands Surgery Center must provide to the department for review and approval a final copy of the Charity Care Policy for Proliance Highlands Surgery Center. This policy must be facility-specific and shall include the procedure for notifying patients of charity care. It must also include the process one must use to obtain charity care.
 5. The approved Charity Care Policy must be posted on the surgery center web page in the same location that the surgery center's other patient forms are located.
 6. Proliance Surgeons Inc., P.S. dba Proliance Highlands Surgery Center must maintain Medicare and Medicaid certification.
 7. Proliance Surgeons Inc., P.S. dba Proliance Highlands Surgery Center will provide charity care in compliance with the charity care policies reviewed and approved by the Department of Health. Proliance Highlands Surgery Center will use reasonable efforts to provide charity care in an amount comparable to or exceeding the average amount of charity care provided by the four hospitals in East King County. Currently, this amount is 1.23% of gross revenue and 2.23% of adjusted revenue. Proliance Highlands Surgery Center will maintain records documenting the amount of charity care it provides and demonstrating compliance with its charity care policies.
 8. Proliance Surgeons, Inc., P.S. dba Proliance Highlands Surgery Center will ensure that charity care information related to the ASC is accessible to patients by referencing it on the Patient Financial Responsibility information that is available via the web, in person, or any other means.

Approved Capital Costs:

The approved capital expenditure for this project is \$898,467 and is solely related to the construction costs and moveable equipment associated with the single OR expansion.

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.

Frank Gilbert, Proliance Highlands Surgery Center
CN Application #16-03
February 25, 2016
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Mailing Address:

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

Physical Address:

Department of Health
Certificate of Need Program
111 Israel Road SE
Tumwater, WA 98501

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

Sincerely,

A handwritten signature in blue ink, appearing to read "Steven M. Saxe". The signature is fluid and cursive, with the first name "Steven" and last name "Saxe" clearly distinguishable.

Steven M. Saxe, FACHE
Director, Community Health Systems

Enclosure

EXECUTIVE SUMMARY

EVALUATION DATED FEBRUARY 25, 2016 FOR TWO CERTIFICATE OF NEED APPLICATIONS EACH PROPOSING TO ESTABLISH AN AMBULATORY SURGERY CENTER IN EAST KING COUNTY

- **PROLIANCE SURGEONS, INC., P.S. DBA THE RETINA SURGERY CENTER PROPOSING TO ESTABLISH A 2-OPERATING ROOM AMBULATORY SURGERY CENTER IN BELLEVUE**
- **PROLIANCE SURGEONS, INC., P.S. DBA PROLIANCE HIGHLANDS SURGERY CENTER PROPOSING TO ESTABLISH A 4-OPERATING ROOM AMBULATORY SURGERY CENTER IN ISSAQUAH**

BRIEF PROJECT DESCRIPTIONS

The Retina Surgery Center

The Retina Surgery Center (TRSC) proposes to establish a 2-operating room ambulatory surgery center in Bellevue, within the East King County planning area. The ASC would exclusively provide ophthalmology surgical services to patients ages 16 and over who are appropriate candidates for outpatient surgery.

TRSC anticipates that the 2-OR ASC would begin operation as a Certificate of Need-approved ASC immediately upon approval, as the facility already exists and is currently Certificate of Need-exempt. Under this timeline, year 2017 is the first full year of operation and 2019 is year three. There is no associated capital expenditure.

Proliance Highlands Surgery Center

Proliance Highlands Surgery Center (PHSC) proposes to establish a 4-operating room ambulatory surgery center in Issaquah, within the East King County planning area. The ASC would provide orthopedic, ENT, endocrine, digestive, plastic, urologic, and general surgery to patients who are appropriate candidates for outpatient surgery, ages 6 months and older.

PHSC anticipates that the 4-OR ASC would begin operation as a Certificate of Need-approved ASC immediately upon approval, as the facility already exists and is currently Certificate of Need-exempt. Under this timeline, year 2017 is the first full year of operation and 2019 is year three. The capital expenditure is solely for the expansion of the 4th OR, and is \$898,467.

APPLICABILITY OF CERTIFICATE OF NEED LAW

Both applications are subject to review as the establishment of new health care facility under Revised Code of Washington (RCW) 70.38.105(4)(a) and Washington Administrative Code (WAC) 246-310-020(1)(a).

CONCLUSIONS

The Retina Surgery Center

For the reasons stated in this evaluation, the application submitted by The Retina Surgery Center proposing to establish a 2-OR ophthalmology ambulatory surgery center in Bellevue, within East King County is consistent with the applicable criteria of the Certificate of Need Program,

provided The Retina Surgery Center agrees to the project description, conditions, and approved costs listed below.

Project Description:

This certificate approves the establishment of a two-operating room ambulatory surgery center in Bellevue, within East King County. The surgery center will serve patients ages 16 and older who require ophthalmic surgical services as described in the application that can be served appropriately in an outpatient setting.

Conditions:

1. Proliance Surgeons, Inc., P.S. dba The Retina Surgery Center agrees with the project description as stated above. Proliance Surgeons, Inc., P.S. dba The Retina Surgery Center 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. Before commencement of the project, Proliance Surgeons, Inc., P.S. dba The Retina Surgery Center must provide to the department for review and approval a final copy of the Admission Policy for The Retina Surgery Center. The policy must include the required non-discrimination language, and must identify the admitting process and appropriate candidates for outpatient surgery.
3. The approved Admission Policy must be posted on the surgery center webpage in the same location that the surgery center's other patient forms are located.
4. Before commencement of the project, Proliance Surgeons, Inc., P.S. dba The Retina Surgery Center must provide to the department for review and approval a final copy of the Charity Care Policy for The Retina Surgery Center. This policy must be facility-specific and shall include the procedure for notifying patients of charity care. It must also include the process one must use to obtain charity care.
5. The approved Charity Care Policy must be posted on the surgery center webpage in the same location that the surgery center's other patient forms are located.
6. Proliance Surgeons Inc., P.S. dba The Retina Surgery Center must maintain Medicare and Medicaid certification.
7. Proliance Surgeons Inc., P.S. dba The Retina Surgery Center will provide charity care in compliance with the charity care policies reviewed and approved by the Department of Health. The Retina Surgery Center will use reasonable efforts to provide charity care in an amount comparable to or exceeding the average amount of charity care provided by the four hospitals in East King County. Currently, this amount is 1.23% of gross revenue and 2.23% of adjusted revenue. The Retina Surgery Center will maintain records documenting the amount of charity care it provides and demonstrating compliance with its charity care policies.
8. Proliance Surgeons, Inc., P.S. dba The Retina Surgery Center will ensure that charity care information related to the ASC is accessible to patients by referencing it on the Patient Financial Responsibility information that is available via the web, in person, or any other means.

Approved Capital Expenditure:

There is no capital expenditure associated with this project.

Proliance Highlands Surgery Center

For the reasons stated in this evaluation, the application submitted by Proliance Highlands Surgery Center proposing to establish a 4-OR multispecialty ambulatory surgery center in Issaquah, within East King County is consistent with the applicable criteria of the Certificate of Need Program, provided Proliance Highlands Surgery Center agrees to the project description, conditions, and approved costs listed below.

Project Description:

This certificate approves the establishment of a four-operating room ambulatory surgery center in Issaquah, within East King County. The surgery center will serve patients ages 6 months and older who require orthopedic, ENT, endocrine, digestive, plastic, urologic, and general surgical procedures that can be served appropriately in an outpatient setting.

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Approved Capital Expenditure:

The approved capital expenditure for this project is \$898,467 and is solely related to the construction costs and moveable equipment associated with the single OR expansion.

EVALUATION DATED FEBRUARY 25, 2016 FOR TWO CERTIFICATE OF NEED APPLICATIONS EACH PROPOSING TO ESTABLISH AN AMBULATORY SURGERY CENTER IN EAST KING COUNTY

- **PROLIANCE SURGEONS, INC., P.S. DBA THE RETINA SURGERY CENTER PROPOSING TO ESTABLISH A 2-OPERATING ROOM AMBULATORY SURGERY CENTER IN BELLEVUE**
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APPLICANT DESCRIPTIONS

Proliance Surgeons, Inc., P.S.

Proliance Surgeons, Inc., P.S. (Proliance) is a for-profit Washington State professional service corporation, equally owned by over 175 physicians. Proliance operates more than 60 care centers in Washington State, including medical clinics, ambulatory surgery centers (ASCs)¹, physical/occupational therapy clinics, and imaging centers. All Proliance facilities that provide ambulatory care are licensed by the Washington State Department of Health and hold accreditation through the Joint Commission, the Accreditation Association for Ambulatory Health Care (AAAHC), or the American Association for Accreditation of Ambulatory Surgery Facilities (AAAASF).

All personnel at Proliance care centers and facilities are employees of Proliance, including physicians and surgeons. Proliance physician employees are classified either as shareholders or non-shareholder employed physicians (typically with the option to become a shareholder after two years of employment).

The corporate structure includes a Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, and a governing Board of Directors composed entirely of physician shareholders that are elected by the rest of the shareholders.

Both projects under review, The Retina Surgery Center (TRSC) and Proliance Highlands Surgery Center (PHSC) are Proliance-owned facilities. [sources: Proliance website, TRSC application pp. 9-10, TRSC October 23, 2015 supplemental information pp. 1-2, PHSC application pp. 9-10, PHSC October 23, 2015 supplemental information pp. 1-2]

¹ For the purposes of Certificate of Need review, the terms “Ambulatory Surgery Centers” (ASCs) and “Ambulatory Surgery Facilities” (ASFs) are interchangeable. The department’s review will consistently refer to these facilities as ASCs, however the applicant does reference ASFs through the application, and quotations from the applicants will reflect as such.

The Retina Surgery Center

The Retina Surgery Center currently operates as a two operating room Certificate of Need-exempt ambulatory surgery center. Established in 2010 by Vitreoretinal Associates, TRSC was acquired by Proliance in 2011. TRSC is licensed by the Washington State Department of Health, is Medicare and Medicaid certified, and is accredited in good standing by the Joint Commission. TRSC exclusively provides ophthalmic surgical services in Bellevue within East King County. [sources: Certificate of Need historical files, TRSC application p. 10, TRSC October 23, 2015 supplemental information p. 3]

Proliance Highlands Surgery Center

Proliance Highlands Surgery Center currently operates as a four operating room Certificate of Need-exempt ambulatory surgery center. PHSC was established in September of 2008 with three operating rooms. PHSC is licensed by the Washington State Department of Health, is Medicare and Medicaid certified, and is accredited in good standing by the Accreditation Association for Ambulatory Health Care (AAAHC). PHSC provides orthopedic and ENT surgical services in Issaquah within East King County. [sources: Certificate of Need historical files, PHSC application p. 10, PHSC October 23, 2015 supplemental information p. 3]

PROJECT DESCRIPTIONS

The Retina Surgery Center

With this application, The Retina Surgery Center proposes to establish an ambulatory surgery center located in Bellevue, within the East King County secondary service planning area. As mentioned above, TRSC already operates under a Certificate of Need exemption awarded in 2012 (DOR #12-10). After Certificate of Need approval, TRSC would continue to operate at its current location of 1750 112th Avenue NE, Bellevue, WA 98004. [sources: Certificate of Need historical files, TRSC application p. 9]

TRSC currently has two operating rooms and also provides laboratory, pathology, and pharmacy services on-site. [source: TRSC application p. 8]

Ophthalmic surgery services provided at TRSC include laser eye surgery, cataract surgery, glaucoma surgery, refractive surgery, corneal surgery, vitreoretinal surgery, eye muscle surgery, oculoplastic surgery, and surgery involving the lacrimal apparatus. TRSC serves patients ages 16 and older that require ophthalmic surgical services that can be served appropriately in an outpatient setting. The typical patient is 65 or older. [sources: TRSC application p. 12, TRSC October 23, 2015 supplemental information pp. 3-5]

The types of procedures and population to be served will not change as a result of Certificate of Need approval. This project proposes to allow other physicians the opportunity to perform surgeries and procedures at the ASC. This action requires prior Certificate of Need review and approval.

There is no capital expenditure associated with this project, as there is no project-associated construction or equipment purchase. If this project is approved, TRSC will begin operation as a CN approved ambulatory surgery center immediately following approval in early 2016. [source: TRSC application p. 12]

Proliance Highlands Surgery Center

With this application, Proliance Highlands Surgery Center proposes to establish an ambulatory surgery center located in Issaquah, within the East King County secondary service planning area. As mentioned above, PHSC already operates under a Certificate of Need exemption awarded in 2008 (DOR #08-28). After Certificate of Need approval, PHSC would continue to operate at its current location of 510 8th Avenue NE, Suite 100, Issaquah, WA 98029. The surgery center is located within Proliance Highlands Medical Center, which also contains clinic space, MRI services, and physical therapy services. [sources: Certificate of Need historical files, PHSC website]

PHSC currently has four operating rooms, one of which was constructed in summer 2015 and began providing services in September 2015. Surgical services include orthopedics and ENT. PHSC serves patients ages 6 months and older that require surgical services that can be served appropriately in an outpatient setting.

