



STATE OF WASHINGTON
DEPARTMENT OF HEALTH

October 22, 2012

CERTIFIED MAIL # 7011 1570 0002 7809 5384

Ron Escarda, CEO
BHC Fairfax Hospital
10200 N.E. 132nd Street
Kirkland, WA 98034

RE: CN 12-13

Dear Mr. Escarda:

Thank you for the Certificate of the Need (CN) application submitted by BHC Fairfax Hospital posing to establish a 30 bed psychiatric hospital in the city of Everett in Snohomish County.

We have completed review of the Certificate of Need (CN) application submitted by BHC Fairfax Hospital Inc. posing to establish a 30 bed psychiatric hospital in the city of Everett in Snohomish County. For the reasons stated in the enclosed decision, the department has concluded that the project as described below is consistent with the applicable CoN review criteria. The Department is prepared to issue a CoN for this project provided BHC Fairfax Hospital agrees to the following in its entirety:

Project Description:

This certificate approves the establishment of a new 30 bed adult psychiatric facility to be known as Fairfax Hospital North in Everett within Snohomish County. The facility will be on leased space on the medical campus of Providence Regional Medical Center Everett (PRMCE). Fairfax Hospital North will serve both voluntary and involuntary adult patients. Organized group activities to be provided include community meetings, group therapy, family therapy, and activity therapy. Fairfax Hospital North will have its own psychiatric hospital license. The number of approved beds is summarized below.

	Number of Beds
Adult psychiatric beds	30
Total Number of Licensed Beds	30



Conditions:

1. Approval of the project description as stated above. BHC Fairfax 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. BHC Fairfax must submit to the department for review and approval an executed lease agreement with PRMCE consistent with the letter of Intent to Lease.
3. BHC Fairfax must provide the department with a signed copy of the Medical Director's job description consistent with the draft job description.
4. BHC Fairfax must also provide the name of the Medical Director and his professional license number prior to providing services at Fairfax Hospital North. These items must be provided prior to commencing services at Fairfax Hospital North.
5. Fairfax Hospital North will provide charity care in compliance with the charity care policies provided in this Certificate of Need application, or any subsequent policies reviewed and approved by the Department of Health. Fairfax Hospital North will use reasonable efforts to provide charity care in an amount comparable to or exceeding the average amount of charity care provided by hospitals in the Puget Sound Region. Currently, this amount is 2.18 % of gross revenue and 4.71% of adjusted revenue. Fairfax Hospital North will maintain records documenting the amount of charity care it provides and demonstrating its compliance with its charity care policies.

Approved Costs:

The estimated capital expenditure for this project \$3,900,500.

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

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

Mailing Address:

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

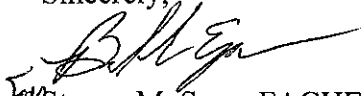
Other Than By Mail:

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

Ron Escarda, CEO
BHC Fairfax Hospital
October 22, 2012
Page 3 of 3

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

Sincerely,



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

Enclosure

EXECUTIVE SUMMARY

EVALUATIONS OF THE FOLLOWING TWO CERTIFICATE OF NEED APPLICATIONS PROPOSING TO ADD PSYCHIATRIC BED CAPACITY TO SNOHOMISH COUNTY:

- **NORTH POINTE BEHAVIORAL HEALTH, LLC, A WHOLLY OWNED SUBSIDIARY OF ASCEND HEALTH CORPORATION, PROPOSING TO ESTABLISH A 75 BED PSYCHIATRIC HOSPITAL IN LYNNWOOD**
- **BHC FAIRFAX HOSPITAL, INC PROPOSING TO ESTABLISH A 30 BED PSYCHIATRIC HOSPITAL IN EVERETT**

BRIEF PROJECT DESCRIPTIONS

North Pointe Behavioral Health, LLC (North Pointe)

North Pointe, a wholly owned subsidiary of Ascend Health Corporation, proposes to establish a 75 bed inpatient psychiatric hospital in the city of Lynnwood in Snohomish County. The beds will be made operational in two phases. The facility will open in 2013 with 60 beds (phase 1) Phase two will include the remaining 15 beds and will commence in 2015. The applicant is proposing to offer psychiatric services for all individuals over the age of 18. The applicant is proposing to offer several targeted specialty services which are listed below:

- Freedom Care Military Program
- Exclusively Women
- Breaking Free
- Faith Based Mental Health & Chemical Dependency
- Mother-Infant Program

The capital expenditure associated with the project \$23,710,000. If this project is approved, North Pointe anticipates the 60 bed phase one would occur by the end of year 2012 and the 15 bed phase two would occur by the end of year 2014. Under this timeline, 2015 would be the facility's first full calendar year of operation with 75 beds and 2018 would be year three.