With Certificate of Need approval, PHSC intends to expand their surgical services to include endocrine, digestive, plastic, urologic, and general surgery. While the range of services would broaden with the project, the general types of patients will not change. This project proposes to allow other physicians the opportunity to perform surgeries and procedures at the ASC. This action requires prior Certificate of Need review and approval.

The estimated capital expenditure for this project is \$898,467 and is solely related to the construction costs and moveable equipment associated with the single OR expansion. As the expansion is already complete, PHSC anticipates it would begin to offer services as a CN approved ASC immediately after the approval of the Certificate of Need in early 2016. [sources: PHSC application p. 12, PHSC November 12, 2015 supplemental information p. 1]

APPLICABILITY OF CERTIFICATE OF NEED LAW

Both applications are subject to review as the establishment of a new healthcare facility under Revised Code of Washington (RCW) 70.38.105(4)(a) and Washington Administrative Code (WAC) 246-310-020(1)(a).

EVALUATION CRITERIA

WAC 246-310-200(1)(a)-(d) identifies the four determinations that the department must make for each application. WAC 246-310-200(2) provides additional 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 that 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 experience related to a proposed undertaking, with whom the department consults during the review of an application.”*

To obtain Certificate of Need approval, the applicant must demonstrate compliance with the criteria found in WAC 246-310-210 (need); 246-310-220 (financial feasibility); 246-310-230 (structure and process of care); 246-310-240 (cost containment).² Additionally, WAC 246-310-270 (ambulatory surgery) contains service or facility specific criteria for ASC projects and must be used to make the required determinations for applicable criteria in WAC 246-310-210.

TYPE OF REVIEW

While not submitted under a published concurrent review cycle, these applications were reviewed concurrently. The concurrent review process promotes the expressed public policy goal of RCW 70.38 that the development or expansion of health care services is accomplished in a planned, orderly fashion and without unnecessary duplication. Specific to the projects submitted by The Retina Surgery Center and Proliance Highlands Surgery Center, the concurrent review allows the department to review the applications proposing ambulatory surgery services in the same planning area – East King County – simultaneously to reach a decision that serves the best interests of the planning area’s residents.

In a concurrent review, the department issues one single evaluation regarding whether either or both of the projects should be issued a Certificate of Need. The review timeline for both applications is summarized below.

² Each criterion contains certain sub-criteria. The following sub-criteria are not relevant to this project: WAC 246-310-210(3), (4), (5), and (6); and WAC 246-310-240 (3).

APPLICATION CHRONOLOGY

Action	TRSC	PHSC
Letter of Intent Submitted	July 1, 2015	April 23, 2015
Application Submitted	August 13, 2015	August 20, 2015
Department’s pre-review activities <ul style="list-style-type: none"> • DOH 1st Screening Letter • Applicant’s Responses Received • DOH 2nd Screening Letter • Applicant’s Responses Received 	September 11, 2015 October 23, 2015 November 9, 2015 November 12, 2015	
Beginning of Review	November 18, 2015	
Public Hearing Conducted	N/A ³	
Public Comments accepted through end of public comment	December 23, 2015	
Rebuttal Comments Due	January 11, 2016 ⁴	
Department’s Anticipated Decision Date	February 25, 2016	
Department’s Actual Decision Date	February 25, 2016	

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.”

As noted above, WAC 246-310-010(2) requires an affected person to first meet the definition of an ‘interested person.’ WAC 246-310-010(34) defines “interested person” as:

- (a) The applicant;
- (b) Health care facilities and health maintenance organizations providing services similar to the services under review and located in the health service area;
- (c) Third-party payers reimbursing health care facilities in the health service area;
- (d) Any agency establishing rates for health care facilities and health maintenance organizations in the health service area where the proposed project is to be located;
- (e) Health care facilities and health maintenance organizations which, in the twelve months prior to receipt of the application, have submitted a letter of intent to provide similar services in the same planning area;
- (f) Any person residing within the geographic area to be served by the applicant; and
- (g) Any person regularly using health care facilities within the geographic area to be served by the applicant.

³ No public hearing was requested or conducted

⁴ There were no public comments submitted for this application. As a result, no rebuttal comments could be accepted.

Under concurrent review, each applicant is an affected person for the other application(s). Additionally, one other entity – Swedish Health Services (Swedish) – sought interested person status. Swedish Health Services operates three hospital campuses in King County and is affiliated with Providence Health and Services. Swedish qualified as an interested person under WAC 246-310-010(34). Since no public hearing was conducted, Swedish needed to submit written comments to qualify under WAC 246-310-010(2). No public comment was received by the department regarding either project. As a result, Swedish did not meet the criteria to be an “affected person.”

SOURCE INFORMATION REVIEWED

- The Retina Surgery Center’s Certificate of Need application submitted August 13, 2015
- Proliance Highlands Surgery Center’s Certificate of Need application submitted August 20, 2015
- The Retina Surgery Center’s 1st screening responses received October 23, 2015
- Proliance Highlands Surgery Center’s 1st screening responses received October 23, 2015
- The Retina Surgery Center’s 2nd screening responses received November 12, 2015
- Proliance Highlands Surgery Center’s 2nd screening responses received November 12, 2015
- Compliance history for credentialed or licensed staff from the Medical Quality Assurance Commission, Nursing Quality Assurance Commission, and Health Systems Quality Assurance Customer Service Center
- DOH Provider Credential Search website www.doh.wa.gov/pcs
- Historical charity care data for years 2012, 2013, and 2014 obtained from the Department of Health Hospital and Patient Data Systems Office (HPDS)
- Year 2015 Annual Ambulatory Surgery Provider Survey for Surgical Procedures Performed During Calendar Year 2014 for hospitals, ambulatory surgery centers, or ambulatory surgical facilities located in East King County.
- Year 2014 Claritas population data received in year 2015
- Washington State Department of Ecology King County ZIP code map prepared by GIS Technical Services and released August 3, 2006.
- Department of Health internal database – Integrated Licensing & Regulatory Systems (ILRS)
- Proliance Surgeons website: www.proliancesurgeons.com
- Vitreoretinal Associates of Washington⁵ website: <http://vrawashington.com/surgical-center>
- Proliance Orthopaedics & Sports Medicine⁶ website: www.pro.osm.com
- Washington State Health Care Authority website: www.hca.wa.gov
- The Joint Commission website: www.jointcommission.org
- The Accreditation Association for Ambulatory Health Care website: www.aaahc.org
- Washington State Secretary of State website: www.sos.wa.gov
- Washington State Department of Revenue website: www.dor.wa.gov
- Certificate of Need historical files

⁵ The Retina Surgery Center is located alongside its associated practice, Vitreoretinal Associates of Washington. The two entities are organized separately, but share a website.

⁶ Proliance Highlands Surgery Center is located its associated practice, Proliance Orthopaedics & Sports Medicine. The two entities are organized separately, but share a website.

CONCLUSIONS

The Retina Surgery Center

For the reasons stated in this evaluation, the application submitted by The Retina Surgery Center proposing to establish a 2-OR ophthalmology ambulatory surgery center in Bellevue, within East King County is consistent with the applicable criteria of the Certificate of Need Program, provided The Retina Surgery Center agrees to the project description, conditions, and approved costs listed below.

Project Description:

This certificate approves the establishment of a two-operating room ambulatory surgery center in Bellevue, within East King County. The surgery center will serve patients ages 16 and older who require ophthalmic surgical services as described in the application that can be served appropriately in an outpatient setting.

Conditions:

1. Proliance Surgeons, Inc., P.S. dba The Retina Surgery Center agrees with the project description as stated above. Proliance Surgeons, Inc., P.S. dba The Retina Surgery Center 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.
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8. Proliance Surgeons, Inc., P.S. dba The Retina Surgery Center will ensure that charity care information related to the ASC is accessible to patients by referencing it on the Patient

Financial Responsibility information that is available via the web, in person, or any other means.

Approved Capital Expenditure:

There is no capital expenditure associated with this project.

Proliance Highlands Surgery Center

For the reasons stated in this evaluation, the application submitted by Proliance Highlands Surgery Center proposing to establish a 4-OR multispecialty ambulatory surgery center in Issaquah, within East King County is consistent with the applicable criteria of the Certificate of Need Program, provided Proliance Highlands Surgery Center agrees to the project description, conditions, and approved costs listed below.

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6. Proliance Surgeons Inc., P.S. dba Proliance Highlands Surgery Center must maintain Medicare and Medicaid certification.
7. Proliance Surgeons Inc., P.S. dba Proliance Highlands Surgery Center will provide charity care in compliance with the charity care policies reviewed and approved by the Department of Health. Proliance Highlands Surgery Center will use reasonable efforts to provide charity care in an amount comparable to or exceeding the average amount of charity care provided by the four hospitals in East King County. Currently, this amount is 1.23% of gross revenue and 2.23% of adjusted revenue. Proliance Highlands Surgery

Center will maintain records documenting the amount of charity care it provides and demonstrating compliance with its charity care policies.

8. Proliance Surgeons, Inc., P.S. dba Proliance Highlands Surgery Center will ensure that charity care information related to the ASC is accessible to patients by referencing it on the Patient Financial Responsibility information that is available via the web, in person, or any other means.

Approved Capital Expenditure:

The approved capital expenditure for this project is \$898,467 and is solely related to the construction costs and moveable equipment associated with the single OR expansion.

Proliance Surgeons, Inc., P.S. submitted the two applications that are evaluated in this document. Proliance provided the exact same information in both applications for several of the review criteria. Rather than repeating the same evaluation for each of these sub-criteria, the department consolidated its evaluation where applicable.

CRITERIA DETERMINATIONS

A. Need (WAC 246-310-210)

Based on the source information reviewed and each applicant's agreement to the conditions identified in the "Conclusion" section of this evaluation, the department concludes that The Retina Surgery Center and Proliance Highlands Surgery Center have each **met** the need criteria in WAC 246-310-210.

- (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 246-310-270(9) – Ambulatory Surgery Numeric Methodology

The Department of Health's Certificate of Need Program uses the numeric methodology outlined in WAC 246-310-270(9) for determining the need for additional ASCs in Washington State. The numeric methodology provides a basis of comparison of existing operating room (OR) capacity for both outpatient and inpatient ORs in a planning area using the current utilization of existing providers. The methodology separates Washington State into 54 secondary health services planning areas. The Retina Surgery Center is currently located in Bellevue, and Proliance Highlands Surgery Center is currently located in Issaquah. Both facilities will remain in their current locations, and are within the East King County planning area.

The methodology estimates OR need in a planning area using multiple steps as defined in WAC 246-310-270(9). This methodology relies on a variety of assumptions and initially determines existing capacity of dedicated outpatient and mixed-use operating room in the planning area, subtracts this capacity from the forecast number of surgeries expected in the planning area in the target year, and examines the difference to determine:

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

Data used to make these projections specifically exclude special purpose and endoscopy rooms and procedures.

Proliance Numeric Methodology

Proliance, on behalf of both applicants, determined existing capacity in the East King County planning area to be 22 dedicated outpatient ORs and 38 mixed use ORs. Based on 2013 utilization and population data, Proliance's methodology identified a use rate of 105.31/1,000 population. Focusing on year 2018, the applicant projected East King County's population to be 693,618. Applying the use rate to the projected population and subtracting the existing number of ORs in the planning area, Proliance projected a need for 25.45 dedicated

outpatient ORs in East King County for projection year 2018. [source: TRSC application, Exhibit 13, PHSC application, Exhibit 15]

Department's Numeric Methodology and Review

The numeric portion of the methodology requires a calculation of the annual capacity of the existing providers inpatient and outpatient OR's in a planning area – East King County. To determine the zip codes associated with East King County, the department relied on the map and breakdown of zip codes identified in the 1980 State Health Plan for East King County. While the State Health Plan was sunset in 1989, for some projects, it continues to be a reliable tool. The department continues to use the zip codes listed by planning area as a starting point for determining ASC planning area zip codes.

For ASC planning areas, the state health plan identifies 21 East King County zip codes.⁷ When the 21 zip codes are charted on the Department of Ecology King County zip code map, inclusion of another 11 zip codes appears reasonable based on the geographic location of the zip codes. Table 1 below shows the zip codes and associated cities for the 32 zip codes associated with East King County. [source: 1980 SHP and Washington State Department of Ecology King County zip code map prepared by GIS Technical Services and released August 3, 2006]

⁷ Included in the SHP zip codes for East King County is zip 98026, for a total of 22 zip codes. 98026 is the city of Edmonds within Snohomish County and will not be included in the East King County zip codes.

**Table 1
East King County Planning Area Zip Codes**

Zip Code	City by Zip Code
98004	Bellevue
98005	Bellevue
98006	Bellevue
98007	Bellevue/Eastgate
98008	Bellevue
98009	Bellevue
98011	Black Diamond
98014	Carnation
98019	Duvall
98024	Fall City
98027	Issaquah
98028	Kenmore/Bothell
98029	Issaquah
98033	Redmond/Totem Lake
98034	Kirkland
98039	Medina
98040	Mercer Island
98045	North Bend
98050	Preston
98052	Redmond/Avondale
98053	Redmond
98065	Snoqualmie
98068	Snoqualmie Pass
98072	Woodinville
98073	Redmond
98074	Sammamish/Redmond
98075	Sammamish
98077	Woodinville
98083	Kirkland
98174	Seattle
98224	Baring
98288	Skykomish

According to the department’s historical records, there are 47 planning area providers – including the applicants – with OR capacity. Of the 47 providers, four are hospitals and 43 are ASCs. Below, Table 2 shows a listing of the four hospitals. [source: CN historic files and DOH ILRS database]

**Table 2
East King County Planning Area Hospitals**

Hospitals	City/Zip
EvergreenHealth	Kirkland/98034
Overlake Hospital Medical Center	Bellevue/98004
Snoqualmie Valley Hospital	Snoqualmie/98065
Swedish Medical Center – Issaquah	Issaquah/98029

[source: ILRS]

For the four hospitals, all known OR capacity and inpatient / mixed-use procedures are included in the methodology calculations for the planning area.

Because there is no mandatory reporting requirement for utilization of ASCs or hospital ORs, the department sends an annual utilization survey to all hospitals and known ASCs in the state. When these applications were submitted in August 2015, the most recent utilization survey was mailed in May 2015 and collected data for year 2014, however not all providers had submitted responses. The data provided in the utilization survey is used, if available. All four of the hospitals completed and submitted the 2015 Annual Ambulatory Surgery Provider Survey.

Table 3, below, contains a listing of the 43 ASCs in the planning area.

**Table 3
East King County Planning Area Ambulatory Surgery Centers**

Ambulatory Surgery Centers	City/Zip
Aesthetic Facial Plastic Surgery	Bellevue/98004
Aesthetic Physicians dba Sono Bello	Bellevue/98004
Allure Laser Center	Kirkland/98033
Anderson Sobel Cosmetic Surgery	Bellevue/98004
Athenix Body Sculpting Institute	Bellevue/98005
Aysel Sanderson, MD	Kirkland/98033
Bellevue Plastic Surgery Center	Bellevue/98004
Bellevue Spine Specialists	Bellevue/98005
Bellevue Surgery Center	Bellevue/98009
Bel-Red ASF	Bellevue/98004
Center for Plastic Surgery	Bellevue/98004
Cosmetic Surgery and Dermatology of Issaquah	Issaquah/98027
Eastside Endoscopy Center-Bellevue site*	Bellevue/98004
Eastside Endoscopy Center-Issaquah site*	Issaquah/98027
Eastside Surgery Center	Issaquah/98027
Egrari Plastic Surgery Center	Bellevue/98004
Evergreen Endoscopy Center*	Kirkland/98034
EvergreenHealth Surgical Center	Kirkland/98034
Evergreen Surgical Clinic ASC	Kirkland/98034
Group Health Cooperative Bellevue Endoscopy	Bellevue/98004

Ambulatory Surgery Centers	City/Zip
John H. Brunzman, MD	Redmond/98073
Naficy Plastic Surgery and Rejuvenation Center	Bellevue/98004
Northwest Center for Aesthetic Plastic Surgery	Bellevue/98004
Northwest Laser and Surgery Center	Bellevue/98005
Northwest Nasal Sinus Center	Kirkland/98033
Overlake Reproductive Health, Inc.	Bellevue/98004
Overlake Surgery Center	Bellevue/98004
Pacific Cataract and Laser Institute-Bellevue	Bellevue/98004
Plastic Surgery Northwest	Kirkland/98034
Proliance Eastside Surgery Center	Kirkland/98034
Proliance Highlands Surgery Center	Issaquah/98029
Remington Plastic Surgery Center	Kirkland/98034
Retina Surgery Center	Bellevue/98004
Sammamish Center for Facial Plastic Surgery	Sammamish/98074
Seattle Children's-Bellevue	Bellevue/98004
SoGab Surgery Center	Kirkland/98033
Stern Center for Aesthetic Surgery	Bellevue/98004
Virginia Mason-Bellevue Endoscopy*	Bellevue/98004
Virginia Mason-Issaquah Endoscopy*	Issaquah/98027
Washington Institute Orthopedic Center	Kirkland/98034
Washington Urology Associates-Bellevue	Bellevue/98004
Washington Urology Associates-Kirkland	Kirkland/98034
Yarrow Bay Plastic Surgery Center	Kirkland/98033

[source: ILRS]

Of the 43 ASCs shown above, five are endoscopy facilities (designated with an asterisk). The numeric methodology deliberately excludes the OR capacity and procedures from the numeric methodology.⁸ As a result, the ORs and procedures for these five facilities will not be counted in the numeric methodology.⁹

For the remaining 38 ASCs, 30 are located within a solo or group practice (considered a Certificate of Need-exempt ASC) and the use of these ASCs is restricted to physicians that are employees or members of the clinical practices that operate the facilities. Therefore, these 30 facilities do not meet the ASC definition in WAC 246-310-010. For Certificate of Need-exempt ASCs, the number of surgeries, but not ORs, is included in the methodology for the planning area. Data submitted by both TRSC and PHSC are included with the exempt ASCs.

⁸ WAC 246-310-270(9)(iv).

⁹ Five facilities are: Eastside Endoscopy-Bellevue; Eastside Endoscopy-Issaquah; Evergreen Endoscopy Center; Virginia Mason-Bellevue; and Virginia Mason-Issaquah.

The remaining eight ASCs are Certificate of Need-approved facilities.¹⁰ For these, the OR capacity and utilization is counted in the numeric methodology. [sources: TRSC October 23, 2015 supplemental information p. 5, PHSC application p. 13, PHSC November 12, 2015 supplemental information p. 1]

In summary, data will be used for 30 Certificate of Need-exempt ASCs and eight Certificate of Need-approved ASCs. If a facility does not complete and return a utilization survey, then the other data source that can be used is the department's internal database known as the Integrated Licensing and Regulatory System (ILRS). Per WAC 246-330-100(2), licensed ambulatory surgical facilities must submit to the department an annual update form. The data provided on this annual update includes the number of ORs and the approximate number of procedures performed at the facility during the year. This data is updated in ILRS as it is received. The department uses the listed number of surgical procedures and multiplies this number by 50 minutes – the default minutes per outpatient surgery as identified under WAC 246-310-270(9)(b)(iii).

The data points used in the department's numeric methodology are identified in Table 4. The methodology and supporting data used by the department is provided in Appendix A attached to this evaluation.

¹⁰ Bel-Red Ambulatory Surgical Facility [CN #1485]; Eastside Surgery Center [CN #1462]; Evergreen Surgical Center [under EvergreenHealth HAC license]; EvergreenHealth Ambulatory Surgical Care [CN #1549]; Northwest Nasal Sinus Center [CN #1250]; Overlake Surgery Center [CN #1192]; Proliance Eastside Surgery Center [CN #1342]; and Seattle Children's ASC [CN # 1395].

**Table 4
Department's Methodology Assumptions and Data**

Assumption	Data Used
Planning Area	East King County
Population Estimates and Forecasts	Age Group: 0-85+ Claritas Population Data released year 2015: Year 2014 – 586,695 Year 2019 – 628,271
Use Rate	Divide calculated surgical cases by 2014 population results in the service area use rate of 122.268/1,000 population
Year 2014 Total Number of Surgical Cases	23,418 – Inpatient or Mixed-Use; 48,316 – Outpatient 71,734 – Total Cases
Percent of surgery: ambulatory vs. inpatient	Based on DOH survey and ILRS data: 67.35% ambulatory (outpatient); 32.65% inpatient
Average minutes per case	Based on DOH survey and ILRS Data: Outpatient cases: 60.42 minutes Inpatient cases: 110.17 minutes
OR Annual capacity in minutes	68,850 outpatient surgery minutes; 94,250 inpatient or mixed-use surgery minutes (per methodology in rule)
Existing providers/ORs	Based on listing of East King County Providers: 26 dedicated outpatient ORs 39 mixed use ORs
Department's Methodology Results	Numeric Need for an additional 19.40 outpatient ORs

Based on the assumptions described in the table above, the department's application of the numeric methodology indicates a need for 19.40 outpatient ORs in year 2019.

When comparing the applicant's and department's methodology, there are differences in the projection year and ZIP codes used (and consequently, the populations), the number of surgical cases, the use rate for the planning area, and the number of Certificate of Need-approved outpatient ORs. The methodology provided for both The Retina Surgery Center and Proliance Highlands Surgery Center were prepared by the same consultant. As a result, there is no difference in the methodology provided by the applicants. Both applicants' methodologies will be discussed as one Proliance methodology, rather than separately. The differences for these data points are discussed below.

Projection Year, Surgical Cases, Calculated Use Rate, Zip Codes

At the time that Proliance submitted their applications, complete survey data for 2014 surgical cases was not yet available. During the time between application submission and the beginning of review, facilities continued to submit their survey data. As of the writing of this

evaluation, all planning area hospitals provided responses, and 33 of the 43 ASCs responded. If approved, 2017 would be the first full year of operation as Certificate of Need-approved facilities for both applicants. Therefore, the department used the most recently available data available and projected planning area need for 2019. The difference in available data for the department and the applicant accounts for the difference in the number of surgical cases used and the calculated use rate. The department used 71,734 surgical cases for 2014, whereas Proliance used 67,273. The department assumed a use rate of 122.268/1,000, whereas Proliance assumed 105.31/1,000.

There was also a minor difference in the ZIP codes used. Two zip codes – 98056 and 98059 were included in the Proliance population projection. Upon evaluating these areas, the department determined that though these ZIP codes fall between East King and Southeast King, they should more appropriately be included in the Southeast King County planning area¹¹. The exclusion of these ZIP codes decreases the population, but does not have a significant effect on the projected need, as there are no ORs present in neither 98056 nor 98059. The difference in projected need with these different zip codes is less than 0.1 ORs.

Number of Existing Outpatient ORs

As stated above, Proliance prepared and submitted their application consistently with year 2013 data. Year 2014 survey responses included two changes to outpatient OR counts. Overlake Medical Center now claims 1 outpatient OR not previously reported, and Proliance Eastside Surgery Center increased their OR count from 3 to 4. This did not affect any data points other than the projected need. In addition to the changes between 2013 and 2014 data, Proliance did not use the surgical cases provided in the ORs at the Seattle Children's ASC in Bellevue. While TRSC only proposes to serve patients aged 16 and older, PHSC anticipates that they will serve patients aged 6 months and older. Therefore the department included data from the Seattle Children's ASC as well as its 2 outpatient ORs. The department assumed an existing supply of 26 ORs, whereas the applicant assumed 22, consistently with 2013 actuals and excluding the Seattle Children's ASC.

In some ASC projects, the differences described above can significantly affect the outcome of the methodology. The differences in this instance are not significant, as need is still shown in excess of the ORs proposed by the applicants. The applicants projected need for an additional 25 outpatient OR in the planning area and the department projected need for an additional 19 ORs.¹²

¹¹ These ZIP codes were erroneously included in the evaluations of recent East King ASCs, but do not significantly change the demonstrated need. Henceforth, 98056 and 98059 will only be considered in the ASC methodology for the Southeast King County planning area.

¹² Note: as of the writing of this evaluation, the Certificate of Need Program has two other applications for ASCs in the East King County planning area. One is a joint-venture project between Proliance and Swedish Health Services, the review of which began before either of the applications discussed in this evaluation were submitted. The other is a hospital-owned ASC proposed by EvergreenHealth. This application was submitted after the beginning of review for the applications discussed in this evaluation.

WAC 246-310-270(6)

WAC 246-310-270(6) requires a minimum of two ORs in an ASC. TRSC is currently operating with two ORs and intends to maintain both ORs currently in operation. PHSC is currently operating with four ORs and intends to maintain all ORs currently in operation. Based on that information, this standard is met by both applicants. [sources: TRSC application p. 8, PHSC application p. 8]

In summary, based on the department's numeric methodology, numeric need for additional OR capacity in the East King County planning area is demonstrated. The combined number of ORs proposed by both applicants does not exceed the planning area need. Further, both The Retina Surgery Center and Proliance Highlands Surgery Center each meet the standard under WAC 246-310-270(6). For both applicants, **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.

Even though both The Retina Surgery Center and Proliance Highlands Surgery Center have been providing healthcare services for many years, for CN purposes, both applicants are considered new providers of health care services as they transition from their respective status as Certificate of Need-exempt to Certificate of Need-approved facilities. To demonstrate that all residents of the service area would have access to the services provided by TRSC or PHSC, the applicants must demonstrate availability to all residents of the service area, including low-income, racial and ethnic minorities, handicapped and other underserved groups. The ASCs must also participate in the Medicare and Medicaid programs and commit to providing a percentage of charity care in the planning area. As both TRSC and PHSC are subject to Proliance policies, and the documents provided that are related to this subsection are identical, they will be discussed together.