BHC Fairfax Hospital Inc. (BHC Fairfax)

BHC Fairfax is proposing to establish a new 30 bed adult psychiatric facility to be known as Fairfax Hospital North in Everett within Snohomish County. The facility will be on leased space on the medical campus of Providence Regional Medical Center Everett (PRMCE). BHC Fairfax anticipates the 30 beds will go "on line" by January 2013.

The capital expenditure associated with this project \$3,900,500.

Throughout the remainder of this evaluation, the department will use North Pointe when referring to the project submitted by North Pointe Behavioral Health, LLC a wholly owned subsidiary of Ascend Health Corporation. The department will use Fairfax North when referring to the application submitted by BHC Fairfax Hospital, Inc.

APPLICABILITY OF CERTIFICATE OF NEED LAW

This projects are subject to review as the establishment of new health care facilities under Revised Code of Washington 70.38.105(4)(a) and Washington Administrative Code 246-310-020(1)(a).

CONCLUSIONS

North Pointe

For the reasons stated in this evaluation, the application submitted by North Pointe Behavioral Health, LLC, a wholly owned subsidiary of Ascend Health Corporation, proposing to establish 75-bed psychiatric hospital located in the city of Lynnwood, within Snohomish County is not consistent with applicable criteria of the Certificate of Need Program and is therefore denied.

Fairfax North

For the reasons stated in this evaluation, the application submitted by BHC Fairfax Hospital, Inc. proposing to establish 30-bed psychiatric hospital located in the city of Everett, within Snohomish County is consistent with applicable criteria of the Certificate of Need Program, provided the applicant agrees to the following in its entirety.

Project Description:

This certificate approves the establishment of a new 30 bed adult psychiatric facility to be known as Fairfax Hospital North in Everett within Snohomish County. The facility will be on leased space on the medical campus of Providence Regional Medical Center Everett (PRMCE). Fairfax Hospital North will serve both voluntary and involuntary adult patients. Organized group activities to be provided include community meetings, group therapy, family therapy, and activity therapy. Fairfax Hospital North will have its own psychiatric hospital license. The number of approved beds is summarized below.

	Number of Beds
Adult psychiatric beds	30
Total Number of Licensed Beds	30

Conditions:

1. Approval of the project description as stated above. BHC Fairfax 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. BHC Fairfax must submit to the department for review and approval an executed lease agreement with PRMCE consistent with the letter of Intent to Lease.
3. BHC Fairfax must provide the department with a signed copy of the Medical Director job description consistent with the draft job description.

4. BHC Fairfax must also provide the name of the Medical Director and his professional license number prior to providing services at Fairfax Hospital North. These items must be provided prior to commencing services at Fairfax Hospital North.
5. Fairfax Hospital North will provide charity care in compliance with the charity care policies provided in this Certificate of Need application, or any subsequent policies reviewed and approved by the Department of Health. Fairfax Hospital North will use reasonable efforts to provide charity care in an amount comparable to or exceeding the average amount of charity care provided by hospitals in the Puget Sound Region. Currently, this amount is 2.18 % of gross revenue and 4.71% of adjusted revenue. Fairfax Hospital North will maintain records documenting the amount of charity care it provides and demonstrating its compliance with its charity care policies.

Approved Costs:

The estimated capital expenditure for this project \$3,900,500.