Non-Discrimination Policy and Patient Rights and Responsibilities

To determine whether all residents of the planning area would have access to an 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 a 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, Proliance provided copies of their current Non-Discrimination policy and their Patient Rights and Responsibilities Policy. Collectively, these two policies speak to the rights accorded to all patients upon their admission to any Proliance facility, including the two applicant facilities. These policies include the required non-discrimination language referenced above that assures access to treatment, and address the requirements in WAC 246-330-125. However, neither of the two policies identify appropriate candidates for outpatient surgery or clinical admitting criteria and associated admitting processes. Therefore, neither is considered an "Admission Policy." If approved,

the department would attach conditions related to this sub-criterion, requiring that Proliance provide admission policies for each facility. These policies must identify appropriate candidates for outpatient surgery and clinical admitting criteria and associated admitting process. [sources: TRSC application p. 143, TRSC October 22, 2015 supplemental information p. 29, PHSC application p. 171, PHSC October 22, 2015 supplemental information p. 47]

Medicare and Medicaid Programs

The department uses Medicare certification to determine whether the elderly would have access, or continue to have access to services. The department uses the facility’s Medicaid certification to determine whether low-income residents would have access, or continue to have access to services. The Medicare and Medicaid certification numbers for each applicant are listed below in Table 5.

**Table 5
Medicare and Medicaid Certification**

Applicant	Medicare Certification	Medicaid Certification
The Retina Surgery Center	50C0001297	2016389
Proliance Highlands Surgery Center	50C0001283	2000432

[source: PHSC October 22, 2015 supplemental information p. 3]

Both applicants have stated that they currently provide services to Medicare and Medicaid patients, and if these projects are approved, would continue to be accessible to these patients. To demonstrate compliance with this sub-criterion, both applicants provided their current and projected percentages of payer mix.

The Retina Surgery Center

**Table 6
The Retina Surgery Center Payer Distribution**

Payer Group	Historical (3/1/12 - 12/31/14)	Projected in Year 2019
Medicare	36.0%	46.0%
Medicaid	0.0% ¹³	1.0%
Commercial/Health Care Contractor	46.8%	44.0%
HMO	12.6%	8.0%
Other Government/L&I	0.0%	0.0%
Other Payer	2.2%	0.0%
Self-Pay/No Insurance	1.1%	1.0%

[sources: TRSC Application p. 34, TRSC October 22, 2015 supplemental information p. 6]

Through screening, the department request more information regarding the low percentage of Medicaid payers. The projected payer mix reflects a lower percentage of Medicaid patients than is typically expected for a Certificate of Need-approved ASC. In response, TRSC stated: “*The Retina Surgery Center provides care to all persons who require ophthalmology*

¹³ Because of the low number of Medicaid patients during this timeframe, the applicant included Medicaid patients in the “Self-Pay/No Insurance” category.

surgery care, regardless of insurance or ability to pay. However we provide care to patients who primarily live and work in the East King County Planning Area, thus the majority of our patients do not qualify for enrollment in Medicaid.” Their analysis shows a median household income of \$78,892.74 in the East King County planning area. To ensure equitable access to surgical services at TRSC, the department would attach a condition related to this sub-criterion requiring the ASC to maintain Medicare and Medicaid certification throughout the operation of the facility, regardless of ownership. [source: TRSC October 22, 2015 supplemental information pp. 4-7]

Proliance Highlands Surgery Center

The payer mix for PHSC is listed below in Table 7. Little change is anticipated with Certificate of Need approval.

**Table 7
Proliance Highlands Surgery Center Payer Distribution**

Payer Group	Historical	Projected, 2018
Medicare	12.0%	12.0%
Medicaid	0.7%	2.0%
HMO	0.2%	1.0%
Commercial/Health Care Contractor	77.5%	76.0%
Other Government/L&I	7.1%	6.0%
Private Pay/Self Insured	2.6%	3.0%

[sources: PHSC application p. 14, 34]

Through screening, the department request more information regarding the low percentage of Medicaid payers. The projected payer mix reflects a lower percentage of Medicaid patients than is typically expected for a Certificate of Need-approved ASC. In response, PHSC stated: *“Proliance Highlands Surgery Center provides care to all persons who require ambulatory surgery care, regardless of insurance or ability to pay. However, we provide care to patients who primarily live and work in the East King County Planning area, thus the majority of our patients are not likely to qualify for enrollment in Medicaid.”* Their analysis shows a median household income of \$78,892.74 in the East King County planning area. To ensure equitable access to surgical services at TRSC, the department would attach a condition related to this sub-criterion requiring the ASC to maintain Medicare and Medicaid certification throughout the operation of the facility, regardless of ownership. [source: PHSC October 22, 2015 supplemental information pp. 4-6]

Charity Care

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.

To demonstrate compliance with this sub-criterion, Proliance provided copies of their most recent Charity Care Policy, which is used at all Proliance facilities including TRSC and PHSC. While this policy provides the 2015 Federal Poverty Level guidelines and includes specific criteria for a patient to qualify for charity care, it does not identify the process one

must use to obtain charity care. For these reasons, the department would consider this policy a draft. [sources: TRSC October 22, 2015 supplemental information p. 27, PHSC October 22, 2015 supplemental information p. 45]

If these projects are approved, the department would attach conditions requiring TRSC and PHSC to provide a copy of their policy and procedure for notifying patients of charity care, specific to the facilities. The policies must include references to the facility and include the process one must use to obtain charity care.

WAC 246-310-270(7)

WAC 246-310-270(7) requires that ASCs shall implement policies to provide access to individuals unable to pay consistent with charity care levels reported by the hospitals affected by the proposed ASC. For charity care reporting purposes, HPDS (Hospital and Patient Data Section) divides Washington State into five regions: King County, Puget Sound, Southwest, Central, and Eastern. Both TRSC and PHSC are located in East King County within the King County region. Currently, there are 21 hospitals operating in the region. Of those, four are acute care hospitals located in East King County and could be affected by approval of this project.¹⁴

For this project, the department reviewed the most recent three years of charity care data for the 21 existing hospitals currently operating within the King County Region and focused on the four general acute care hospitals located in East King County. The three years reviewed are 2012, 2013, and 2014.¹⁵ Table 8 below is a comparison of the average charity care for the King County Region as a whole, the four hospitals combined average, and Proliance’s projected charity care for each respective project.¹⁶

**Table 8
Charity Care**

	% of Total Revenue	% of Adjusted Revenue
King County Region	1.73%	3.33%
Four Hospitals Combined	1.23%	2.23%
The Retina Surgery Center	2.50%	3.81%
Proliance Highlands Surgery Center	2.50%	2.84%

[sources: HPDS Charity Care 2012-2014, TRSC application pp. 151-153, PHSC October 23, 2015 supplemental information pp. 50-52]

As shown above, the proposed charity care levels represented in both applications exceed the regional and four hospital average. Based on a review of each applicant’s historical financial

¹⁴ Includes EvergreenHealth in Kirkland, Overlake Hospital Medical Center in Bellevue, Snoqualmie Valley Hospital in Snoqualmie, and Swedish Health Services – Issaquah in Issaquah.

¹⁵ As of the writing of this evaluation, year 2015 charity care data is not yet available

¹⁶ Harborview Medical Center is subsidized by the state legislature to provide charity care services. Charity care percentages for Harborview make up almost 50% of the total percentages provided in the King County Region. Therefore, for comparison purposes, the department excludes Harborview Medical Center’s percentages.

statements, it does not appear that either applicant currently provides charity care. Therefore, if this project is approved, the department would attach conditions related to the percentage of charity care to be provided at the ASC.

Based on the source documents reviewed in the applications and each applicant's agreement to the conditions identified in the "conclusion" section of this evaluation, the department concludes that all residents including low income, racial and ethnic minorities, handicapped, and other under-served groups would have access to the services provided by the applicants. Therefore, for both applicants **this sub-criterion is met.**

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

Based on the source information reviewed and each applicant's agreement to the conditions identified in the "Conclusion" section of this evaluation, the department concludes that The Retina Surgery Center and Proliance Highlands Surgery Center have each **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 direct 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.

The Retina Surgery Center

To determine if TRSC would meet its immediate and long range operating costs, the department reviewed the assumptions used as a basis for its financial projections. Additionally, the department reviewed TRSC's financial statements for its first three full years of operation. Summarized below are the assumptions used by TRSC as the basis for projecting utilization and the number of procedures it expects.

- Since Proliance acquired Vitreoretinal Associates in 2011, only those physicians associated with the practice have been allowed to perform surgeries at the ASC. With Certificate of Need approval, TRSC will be open to other eye surgeons that are credentialed by Proliance.¹⁷
- The applicant assumed growth in demand for outpatient ophthalmic surgery in East King County. To project surgical volumes for the planning area, Proliance adapted findings regarding outpatient ophthalmic surgical use rates from the latest National

¹⁷ In order to practice in a Proliance facility, a physician must be approved to provide care by meeting the standards in the Proliance Credentialing Policy. These standards include, but are not limited to: a current, valid state license, an admitting coverage plan, DEA certification, board certification, and malpractice insurance.

[source: PHSC October 22, 2015 supplemental information, Exhibit 24]

Center for Health Statistics (NCHS) survey study: Ambulatory Surgery in the United States.¹⁸

- Surgeries only include ophthalmology procedures – TRSC does not intend to expand the types of surgeries performed.
- Use rates derived from the NCHS survey were multiplied by the 2016-2020 planning area populations, and then divided by 10,000 to project total number of procedures for the East King County planning area, broken down by procedure type.
- TRSC’s market share percentage was calculated based on current and planned surgeries, and taking into account any addition of surgeons who may use the ASC if available.

Table 9 below contains a summary of the historical and projected procedures and the TRSC projected market share based on the assumptions above.

Table 9
The Retina Surgery Center Utilization, Historical and Projected

	2016	2017	2018	2019
Surgical Procedures at TRSC	1,913	2,432	3,090	3,298
Ophthalmology Surgeries East King	15,947	16,212	16,480	16,754
TRSC Assumed Market Share	12%	15%	18.8%	19.7%
Average Monthly Surgeries	159.5	202.7	257.5	274.8
Average Daily Surgeries	5.2	6.7	8.5	9.0

[sources: TRSC application pp. 11, 24, 26; TRSC October 22, 2015 supplemental information p. 9]

The applicant first projected the anticipated number of eye surgeries to be performed in East King County for years 2016-2019; based on data acquired through the NCHS Report listed above, Proliance applied a use rate of 237.6/10,000 to the East King County population. TRSC is one of seven East King providers of ophthalmic surgery. The applicant stated that they currently hold approximately a 9% market share of all ophthalmology procedures in the planning area. As such, the modest year to year market share increases that TRSC anticipates seem reasonable as more providers gain access to the facility as the population grows and ages. Furthermore, when compared to historical number of surgeries, these projections seem reasonable.

TRSC also provided their assumptions used to project revenue, expenses, and net income for the first three years following CON approval. Those assumptions are summarized below:

- Revenues were calculated using actual revenue figures at TRSC in 2014
- No inflation was assumed for gross or net revenues.
- Deductions were calculated based on actual reimbursement rates negotiated between TRSC and their payers (Medicare, Medicaid, Commercial, HMO, etc.).
- Charity care to be provided at 2.5% of gross revenues
- Bad debt is assumed at a constant of 0.3%, consistent with actuals
- The number of FTE’s by type will increase incrementally to match assumed volumes

¹⁸ Number 11, January 28, 2009 – Revised September 4, 2009

- Wage and salary figures have been calculated on an hourly basis, based on actual wages and salaries at TRSC in 2014
- Benefits are assumed at 25% of total wages and salaries – consistent with actual Proliance figures

Using the assumptions stated above, Proliance projected revenue, expenses, and net income for TRSC. While TRSC is already operational as a Certificate of Need-exempt facility, the first full calendar year of operation as a Certificate of Need-approved facility will be 2017 and 2019 will be year three. The projections are shown in Table 10 below. [source: TRSC application pp. 33-34]

Table 10
The Retina Surgery Center
Projected Revenue and Expenses Years 2017 through 2019

	2017	2018	2019
Net Revenue	\$5,223,121	\$6,636,285	\$7,082,999
Total Expenses	\$4,128,107	\$4,943,498	\$5,221,021
Net Profit/(Loss)	\$1,095,014	\$1,692,787	\$1,861,978
Average Revenue per Procedure	\$2,147.67	\$2,147.67	\$2,147.67
Average Expenses per Procedure	\$1,697.41	\$1,599.84	\$1,583.09
Net Profit/(Loss) per Procedure	\$450.25	\$547.83	\$564.58

[source: TRSC application, Exhibit 18]

The “Net Revenue” line item is gross patient revenue, minus any deductions from revenue for contractual allowances, bad debt, and charity care. The “Total Expenses” line item includes both operating and non-operating expenses, including salaries and wages, benefits, insurance, rentals and leases, and depreciation.

TRSC identified the medical director, Dr. Robert R. Francis, who is a Proliance surgeon shareholder. The role of medical director is uncompensated, and there is no associated contract. TRSC provided a job description for the medical director, which includes roles and responsibilities for both TRSC and the medical director. [source: October 22, 2015 supplemental information pp. 14-15, Exhibit 23]

Based on the source documents evaluated, the department concludes that the projected revenues and expenses at the proposed ASC are reasonable and can be substantiated for this application. The department concludes that the immediate and long-range operating costs of the project can be met. **This sub-criterion is met.**

Proliance Highlands Surgery Center

To determine if PHSC would meet its immediate and long range operating costs, the department reviewed the assumptions used as a basis for its financial projections. Additionally, the department reviewed PHSC’s financial statements for its first three full years of operation. Summarized below are the assumptions used by PHSC as the basis for projecting utilization and the number of procedures it expects.

- Since Proliance established PHSC in 2008, only those physicians associated with the practice have been allowed to perform surgeries at the ASC. With Certificate of Need approval, PHSC will be open to other surgeons that are credentialed by Proliance.¹⁹
- The applicant assumed growth in demand for outpatient surgery in East King County. To project surgical volumes for the planning area, Proliance adapted findings regarding outpatient surgical use rates from the latest National Center for Health Statistics (NCHS) survey study: Ambulatory Surgery in the United States.²⁰
- Surgeries included existing orthopedic and ENT services, and also included surgical services to be added after Certificate of Need approval: endocrine, digestive, plastic, urologic, and general surgery.
- Use rates derived from the NCHS survey were multiplied by the 2016-2020 planning area populations, and then divided by 10,000 to project total number of procedures for the East King County planning area, broken down by procedure type.
- PHSC’s market share percentage was calculated based on current and planned surgeries, and taking into account any addition of surgeons who may use the ASC if available, and inflated based on an assumed planning area average annual growth rate of 1.66% between 2015-2020.

Table 11, below, shows historical utilization at PHSC.

Table 11
Proliance Highlands Surgery Center Surgical Cases 2012-2014

	2012	2013	2014
Orthopedic Surgical Cases ²¹	3,274	3,373	3,225
Otolaryngology Surgical Cases ²²	1,360	1,436	1,347
Total Surgical Cases	4,634	4,808	4,572

[source: PHSC October 22, 2015 supplemental information p. 3]

The applicant used this historical data in conjunction with the use rate assumptions and predictions from the NCHS report listed above. The national utilization rates for each respective surgical type to be utilized at PHSC post-Certificate of Need approval are listed below in Table 12.

¹⁹ In order to practice in a Proliance facility, a physician must be approved to provide care by meeting the standards in the Proliance Credentialing Policy. These standards include, but are not limited to: a current, valid state license, an admitting coverage plan, DEA certification, board certification, and malpractice insurance.

²⁰ Number 11, January 28, 2009 – Revised September 4, 2009

²¹ These cases referred to under “Operations of the Musculoskeletal System” in the Tables 12-15.

²² These cases referred to under both “Operations of the Ear” and “Operations of the Nose, Mouth, and Pharynx” in Tables 12-15.

**Table 12
Procedure Types, Coding, National Utilization Rates**

Procedure Description	ICD9 CM Code	Utilization Rate / 10,000
Operations on the Nervous System	01-05	107.2
Operations on the Endocrine System	06-07, 40-41, 72-75	11.5
Operations on the Ear	18-20	37.3
Operations on the Nose, Mouth, and Pharynx	21-29	96.0
Operations on the Digestive System	42-54	483.3
Operations on the Urinary System	55-59	59.6
Operations on the Male Genital Organs	60-64	21.2
Operations on the Musculoskeletal System	76-84, 00.70-00.73, 00.80-00.84	266.4
Operations of the Integumentary System	85-86	120.1

[source: PHSC October 22, 2015 supplemental information p. 25]

The applicant first projected the anticipated number of outpatient surgical procedures to be performed in East King County during the first three years of operation; and basing this on data acquired through the NCHS Report listed above, Proliance applied the applicable outpatient surgical use rates to the East King County population.

The applicant then assigned market shares for each type of surgical procedure. The market shares that PHSC assumed for orthopedic (musculoskeletal system) and ENT (ear and nose, mouth, and pharynx) were based on 2014 actual volumes and inflated with an assumed 1.66% population growth between 2015-2020. The market shares assumed for all other surgical procedure types were assigned based on the experience of Proliance in operating other Certificate of Need-approved ASCs. These market shares are between 0.5% and 2.0% to start, and increase in conjunction with assumed 1.66% population growth between 2015 and 2020. Tables 13, 14, and 15 demonstrate the steps that PHSC took to arrive at its anticipated surgical volumes. [source: PHSC October 22, 2015 supplemental information p. 10]

**Table 13
East King County Outpatient Surgery Utilization Forecast**

	2017	2018	2019
Operations on the Nervous System	7,314	7,436	7,559
Operations on the Endocrine System	785	798	811
Operations on the Ear	2,545	2,587	2,630
Operations on the Nose, Mouth, and Pharynx	6,550	6,659	6,769
Operations on the Digestive System	32,976	33,523	34,078
Operations on the Urinary System	4,067	4,134	4,203
Operations on the Male Genital Organs	707	720	720
Operations on the Musculoskeletal System	18,177	18,478	18,784
Operations of the Integumentary System	8,194	8,330	8,468
Total:	81,315	82,665	84,022

Table 14
Proliance Highlands Surgery Center Market Share Assumptions

	2017	2018	2019
Operations on the Nervous System	1.0%	1.0%	1.1%
Operations on the Endocrine System	2.0%	2.1%	2.1%
Operations on the Ear	14.2%	14.5%	14.7%
Operations on the Nose, Mouth, and Pharynx	16.3%	16.5%	16.8%
Operations on the Digestive System	0.5%	0.5%	0.5%
Operations on the Urinary System	2.0%	2.1%	2.1%
Operations on the Male Genital Organs	2.0%	2.1%	2.1%
Operations on the Musculoskeletal System	19.3%	19.6%	20.0%
Operations of the Integumentary System	1.0%	1.0%	1.1%
PHSC Total East King Market Share	4.5%	4.6%	4.7%

Table 15
Proliance Highlands Surgery Center Volume Assumptions

	2016	2017	2019
Operations on the Nervous System	74	77	79
Operations on the Endocrine System	16	16	17
Operations on the Ear	362	374	387
Operations on the Nose, Mouth, and Pharynx	1,065	1,101	1,138
Operations on the Digestive System	168	173	179
Operations on the Urinary System	83	85	88
Operations on the Male Genital Organs	14	15	15
Operations on the Musculoskeletal System	3,511	3,628	3,750
Operations of the Integumentary System	83	86	89
Total	5,376	5,555	5,742

The numbers of surgeries projected by the applicant per year appear to be reasonable when compared to existing volumes as a 3-OR ASC. In the projection year, 2019, the applicant expects 5,742 surgeries, or 1,435 per OR per year. In comparison, in year 2014 PHSC provided 4,572 surgeries with only 3 ORs, or 1,524 per OR per year.

PHSC also provided their assumptions used to project revenue, expenses, and net income for the first three years following CON approval. Those assumptions are summarized below:

- Revenues were calculated using actual revenue figures observed by Proliance, based on the procedure groups involved.
- No inflation was assumed for gross or net revenues.
- Revenues exclude professional fees, as these are paid to physicians through the operation of the associated clinic, as these are financially separate.
- Deductions were calculated based on actual reimbursement rates negotiated between Proliance and their payers (Medicare, Medicaid, Commercial, HMO, etc.).

- Charity care to be provided at 2.5% of gross revenues
- Bad debt is assumed at a constant of 1.5%, consistent with actuals
- The number of FTE’s by type will increase incrementally to match assumed volumes
- Wage and salary figures have been calculated on an hourly basis, based on actual wages and salaries at PHSC in 2014
- Benefits are assumed at 22% of total wages and salaries – consistent with actual Proliance figures
- Depreciation on the project capital expenditure uses straight-line depreciation with 10-year useful life assumption
- Consistent with Proliance ASCs, the revenues over expenses for the ASF financials are paid to physicians as a bonus, per the Proliance compensation plan.

[source: PHSC application pp. 35-36, PHSC October 22, 2015 supplemental information p. 2]

Using the assumptions stated above, Proliance projected revenue, expenses, and net income for PHSC. While PHSC is already operational as a Certificate of Need-exempt facility, the first full calendar year of operation as a Certificate of Need-approved facility will be 2017 and 2019 will be year three. The projections for years 2017-2019 are below in Table 16.

Table 16
Proliance Highlands Surgery Center
Projected Revenue and Expenses Years 2017 through 2019

	2017	2018	2019
Net Revenue	\$22,274,720	\$23,019,983	\$23,789,684
Total Expenses	\$11,269,445	\$11,654,396	\$11,856,056
Net Profit/(Loss)	\$11,005,275	\$11,365,587	\$11,933,628
Average Revenue per Procedure	\$4,142.74	\$4,142.73	\$4,142.83
Average Expenses per Procedure	\$2,095.94	\$2,097.35	\$2,064.66
Net Profit/(Loss) per Procedure	\$2,046.80	\$2,045.38	\$2,078.17

[source: PHSC October 22, 2015 supplemental information p. 50]

The “Net Revenue” line item is gross patient revenue, minus any deductions from revenue for contractual allowances, bad debt, and charity care. The “Total Expenses” line item includes both operating and non-operating expenses, including salaries and wages, benefits, insurance, rentals and leases, and depreciation. As shown above, Proliance Highlands Surgery Center anticipates that Certificate of Need approval will contribute to greater profitability over time as services are able to expand.

Furthermore, with the addition of a fourth OR in 2015, PHSC has increased their capacity. The increased surgical volume anticipated is reasonable with the addition of a fourth OR.

PHSC identified the medical director, Dr. Michael J. Sailer, who is a Proliance surgeon shareholder. The medical director position is uncompensated and there is no associated contract. PHSC provided a narrative that outlined the role and rotation of medical director duties. [source: PHSC October 22, 2015 supplemental information pp. 15-16]

Based on the source documents evaluated, the department concludes that the projected revenues and expenses at the proposed ASC are reasonable and can be substantiated for this application. 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 Retina Surgery Center

There are no construction or equipment costs associated with this project. These costs were incurred prior to 2011 as part of the construction of the exempt ASC. The impacts of these costs are already included in the current operating revenue and expenses of the facility. Under these circumstances converting the currently exempt ASC to an open CN approved ASC is expected to have minimal impact of the costs and charges of surgeries performed at this ASC. Any increase in operating costs will be associated with the increase in the number of procedures being performed in the existing operating rooms and therefore are not expected to have an unreasonable impact on cost and charges. [sources: Certificate of Need historical files, TRSC application, Exhibit 18]

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

Proliance Highlands Surgery Center

The costs associated with the establishment of Proliance Highlands Surgery Center as a 3-OR Certificate of Need-exempt ASC were incurred prior to 2008. The impacts of these costs are already included in the current operating revenue and expenses of the facility. The estimated capital expenditure associated with this project is \$898,467. The costs are solely related to the expansion of the facility to add a fourth OR and associated equipment costs. [sources: Certificate of Need historical files, PHSC application p. 34]

As of the writing of this evaluation, these capital costs were already undertaken as an expansion of the Certificate of Need-exempt facility. As demonstrated under WAC 246-310-220(1), PHSC anticipates an increase in surgical volumes with the opening of the fourth OR and opening the surgery center to non-Proliance physicians. The majority of increases in operating costs are expected to be associated with the increase in the number and types of procedures because of the addition of the fourth OR. The costs of this project are similar to other ASC projects reviewed by the department and are not expected to have an unreasonable impact. [source: PHSC October 22, 2015 supplemental information pp. 13-14]

Based on the above information, the department concludes **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.

The Retina Surgery Center

As there is no capital expenditure associated with the TRSC application, this sub-section is not applicable.

Proliance Highlands Surgery Center

To demonstrate compliance with this sub-criterion, PHSC provided the following capital expenditure breakdown, shown in Table 17 below (numbers are rounded).

Table 17
Proliance Highlands Surgery Center Capital Expenditure Breakdown

Item	Cost	% of Total
Building Construction (Tenant Improvement)	\$691,562	77.0%
Moveable Equipment	\$117,337	13.1%
Cost of Securing Financing/Interim Interest	\$4,656	0.5%
Sales Tax – Building	\$72,595	8.1%
Sales Tax – Moveable Equipment	\$12,317	1.4%
Total	\$898,467	100%

[source: PHSC application p. 34]

As mentioned above under WAC 246-310-220(2), these capital expenditures have already been undertaken as an expansion of the Certificate of Need-exempt facility. The project was debt-financed through U.S. Bank as a part of a much larger facility expansion for the entire medical center at 3.5% annual interest over 7 years. [source: PHSC application p. 37, PHSC October 22, 2015 supplemental information pp. 13-14]

Based on the source information reviewed, the department concludes the proposed source of funding for this project is appropriate. **This sub-criterion is met.**

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

Based on the source information reviewed and each applicant’s agreement to the conditions identified in the “Conclusion” section of this evaluation, the department concludes that The Retina Surgery Center and Proliance Highlands Surgery Center have **met** the structure and process (quality) 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. Therefore, using its experience and expertise the department concludes that the planning would allow for the required coverage.