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APPLICATIONS PROPOSING TO ADD PSYCHIATRIC BED CAPACITY TO
SNOHOMISH COUNTY:**

- **NORTH POINTE BEHAVIORAL HEALTH, LLC, A WHOLLY OWNED SUBSIDIARY OF ASCEND HEALTH CORPORATION, PROSING TO ESTABLISH A 75 BED PSYCHIATRIC HOSPITAL IN LYNNWOOD**

- **BHC FAIRFAX HOSPITAL. INC. PROPOSING TO ESTABLISH A 30 BED PSYCHIATRIC HOSPITAL IN EVERETT**

APPLICANT DESCRIPTION

North Pointe Behavioral Health, LLC (North Pointe)

North Pointe Behavioral Health, LLC d/b/a North Pointe Behavioral Health (North Pointe) is a wholly owned subsidiary of Ascend Health Corporation. Ascend Health Corporation (Ascend) is a privately held Delaware corporation that has nine freestanding inpatient psychiatric facilities. North Pointe will be a Delaware Limited Liability Company registered to do business in Washington State.

BHC Fairfax Hospital, Inc.

BHC Fairfax Hospital, Inc. is owned by Universal Health Systems (UHS).¹ BHC Fairfax Hospital, located in Kirkland, Washington is the largest provider of inpatient psychiatric services in Washington. [source: Application, pg.7]

Throughout the remainder of this evaluation, the department will use North Pointe when referring to the project submitted by North Pointe Behavioral Health, LLC a wholly owned subsidiary of Ascend Health Corporation. The department will use Fairfax North when referring to the application submitted by BHC Fairfax Hospital, Inc.

PROJECT DESCRIPTION

North Pointe

North Pointe proposes to establish a 75 be inpatient psychiatric hospital in the city of Lynnwood in Snohomish County. The beds will be made operational in two phases. The facility will open in 2013 with 60 beds (phase 1) Phase two will include the remaining 15 beds and will commence in 2015. The applicant is proposing to offer psychiatric services for all individuals over the age of 18. The applicant is proposing to offer several targeted specialty services which are listed below:

- Freedom Care Military Program
- Exclusively Women

¹ On August 25, 2011 Certificate of Need #1451 was issued to UHS for the purchase of BHC Fairfax Hospital.

- Breaking Free
- Faith Based Mental Health & Chemical Dependency
- Mother-Infant Program

The capital expenditure associated with the project \$23,710,000. If this project is approved, North Pointe anticipates the 60 bed phase one would occur by the end of year 2012 and the 15 bed phase two would occur by the end of year 2014. Under this timeline, 2015 would be the facility’s first full calendar year of operation with 75 beds and 2018 would be year three.

Fairfax North

BHC Fairfax is proposing to establish a new 30 bed adult psychiatric facility to be known as Fairfax Hospital North in Everett within Snohomish County. The facility will be on leased space on the medical campus of Providence Regional Medical Center Everett (PRMCE). Fairfax Hospital North will serve both voluntary and involuntary adult patients. The applicant will provide organized group activities including community meetings, group therapy, family therapy, and activity therapy. The applicant anticipates the 30 beds will go “on line” by January 2013. Fairfax Hospital North will have its own psychiatric hospital license. The number of beds is summarized below.

	Number of Beds
Adult Psychiatric beds	30
Total Number of Licensed Beds	30

The capital expenditure associated with this project \$3,900,500.

APPLICABILITY OF CERTIFICATE OF NEED LAW

This projects are subject to review as the establishment of new health care facilities under Revised Code of Washington 70.38.105(4)(a) and Washington Administrative Code 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 the WAC 246-310 does not contain service or facility standards in sufficient detail to make the required determinations, WAC 246-310-200(2)(b) identifies the types of standards the department may consider in making its required determinations. Specifically WAC 246-310-200(2)(b) states:

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

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

APPLICATION CHRONOLOGY

Action	BHC Fairfax	North Pointe
Letter of Intent Submitted	October 19, 2011	September 19,2011
Application Submitted	November 17, 2011	October 19,2011
Department’s pre-review activities including screening and responses	November 18, 2011, through March 29, 2012	October 20,2011, through March 29,2012
Beginning of Review • public comments accepted throughout review	March 30, 2012	
Public Hearing Conducted/End of Public Comment	May 9, 2012	
Rebuttal Comments Submitted ²	May 29, 2012	
Department Declares Pivotal Unresolved Issue (PUI)	July 9, 2012	
Applicant submits PUI documents	August 20, 2012	
Public Comments on PUI Documents	September 4, 2012	
Rebuttal comments Submitted for Public Comments	September 17, 2012	
Department's Anticipated Decision Date	October 22, 2012	
Department's Actual Decision Date	October 22, 2012	

TYPE OF REVIEW

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. For hospital services, concurrent review allows the department to review applications proposing the serve the same planning area as defined in WAC 246-310-290 and simultaneously to reach a decision that serves the best interests of the planning area’s residents.