The Retina Surgery Center

The Retina Surgery Center is currently operating under an exemption from Certificate of Need review. As an operational ASC, the applicant has 13.72 FTEs currently working in the facility in year 2015. The applicant expects that staffing will increase incrementally over time as surgical volumes and workloads increase. Table 18 below shows staffing levels for years 2014-2019:

**Table 18
The Retina Surgery Center Staffing Incremental Increase 2014-2019**

	2014	2015 Increase	2016 Increase	2017	2018	2019	2019 Total
				Increase Year 1	Increase Year 2	Increase Year 3	
Office/Clerical	1.12	0.00	0.00	0.28	0.00	0.28	1.68
Scheduler	1.12	0.28	0.00	0.28	0.00	0.00	1.68
Billing and Collection	1.12	0.00	0.00	0.00	0.00	0.00	1.12
Room Prep/Clean	1.12	0.00	0.00	0.56	0.00	0.00	1.68
Registered Nurses	4.48	0.56	0.56	1.40	1.96	0.56	9.52
OR Technicians	1.4	0.28	0.56	0.56	0.00	0.00	2.80
Materials Management	1.12	0.00	0.00	0.00	0.00	0.00	1.12
Manager	1.12	0.00	0.00	0.00	0.00	0.00	1.12
Total Increase	--	1.12	1.12	3.08	1.96	0.84	--
Total FTE's	12.6	13.72	14.84	17.92	19.88	20.72	20.72

[source: TRSC application p. 36, TRSC October 22, 2015 supplemental information p. 14]

As shown in in Table 18, TRSC expects an increase of 7 FTEs over a 5 year period. The applicant does not anticipate facing any difficulty in recruiting and maintaining the needed staff to support surgical volume increases after Certificate of Need approval. The applicant stated: *“Existing FTE to case ratios will be maintained to current levels to continue the high quality and successful surgical outcomes that our surgery center experiences. This facility offers attractive work environment, hours and pay, attracting local residents who are highly qualified. We do not expect any staffing challenges....”* [source: TRSC application p. 37]

Given that TRSC is currently operating with the majority of key staff in place, and that staffing increases will be incremental, the department concludes that the ASC would be adequately staffed. Based on the source information reviewed, the department concludes **this sub-criterion is met.**

Proliance Highlands Surgery Center

Proliance Highlands Surgery Center is currently operating under an exemption from Certificate of Need review. As an operational ASC, the applicant has 39.0 FTEs currently working in the facility in year 2015. The applicant expects that staffing will increase

incrementally over time as surgical volumes and workloads increase. Table 19 below shows staffing levels for years 2014-2019.

**Table 19
Proliance Highlands Surgery Center Staffing Incremental Increase 2014-2019**

	2014	2015 Increase	2016 Increase	2017	2018	2019	2019 Total
				Increase Year 1	Increase Year 2	Increase Year 3	
Office/Clerical	3.00	0.00	0.40	0.00	0.00	0.00	3.40
Scheduler	2.00	0.00	0.20	0.00	1.20	0.00	3.40
Billing and Collection	2.00	0.00	0.20	0.00	1.20	0.00	3.40
Room Prep/Clean	2.00	0.00	1.40	0.00	0.00	0.00	3.40
Registered Nurses	17.00	1.00	2.20	0.00	0.00	0.00	20.20
OR Technicians	10.00	0.00	1.20	1.10	0.00	0.00	12.30
Materials Management	1.00	0.00	0.10	0.00	0.00	0.00	1.10
Manager	1.00	0.00	0.00	0.00	0.00	0.00	1.00
Total Increase	--	1.00	5.70	1.10	2.40	0.00	--
Total FTE's	38.00	39.00	43.60	44.70	48.00	48.00	48.00

[source: PHSC application p. 40, PHSC October 22, 2015 supplemental information pp. 14-15]

As shown in Table 19, PHSC expects an increase of 10 FTEs over a 5 year period. The applicant does not anticipate facing any difficulty in recruiting and maintaining the needed staff to support surgical volume increases after Certificate of Need approval. The applicant stated: *“This facility offers attractive work environment, hours and pay, attracting local residents who are highly qualified. We do not expect any staffing challenges that would disrupt our ability to achieve our goals and objectives....”* [source: PHSC application p. 41]

Given that PHSC is currently operating with the majority of key staff in place, and that staffing increases will be minimal, the department concludes that the ASC would be adequately staffed. Based on the source information reviewed, the department concludes **this sub-criterion is met.**

- (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.

The Retina Surgery Center

The Retina Surgery Center is an exempt ASC that has been operating since 2011, and has already established ancillary and support agreements with healthcare providers in the East King County planning area. TRSC provided a copy of the existing transfer agreement

between itself and Overlake Hospital and Medical Center. The agreement identifies the roles and responsibilities of both entities. There is no indication that this current relationship would be negatively affected if this exempt ASC obtains Certificate of Need approval. [source: TRSC application Exhibit 20]

TRSC provided a list of their existing ancillary agreements and asserted that all contracts will be adequate to support the increased surgical volumes anticipated with Certificate of Need approval. [source: TRSC October 22, 2015 supplemental information Appendix 1]

Therefore, the department concluded there is reasonable assurance that TRSC will continue its relationships with ancillary and support services and this project would not negatively affect those relationships. **This sub-criterion is met.**

Proliance Highlands Surgery Center

Proliance Highlands Surgery Center is an exempt ASC that has been operating since 2008, and has already established ancillary and support agreements with healthcare providers in the East King County planning area. PHSC provided a copy of their existing transfer agreements between itself and Overlake Hospital and Medical Center and between itself and Swedish Medical Center – Issaquah Campus. The agreements identify the roles and responsibilities of both entities. There is no indication that these current relationships would be negatively affected if this exempt ASC obtains Certificate of Need approval. [source: PHSC application Exhibit 23]

PHSC provided a list of their existing ancillary agreements and asserted that all contracts will be adequate to support the increased surgical volumes anticipated with Certificate of Need approval. [source: PHSC October 22, 2015 supplemental information pp. 17-18]

Therefore, the department concludes that there is reasonable assurance that PHSC will continue its relationships with ancillary and support services and this project would not negatively affect those relationships. **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. 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.

The Retina Surgery Center

Proliance Surgeons, Inc., P.S. dba The Retina Surgery Center has been a provider in East King County since 2011. As a part of this review, the department must conclude that the proposed services provided by TRSC would be provided in a manner that ensures safe and

adequate care to the public.²³ To accomplish this task, the department reviewed the quality of care compliance history for TRSC and all healthcare facilities that are either owned, operated, or managed by Proliance Surgeons, Inc., P.S. As this compliance check is related to both applicants, it will be discussed following the review of PHSC. [source: Certificate of Need historical files]

TRSC is currently accredited by the Joint Commission.²⁴ The applicant provided a copy of their most recent survey through both the Joint Commission and through the Washington State Department of Health’s Office of Investigation and Inspection. Verified through the Joint Commission website, TRSC is accredited, effective June 2014. Joint Commission accreditation is awarded for three years for ASCs. Further, the last survey conducted by Washington State Office of Investigation and Inspection revealed no substantial non-compliance issues for the ASC in July of 2013. No substantiated complaints have been received by the department regarding TRSC. [sources: ILRS, Joint Commission website, TRSC October 22, 2015 supplemental information p. 2, 51-57]

The applicant provided the names and license numbers of all credentialed staff. The following physicians practice at TRSC.

Table 20
The Retina Surgery Center Physicians and Surgeons

Name	Credential Number	Recent Disciplinary Action
Charles D. Birnbach	MD.00033777	No
A. Samuel Barloon	MD.00030214	No
Robert R. Francis*	MD.00023403	No
Robert W. Nash	MD.00033892	No
David A. Saperstein	MD.00038220	No
Craig G. Wells	MD.00018725	No
Todd R. Klesert	MD.60125691	No

[source: TRSC October 22, 2015 supplemental information p. 16, Medical Quality Assurance Commission (MQAC)]

Dr. Robert R. Francis, highlighted above with an asterisk, serves as the current medical director of TRSC. The medical director duties rotate between the physicians listed above, and services provided as the medical director are unpaid. As such, there is no medical director contract. [source: TRSC October 22, 2015 supplemental information p. 15]

²³ WAC 246-310-230(5)

²⁴ The Joint Commission accredits and certifies more than 20,000 health care organizations and programs in the United States. Joint Commission accreditation and certification is recognized nationwide as a symbol of quality that reflects an organization’s commitment to meeting certain performance standards. Joint Commission accreditation is awarded to a healthcare organization that is in compliance with all standards at the time of the onsite survey or has successfully addressed requirements for improvement in an Evidence of Standards Compliance within 45 or 60 days following the posting of the Accreditation Summary Findings Report. [source: Joint Commission website]

In addition to the physicians listed above, the department conducted a quality of care check for all RNs, LPNs, surgical technologists, and medical assistants through the Nursing Quality Assurance Commission (NQAC) and Health Systems Quality Assurance (HSQA OCS). All credentialed staff members associated with TRSC are licensed in good standing. [source: TRSC November 12, 2015 supplemental information p. 1, NQAC, HSQA OCS]

Proliance Highlands Surgery Center

Proliance Surgeons, Inc., P.S. dba Proliance Highlands Surgery Center has been a provider in East King County since 2008. As a part of this review, the department must conclude that the proposed services provided by PHSC would be provided in a manner that ensures safe and adequate care to the public.²⁵ To accomplish this task, the department reviewed the quality of care compliance history for PHSC and all healthcare facilities that are either owned, operated, or managed by Proliance Surgeons, Inc., P.S. As this compliance check is related to both applicants, it will be discussed following this review of PHSC. [source: Certificate of Need historical files]

PHSC is currently accredited by the Accreditation Association for Ambulatory Health Care (AAAHC).²⁶ The applicant provided a copy of their most recent survey through both the AAAHC and through the Washington State Department of Health’s Office of Investigation and Inspection. PHSC is accredited through the AAAHC effective March 2013. AAAHC accreditation is awarded for three years for ASCs. Further, the last survey conducted by Washington State office of Investigation and Inspection revealed no substantial non-compliance issues for the ASC in September of 2013. No substantiated complaints have been received by the department regarding PHSC. [sources: ILRS, AAAHC website, PHSC application p. 10]

The applicant provided the names and license numbers of all current credentialed staff. The following physicians practice at PHSC.

**Table 21
Proliance Highlands Surgery Center Physicians and Surgeons**

Name	Credential Number	Recent Disciplinary Action
Randall Baker	MD.00035015	No
Clayton B. Brandes	MD.00035290	No
James D. Bruckner	MD.00027573	No
Thomas H. Castle, Jr.	MD.00025341	No

²⁵ WAC 246-310-230(5)

²⁶ The Accreditation Association for Ambulatory Health Care is a private, non-profit organization that accredits more than 6,000 organizations, including ambulatory surgery centers, community health centers, medical and dental group practices, medical home practices, and managed care organizations. The AAAHC develops standards to advance and promote patient safety, quality care, and value for ambulatory health care through a peer-based accreditation process, education, and research. With a single focus on the ambulatory care community, AAAHC offers organizations a cost-effective, flexible, and collaborative approach to accreditation. AAAHC accreditation for ASCs holds Medicare deemed status from the Centers for Medicare and Medicaid Services (CMS). [source: AAAHC website]

Name	Credential Number	Recent Disciplinary Action
Thomas D. Chi	MD.00038904	No
Elaine Chong	MD.00047419	No
John Costello	MD.00032956	No
Ming Fan	MD.00043396	No
Vicente Farinas	MD.00035215	No
Kevin Fujinaga	MD.00031831	No
Davis Guilber	MD.00048235	No
Ku-Yuen Hsue	MD.00028683	No
Jonah B. Hulst	MD.60290797	No
Jeremy A. Idjadi	MD.00046591	No
Todd Jackman	MD.00049377	No
John Kidd	MD.00031798	No
Jamie Kim	MD.60018666	No
Gregory A. Komenda	MD.00035536	No
Kurt Leinweber	OP.00002201	No
Aaron Levin	MD.00035960	No
Dorothy Ling	MD.00027409	No
Grant R. Lohse	MD.60296681	No
Shane Macaulay	MD.00027606	No
Peter R. Mandt	MD.00023819	No
Theodore Manullang	MD.00037431	No
Silas T. Marshall	MD.60386052	No
John McConnell	MD.00027263	No
Tyler J. Nathe	MD.60291180	No
Michael Pascale	MD.00031098	No
Ash C. Patel	MD.00042020	No
Steven S. Ratcliffe	MD.00016613	No
Tara Reimers	MD.00046435	No
Matthew J. Robon	MD.00047476	No
Geoffrey Rodey	MD.00027928	No
Michael J. Sailer*	MD.00027596	No
Scott Shih	MD.00035492	No
Ranjeet Singh	MD.00040474	No
Tien Thach	MD.60147196	No
John L. Thayer	MD.00016621	No
Benjamin Tibbals	MD.00046471	No
Darwin Viernes	MD.60171768	No
Tygh Wyckoff	MD.60273276	No
Elaine Yager	MD.00030379	No
Patricia Zundel	MD.00040052	No

[source: MQAC, HSQA OCS, PHSC website, PHSC October 22, 2015 supplemental information p. 17]

Dr. Michael J. Sailer, highlighted above with an asterisk, currently serves as the medical director of PHSC. The medical director duties rotate between the surgeons listed above, and services provided as the medical director are unpaid. As such, there is no medical director contract. [source: PHSC October 22, 2015 supplemental information p. 16]

In addition to the physicians listed above, the department conducted a quality of care check for all PHSC RNs and surgical technologists through the Nursing Quality Assurance Commission (NQAC) and Health Systems Quality Assurance (HSQA OCS). All credentialed staff members associated with PHSC are licensed in good standing, including their Clinical Director, Catherine Ruppe, RN (RN.00105268). [source: PHSC October 22, 2015 supplemental information p. 16, PHSC November 12, 2015 supplemental information p. 2, NQAC, HSQA OCS]

Proliance Surgeons, Inc., P.S.