² Two letters of support were provided as public comment and no letters of opposition. UHS chose to not provide rebuttal statements to the public comments.

For these two projects, the concurrent review allows the department to review applications proposing the serve the same planning area—Snohomish County—simultaneously to reach a decision that serves the best interests of the planning area’s residents. In the case of these projects, the department will issue one single evaluation regarding whether both, one or none of the projects should be issued a Certificate of Need.

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.”*

For each application, the other applicant sought and received affected person status under WAC 246-310-010. No other entity sought or received affected person status for either application.

SOURCE INFORMATION REVIEWED

- North Pointe Behavioral Health, LLC’s Certificate of Need application submitted October 19, 2011
- North Pointe Behavioral Health LLC’s supplemental information received November 14, 2011
- North Pointe Behavioral Health LLC’s supplemental information received March 30, 2012
- North Pointe Behavior Health LLC’s July 27, 2012 response to pivotal unresolved (PUI)
- Universal Health Services, Inc.’s Certificate of Need application submitted April 19, 2011
- Universal Health Services, Inc.’s supplemental information received June 20, 2011
- Public comments received by July 14, 2011
- Hospital and Patient Data Systems Analysis dated August 4, 2011
- Licensing and/or survey data provided by the Department of Health’s Investigations and Inspections Office
- The Joint Commission website for quality of care compares information
- Universal Health Services, Inc. website at uhsinc.com
- Population data obtained from the Office of Financial Management based on year 2000 census Published January 2007.
- Comprehensive Hospital Abstract Reporting System (CHARS) data obtained from the Department of Health’s Office of Hospital and Patient Data Systems
- Financial feasibility and cost containment evaluation prepared by the Department of Health’s Office of Hospital and Patient Data Systems (September XX, 2012)
- Historical charity care data obtained from the Department of Health’s Office of Hospital and Patient Data Systems (2008, 2009, 2010 summaries)
- Certificate of Need historical files

APPLICANT DETERMINATION-NORTH POINTE

Before proceeding with the remainder of this evaluation, a pivotal issue that must first be determined is whether there has been a change in applicant for the North Point application. North Pointe Behavioral Health, LLC d/b/a North Pointe Behavioral Health (North Pointe) is a wholly owned subsidiary of

Ascend Health Corporation (Ascend). Ascend is a privately held Delaware corporation that has nine freestanding inpatient psychiatric facilities. North Pointe will be a Delaware Limited Liability Company registered to do business in Washington State.

On June 18, 2012 after the department had started the ex parte portion of the review process the department learned of the pending sale of Ascend Health Corporation to Universal Health Services (UHS). An application undergoing an unpublished concurrent review may be amended through the end of the public comment/rebuttal period.³ Since this transaction occurred after the end of the comment/rebuttal period amending the current application was not an option.

Certificates of Need issued after February 1, 1988 are not transferable or assignable except under very limited circumstances.⁴ The sale of Ascend to UHS does not fall into one of the limited exceptions.

On July 9, 2012, the department declared a Pivotal Unresolved Issue (PUI) regarding the pending sale⁵ of Ascend to UHS. The PUI enabled the department to request information about the pending sale of Ascend to UHS. At issue for the department was whether this pending sale would result in a change in applicant for the application submitted by North Pointe Behavioral Health, LLC. Ascend Health Corporation submitted the requested information to the department on August 20, 2012. The public was given the opportunity to review this information and provide comments to the department. Ascend was also given the opportunity to provide rebuttal comments.