The facilities listed in Table 22 are owned or operated by Proliance Surgeons, Inc., P.S. – facilities highlighted in bold are Certificate of Need-approved.

Table 22
Proliance Surgeons, Inc., P.S. Ambulatory Surgery Centers

Facility	License Number	CON Status	Owned/Operated
Cascade Ear Nose and Throat Surgery Center	ASF.FS.60442571	Exempt	Owned
Edmonds Center for Outpatient Surgery	ASF.FS.60101035	Approved	Owned
Everett Bone and Joint Surgery Center	ASF.FS.60101038	Exempt	Owned
Evergreen Surgical Clinic ASC ²⁷	ASF.FS.60101044	Exempt	Owned
Lakewood Surgery Center	ASF.FS.60101047	Approved	Owned
Overlake Surgery Center	ASF.FS.60101029	Approved	Operated
Plastic & Reconstructive Surgeons ASC	ASF.FS.60572737	Exempt	Owned
Proliance Orthopedic Associates ASC	ASF.FS.60101083	Exempt	Owned
Proliance Eastside Surgery Center	ASF.FS.60101042	Approved	Owned
Proliance Highlands Surgery Center*	ASF.FS.60101051	Exempt	Owned
Puyallup Ambulatory Surgery Center	ASF.FS.60534460	Exempt	Owned
Seattle Orthopedic Center – Surgery	ASF.FS.60101053	Exempt	Owned
Seattle Surgery Center	ASF.FS.60101072	Approved	Owned
Skagit Northwest Orthopedic ASC at Continental	ASF.FS.60442605	Exempt	Owned
Skagit Northwest Orthopedic ASC at LaVenture	ASF.FS.60101074	Approved	Owned
Southwest Seattle Ambulatory Surgery Center	ASF.FS.60101076	Approved	Owned
The Retina Surgery Center*	ASF.FS.60278648	Exempt	Owned
The Surgery Center at Rainier	ASF.FS.60101080	Approved	Owned
Tri-City Regional Surgery Center	ASF.FS.60100019	Approved	Operated

* – applicant

[sources: PHSC October 22, 2015 supplemental information p. 3, ILRS]

According to the Department of Health’s Office of Investigation and Inspections, all Proliance facilities are substantially in compliance with facility licensing standards. All Proliance facilities have, or are pursuing, Medicare and Medicaid certification.

In addition to verifying quality of care for Proliance facilities, the department also performed a quality of care check for 208 Proliance physicians and surgeons. All of the 208 physicians, have active and unrestricted licenses with the State of Washington. Furthermore, Proliance provided a copy of their credentialing and privileging applications and procedures for

²⁷ Change of ownership effective 9/29/2015. This facility is now owned by EvergreenHealth. [source: CN historical files]

disciplinary action in response to screening. [sources: DOH Provider Credential Search, PHSC October 22, 2015 supplemental information Exhibit 24]

Given the compliance history of the health care facilities owned and operated by Proliance, the staff at TRSC and PHSC, and the accreditation of both facilities, there is reasonable assurance that both ASCs would be operated and managed in conformance with applicable state and federal licensing and certification requirements.

Based on the above information, the department concludes that there is reasonable assurance that TRSC and PHSC will continue to be operated in compliance with state and federal requirements. Therefore, for both applicants **this sub criterion is met.**

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

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

The Retina Surgery Center

To demonstrate compliance with this sub-criterion, TRSC provided the following statement: *"CON-approval will improve access to the existing facility by non-Proliance physicians. This simply means that non-Proliance physicians who practice in the East King Planning Area will now have a local ASF where eye surgeries can be performed. Increased local access will improve continuity and reduce fragmentation of care."*

[source: TRSC application p. 37]

The ASC is operational as an exempt facility, and working relationships with existing healthcare facilities have already been established. Since the ASC will not relocate, the department expects these relationships to continue. As discussed above under WAC 246-310-230(2), TRSC has asserted that all ancillary and support agreements will not be affected by Certificate of Need approval.

As an existing provider, approval of this project will not result in a fragmentation of ophthalmology surgical services. Approval could result increased continuity of care for patients of non-Proliance physicians as these physicians gain access to TRSC ORs.

No public comment was received by any other planning area providers of ophthalmology surgical services – three of which are Certificate of Need approved²⁸ – which further supports that this project will not fragment existing services

²⁸ Includes Overlake Surgery Center [CN #1192], Eastside Surgery Center [CN #1462], and Evergreen Surgical Center [under EvergreenHealth HAC license]

Based on this information, the department concludes that approval of this project would promote continuity in the provision of health care for the planning area, and would not result in an unwarranted fragmentation of services. Further, TRSC demonstrated the ASC would have appropriate relationships to the service area's existing health care system within the planning area. **This sub-criterion is met.**

Proliance Highlands Surgery Center

To demonstrate compliance with this sub-criterion, PHSC provided the following statement: *“Proliance Highlands Surgery Center promotes continuity of care now since it offers all elements of outpatient orthopedic care, including diagnosis, treatment, and outpatient surgery, if needed. CON approval will allow other, non-Proliance physicians and their patients this same access, which will reduce fragmentation that currently exists....”*

[source: PHSC application p. 41]

The ASC is operational as an exempt facility, and working relationships with existing healthcare facilities have already been established. Since the ASC will not relocate, the department expects these relationships to continue. As discussed above under WAC 246-310-230(2), PHSC has asserted that all ancillary and support agreements will not be affected by Certificate of Need approval.

As an existing provider, approval of this project will not result in a fragmentation of surgical services. Approval could result increased continuity of care for patients of non-Proliance physicians as these physicians gain access to PHSC ORs.

No public comment was received by any other planning area providers of orthopedic surgical services – two of which are Certificate of Need approved²⁹ – which further supports that this project will not fragment existing services

Based on this information, the department concludes that approval of this project would promote continuity in the provision of health care for the planning area, and would not result in an unwarranted fragmentation of services. Further, PHSC demonstrated the ASC would have appropriate relationships to the service area's existing health care system within the planning area. **This sub-criterion is met.**

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

WAC 246-310 does not contain specific WAC 246-310-230(5) criteria as identified in WAC 246-310-200(2)(a)(i). There are known recognized standards as identified in WAC 246-310-200(2)(a)(ii) and (b) that a facility must meet when it is to be Medicare certified and Medicaid eligible. Therefore, using its experience and expertise the department assessed the applicant's history in meeting these standards at other facilities owned or operated by the applicant. The department's review of this sub-criterion includes historical quality of care of the applicant to assess whether the applicant's history could be a positive indicator of the future.

²⁹ Includes Overlake Surgery Center [CN #1192], and Eastside Surgery Center [CN #1462]

The Retina Surgery Center

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

Proliance Highlands Surgery Center

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

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

Based on the source information reviewed and each applicant’s agreement to the conditions identified in the “Conclusion” section of this evaluation, the department concludes that The Retina Surgery Center and Proliance Highlands Surgery Center have **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 through 230. If it has failed to meet one or more of these criteria then the project is determined not to be the best alternative, and would fail this sub-criterion.

If the project 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:

The Retina Surgery Center

The department concluded that TRSC’s application meets the review criteria under WAC 246-310-210, 220, and 230. Therefore, further analysis of this project is provided in step two.

Proliance Highlands Surgery Center

The department concluded that PHSC's application meets the review criteria under WAC 246-310-210, 220, and 230. Therefore, further analysis of this project is provided in step two.

Step Two:

The Retina Surgery Center

As this is an existing facility, the only alternative identified by TRSC was to remain as a Certificate of Need-exempt facility rather than to seek Certificate of Need approval. TRSC provided the following statement in support of this project versus continuing to operate under an exemption.

"In our analysis, we found the best option for the Retina Surgery Center, as well as Planning Area residents, would be CON approval. Doing nothing does not improve access and it would further fragment care. Further, a No Project option does not promote quality of care, nor does it help the efficient operation and cost-effectiveness of our two-OR ASF.

The Retina Surgery Center has already incurred all costs associated with constructing and equipping this facility. Planning Area residents (and physicians) face future shortages of outpatient operating suites...The Requested Project best meets access, quality/continuity of care, efficiency/cost-effectiveness, and has modest staffing and legal impacts. It is the preferred option. Approval of our two-OR ambulatory surgery facility best meets cost containment criteria."

[source: TRSC application p. 41]

Proliance Highlands Surgery Center

As this is an existing facility, the only alternative identified by PHSC was to remain as a Certificate of Need-exempt facility rather than to seek Certificate of Need approval. PHSC provided the following statement in support of this project versus continuing to operate under an exemption.

"In our analysis, we found that the best option for Proliance Highlands Surgery Center, as well as Planning Area residents, would be CON approval. Doing nothing does not improve access and it would further fragment care. Further, a No Project option does not promote quality of care, nor does it help the efficient operation and cost-effectiveness of our...ASC.

Proliance Highlands Surgery Center has already incurred all costs associated with constructing and equipping the facility. Planning Area residents (and physicians) face future shortages of outpatient operating suites...The Requested project best meets access, quality/continuity of care, efficiency/cost-effectiveness, and has modest staffing and legal impacts. It is the preferred option. Approval of our four-OR ambulatory surgery facility best meets cost containment criteria."

[source: PHSC application p. 45]

Department Evaluation

The department found need for an additional 19.4 ORs in the planning area. Proliance provided rationale to support that the continued operation of TRSC and PHSC as Certificate of Need-exempt facilities is not an efficient use of its existing and recently expanded OR space. While the department understands this rationale, it would not justify the approval of either project in the absence of numeric need.

Given that the only alternatives to these projects would be to do nothing (continuing operation as Certificate of Need-exempt facilities), and taking into account the numeric need for outpatient ORs in the planning area, the department concludes that the projects described in this evaluation are the best available alternative for the community.

Step Three:

WAC 246-310 does not contain any service or facility-specific criteria for determining superiority between competing ASCs. Both applicants are existing providers in the planning area and have demonstrated that they each meet the applicable criteria under WAC 246-310-210, 220, 230, and 240 and the proposed volume of ORs between both providers does not exceed the planning area need for outpatient ORs. Therefore, the department will not identify a superior applicant, as both projects are approvable.

For both applicants, **this sub-criterion is met.**

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

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

The Retina Surgery Center

As there is no construction associated with this application, this section is not applicable

Proliance Highlands Surgery Center

As stated in the project description portion of this evaluation, this project involves construction. This sub-criterion is evaluated within the financial feasibility criterion under WAC 246-310-220(2). **This sub-criterion is met.**

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

The Retina Surgery Center

As there is no construction associated with this application, this section is not applicable

Proliance Highlands Surgery Center

As stated in the project description portion of this evaluation, this project involves construction. This sub-criterion is evaluated within the financial feasibility criterion under WAC 246-310-220(2). **This sub-criterion is met.**

APPENDIX A



**APPENDIX A
ASC Need Methodology
East King County**

Certificate of Need Applications:
16-03
16-04

Facility	Credential Number	ZIP Code	Special Procedure Rooms	Dedicated Inpatient ORs	Dedicated Outpatient ORs	Mixed Use ORs	Inpatient min/case	2011 Inpatient Cases in Mixed Use ORs	2011 Inpatient Mins. In Mixed Use ORs	Outpatient Min/Case	Outpatient Cases	Outpatient Mins.	Data Source
EvergreenHealth	HAC.FS.00000164	98034		0	0	8	113.0	6,989	790,045				Data obtained from Year 2014 survey.
Overlake Hospital Medical Center	HAC.FS.00000131	98004	4	0	1	18	115.1	11,543	1,328,058	50	231	11,550	Data obtained from Year 2014 survey. Mins/surg equaled 9. Not likely correct. Used default 50 min/case
Snoqualmie Valley Hospital	HAC.FS.00000195	98065	1	0	0	1	30.0	181	5,430				Data obtained from Year 2014 survey.
Swedish Medical Center-Issaquah	HAC.FS.60256001	98029	4	0	0	12	97.0	4,705	456,336				Data obtained from Year 2014 survey.
Aesthetic Facial Plastic Surgery, PLLC	ASF.FS.60429354	98004	0	0	1	0	0.0	0	0	50.0	601	30,050	Per ILRS; outpatient minutes calculated using 50 x # of cases. Data for 2015 license renewal
Aesthetic Physicians dba Sono Bello	ASF.FS.60291172	98004	0	0	2	0	0.0	0	0	111.5	548	61,081	Year 2014 data obtained from year 2015 survey. Minutes/surgery calculated.
Allure Laser Center	ASF.FS.60574719	98033	0	0	2	0	0.0	0	0	50.0	830	41,500	Per ILRS; outpatient minutes calculated using 50 x # of cases. Data for FY 2014.
Anderson Sobel Cosmetic Surgery	ASF.FS.60278641	98004	0	0	1	0	0.0	0	0	133.8	86	11,508	Year 2014 data obtained from year 2015 survey. Minutes/surgery calculated.
Athenix Body Sculpting Institute	ASF.FS.60329939	98005	0	0	2	0	0.0	0	0	50.0	639	31,950	Year 2014 data obtained from year 2015 survey. Did not provide minutes/case. Used 50 x # of cases
Aysel K. Sanderson, MD, PS	ASF.FS.60101705	98033	0	0	1	0	0.0	0	0	219.0	83	18,180	Year 2014 data obtained from year 2015 survey. Minutes/surgery calculated.
Bellevue Plastic Surgery Center [Newvue]	ASF.FS.60320007	98004	0	0	1	0	0.0	0	0	152.6	154	23,503	Year 2014 data obtained from year 2015 survey. Minutes/surgery calculated.
Bellevue Spine Specialist	ASF.FS.60100993	98005	0	0	1	0				50.0	2,500	125,000	Per ILRS; outpatient minutes calculated using 50 x # of cases. 2009 data - still active per facility
Bellevue Surgery Center (Wash Center for Pain)	ASF.FS.60287715	98004	0	0	2	0	0.0	0	0	14.1	915	12,920	Year 2014 data obtained from year 2015 survey. Minutes/surgery calculated.
Bel-Red Ambulatory Surgical Facility	ASF.FS.60102983	98004	0	0	2	0	0.0	0	0	50.0	200	10,000	Per ILRS; outpatient minutes calculated using 50 x # of cases. Data for 2015 license renewal
Center for Plastic Surgery [David Stephens, MD]	ASF.FS.60134975	98004	0	0	1	0	0.0	0	0	50.0	151	7,550	Per ILRS; outpatient minutes calculated using 50 x # of cases. Data for 2015 license renewal
Cosmetic Surgery & Dermatology of Issaquah	ASF.FS.60100200	98027	0	0	2	0	0.0	0	0	60.0	1,011	60,660	Year 2014 data obtained from year 2015 survey. Minutes/surgery calculated.
Eastside Endoscopy Center-Bellevue	ASF.FS.60100024	98004					ENDOSCOPY ORS & MINUTES NOT COUNTED-CN APPROVED						
Eastside Endoscopy Center-Issaquah	ASF.FS.60100200	98027					ENDOSCOPY ORS & MINUTES NOT COUNTED-CN APPROVED						
Eastside Surgery Center	ASF.FS.60477711	98027	1	0	2	0	0.0	0	0	50.0	186	9,300	Year 2014 data obtained from year 2015 survey. Minutes/case too low for facility providing orthopedic, podiatric, and ophthalmologic (186 cases, 1290 minutes reported = 6.9 minutes/case). Calculated using 50 x # of cases
Egrari Plastic Surgery Center	ASF.FS.60307710	98004	0	0	1	0	0.0	0	0	123.1	322	39,630	Year 2014 data obtained from year 2015 survey. Minutes/surgery calculated.
Evergreen Endoscopy Center	ASF.FS.60103003	98034					ENDOSCOPY ORS & MINUTES NOT COUNTED						
Evergreen Surgical Center (under HAC license)	HAC.FS.00000164	98034	3		6					62.3	5,191	323,149	Year 2014 data obtained from year 2015 survey. Minutes/surgery calculated.
EvergreenHealth Ambulatory Surgical Care (Evergreen Surgical Clinic ASC)	ASF.FS.60584768	98034	0	0	3	0	0.0	0	0	71.1	1,177	83,730	Year 2014 data obtained from year 2015 survey. Minutes/surgery calculated. NB: 2015 CHOW "EvergreenHealth Ambulatory Surgical Care"
Group Health Cooperative-Bellevue	ASF.FS.60100954	98004	1	0	6	0	0.0	0	0	62.9	5,082	319,500	Year 2014 data obtained from year 2015 survey. Minutes/surgery calculated.
John H Brunzman	ASF.FS.60102987	98073	0	0	1	0				50.0	100	5,000	Per ILRS; outpatient minutes calculated using 50 x # of cases. 2012 data - still active per facility
Naficy Plastic Surgery and Rejuvenation Center	ASF.FS.60101790	98004	0	0	2	0	0.0	0	0	150.0	593	88,950	Year 2014 data obtained from year 2015 survey. Minutes/surgery calculated.
Northwest Center for Aesthetic Plastic Surgery	ASF.FS.60101127	98004	0	0	1	0	0.0	0	0	50.0	200	10,000	Per ILRS; outpatient minutes calculated using 50 x # of cases. Data for 2015 license renewal
Northwest Laser and Surgery Center	ASF.FS.60277121	98005	0	0	2	0	0.0	0	0	50.0	466	23,300	Year 2014 data obtained from year 2015 survey. Minutes/surgery calculated. 15 min/surg not likely, used 50 X cases
Northwest Nasal Sinus Center	ASF.FS.60118035	98033	0	0	2	0	0.0	0	0	37.2	1,546	57,543	Year 2014 data obtained from year 2015 survey. Minutes/surgery calculated.
Overlake Reproductive Health	ASF.FS.60350164	98004	0	0	1	0	0.0	0	0	50.0	200	10,000	Per ILRS; outpatient minutes calculated using 50 x # of cases. Data for 2014 license renewal
Overlake Surgery Center	ASF.FS.60101029	98004	0	0	4	0	0.0	0	0	82.4	2,869	236,449	Year 2014 data obtained from year 2015 survey. Minutes/surgery calculated.
Pacific Cataract and Laser Institute-Bellevue	ASF.FS.60101107	98004	0	0	2	0	0.0	0	0	50.0	4,285	214,250	Year 2014 data obtained from year 2015 survey. Did not provide minutes/case. Used 50 x # of cases
Plastic Surgery Northwest	ASF.FS.60102710	98034	0	0	2	0	0.0	0	0	50.0	203	10,150	Per ILRS; outpatient minutes calculated using 50 x # of cases. Data for 2012 license renewal.
Proliance Eastside Surgery Center	ASF.FS.60101042	98034	0	0	4	0	0.0	0	0	67.0	3,976	266,531	Year 2014 data obtained from year 2015 survey. Minutes/surgery calculated.
Proliance Highlands Surgery Center	ASF.FS.60101051	98029	0	0	3	0	0.0	0	0	70.2	4,572	320,923	Year 2014 data obtained from year 2015 survey. Minutes/surgery calculated.
Remington Plastic Surgery Center	ASF.FS.60103007	98034	0	0	1	0	0.0	0	0	150.6	199	29,970	Year 2014 data obtained from year 2015 survey. Minutes/surgery calculated.
Retina Surgery Center (The)	ASF.FS.60278648	98004	0	0	1	0	0.0	0	0	43.1	1,327	57,198	Year 2014 data obtained from year 2015 survey. Minutes/surgery calculated.
Sammamish Center for Facial Plastic Surgery	ASF.FS.60100119	98074	0	0	1	0	0.0	0	0	120.0	28	3,360	Year 2014 data obtained from year 2015 survey. Minutes/surgery calculated.
Seattle Children's Bellevue	(under hospital license)	98004	0	0	2	0	0.0	0.0	0.0	38.9	3,286	127,888	Year 2014 data obtained from year 2015 survey. Minutes/surgery calculated.
SoGab Surgery Center	ASF.FS.60107297	98033	0	0	1	0	0.0	0	0	178.2	101	18,000	Year 2014 data obtained from year 2015 survey. Minutes/surgery calculated.
Stern Center for Aesthetic Surgery (The)	ASF.FS.60099126	98004	0	0	1	0	0.0	0	0	50.0	132	6,600	Year 2014 data obtained from year 2015 survey. Did not provide minutes/case. Used 50 x # of cases
Virginia Mason-Bellevue ASC	ASF.FS.60101657	98004	1				ENDOSCOPY ORS & MINUTES NOT COUNTED						



**APPENDIX A
ASC Need Methodology
East King County**

Certificate of Need Applications:
16-03
16-04

Facility	Credential Number	ZIP Code	Special Procedure Rooms	Dedicated Inpatient ORs	Dedicated Outpatient ORs	Mixed Use ORs	Inpatient min/case	2011 Inpatient Cases in Mixed Use ORs	2011 Inpatient Mins. In Mixed Use ORs	Outpatient Min/Case	Outpatient Cases	Outpatient Mins.	Data Source
Virginia Mason-Issaquah ASC	ASF.FS.60101658	98027	1				ENDOSCOPY ORS & MINUTES NOT COUNTED						
Washington Institute Orthopedic Center	ASF.FS.60101120	98034	0	0	1	0	0.0	0	0	50.0	767	38,350	Year 2014 data obtained from year 2015 survey. Did not provide minutes/case. Used 50 x # of cases
Washington Urology Associates, PLLC-Bellevue	ASF.FS.60222057	98004	0	0	2	0	0.0	0	0	43.5	1,467	63,814	Year 2014 data obtained from year 2015 survey. Minutes/surgery calculated.
Washington Urology Associates, PLLC-Kirkland	ASF.FS.60222149	98034	0	0	2	0	0.0	0	0	43.5	1,974	85,869	Year 2014 data obtained from year 2015 survey. Minutes/surgery calculated.
Yarrow Bay Plastic Surgery Center	ASF.FS.60312375	98033	0	0	1	0	0.0	0	0	205.4	118	24,240	Year 2014 data obtained from year 2015 survey. Minutes/surgery calculated.
Totals			16	0	74	39	355.1	23,418	2,579,869	2,991	48,316	2,919,146	
							Avg min/case inpatient		110.17		Avg min/case outpatient	60.42	
ORs counted in numeric methodology					26	39							
ILRS: Integrated Licensing & Regulatory System													
Population data source: Claritas 2015													
Total Surgeries			71,734					Total Surgeries			71,734		
Area population 2014 [15+]			474,155					Area population 2014 [0-85+]			586,695		
Use Rate			151.288					Use Rate			122.268		
Planning Area projected 15+ population Year: 2019			513,228					Planning Area projected 0-85+ population Year: 2019			628,271		
% Outpatient of total surgeries			67.35%										
% Inpatient of total surgeries			32.65%										



**APPENDIX A
ASC Need Methodology
East King County**

Certificate of Need Applications
16-03
16-04

	Service Area Population: 2019	628,271	Claritas	Age:0-85+									
	Surgeries @ 122.268/1,000:	76,817											
a.i.	94,250	minutes/year/mixed-use OR											
a.ii.	68,850	minutes/year/dedicated outpatient OR											
a.iii.	26	dedicated outpatient OR's x 68,850 minutes =			1,790,100	minutes dedicated OR capacity	29,629	Outpatient surgeries					
a.iv.	39	mixed-use OR's x 94,250 minutes =			3,675,750	minutes mixed-use OR capacity	33,366	Mixed-use surgeries					
b.i.		projected inpatient surgeries =	25,078	=	2,762,691	minutes inpatient surgeries							
		projected outpatient surgeries =	51,740	=	3,126,011	minutes outpatient surgeries							
b.ii.		Forecast # of outpatient surgeries - capacity of dedicated outpatient OR's											
		51,740	-	29,629	=	22,111	outpatient surgeries						
b.iii.		average time of inpatient surgeries		=	110.17	minutes							
		average time of outpatient surgeries		=	60.42	minutes							
b.iv.		inpatient surgeries*average time		=	2,762,691	minutes							
		remaining outpatient surgeries(b.ii.)*ave time		=	1,335,911	minutes							
					4,098,601	minutes							
c.i.		if b.iv. < a.iv. , divide (a.iv.-b.iv.) by 94,250 to determine surplus of mixed-use OR's											
		Not Applicable - Go to c.11. and ignore any value here.											
		3,675,750											
		- 4,098,601											
		-422,851	/	94,250	=	-4.49							
c.ii.		if b.iv. > a.iv., divide (inpatient part of b.iv - a.iv.) by 94,250 to determine shortage of inpatient OR's											
		USE THESE VALUES											
		2,762,691											
		- 3,675,750											
		(913,059)	/	94,250	=	-9.69							
		divide outpatient part of b.iv. By 68,850 to determine shortage of dedicated outpatient OR's											
		1,335,911	/	68,850	=	19.40							