North Pointe Behavioral Health LLC argues that the Definitive Agreement to sell Ascend excludes the “Seattle CON” or “Seattle CON Excluded Assets” as defined in the pending sale agreement.⁶ North Pointe also argues that the applicant hasn’t changed because every individual/partnership with a ten percent or greater financial interest in Ascend Health Corporation will continue at the same level of financial interest in North Pointe.

Washington Administrative Code (WAC) 246-310-010 (6) defines “Applicant” to mean:

“Applicant, means:

- a) Any person proposing to engage in any undertaking subject to review under chapter 70.38 RCW; or*
- b) Any person or individual with a ten percent or greater financial interest in a partnership or corporation or other comparable legal entity engaging in any undertaking subject to review under chapter 70.38 RCW.*

WAC 246-310-010(42) defines person for Certificate of Need purposes. Person is defined as follows:

“Person” means an individual, a trust or estate, a partnership, a corporation (including associations, joint stock companies, and insurance companies), the state, or a political subdivision or instrumentality of the state, including a municipal corporation or a hospital district.” [Emphasis added]

³ WAC 246-310-100(5)

⁴ WAC 246-310-500(7)(f).

⁵ On October 10, 2012 the purchase of Ascend Health Corporation by Universal Health Services was completed.

⁶ See Annex D (Attachment 2) of the Agreement

The department carefully reviewed the Definitive Agreement provided by Ascend. Article V, section 5.16 Asset Transfer states:

“Prior to the Closing, the Company shall cause North Pointe Behavioral Health, LLC and Northpointe Psych Realty, LLC to assign or otherwise transfer all the properties, assets and rights of North Pointe Behavioral Health, LLC and Northpointe Psych Realty, LLC, respectively, other than the Excluded Assets to the Company, such that as of the Closing the only property, assets, or rights owned, leased or licensed by North Pointe Behavioral Health, LLC or Northpointe Psych Realty, LLC shall be Excluded Assets.”

Article VI, section 6.3(d) Excluded Assets states:

“The Excluded Assets (other than the Seattle CON Excluded Assets) shall have been assigned or otherwise transferred to, and all Excluded Liabilities shall have been assumed by, Patriot Learning Centers Inc. (or such other Person as may be designated by the Stockholders’ Representatives) on terms, and pursuant to documentation, reasonably satisfactory to the Company. The Seattle CON Excluded Assets shall have been assigned or otherwise transferred to, and all related Excluded Liabilities shall have assumed by, a newly-formed entity owned by certain of the Stockholders for consideration not in excess of \$1 and otherwise on terms, and pursuant to documentation, reasonably satisfactory to the Company.” [Emphasis added]

Finally, Annex D Excluded Assets identifies the follow related to the Seattle CON that under the terms of Article VI, section 6.3(d) are to be assigned or transferred a newly formed entity.

“3. Seattle CON: The following assets related to the Seattle certificate of need application and all assets reasonably related thereto held by North Pointe Behavioral Health, LLC and Northpointe Psych Realty, LLC (except to the extent such related assets are primarily used by the Company or its other Subsidiaries in operations unrelated to the potential Seattle operations):

- a. 100% of the equity interests in North Pointe Behavioral Health, LLC*
- b. 100% of the equity interests in Northpointe Psych Realty, LLC*
- c. North Pointe Behavioral Health, LLC’s Application for a Certificate of Need, dated October 19, 2011, submitted to the Department of Health, State of Washington.*
- d. Purchase and Sale Agreement, dated as of December 2, 2011, as amended between Wells REIT II—16201 25th Avenue, LLC and Northpointe Psych Realty, LLC.”*

Under the terms of the sales agreement, Ascend is required to assign or otherwise transfer the Seattle CON excluded assets to a newly formed entity. Based on the information reviewed, the department concludes that there has been a change in the applicant as a result of Ascend Health Corporation sale to UHS. The North Pointe Behavioral Health, LLC, which was a wholly owned subsidiary of Ascend Health Corporation when this application was submitted, will no longer exist. Because there has been a change in the applicant during the review of this application, the department must deny the current application.

CONCLUSIONS

North Pointe

For the reasons stated in this evaluation, the application submitted by North Pointe Behavioral Health, LLC, a wholly owned subsidiary of Ascend Health Corporation, proposing to establish 75-bed psychiatric hospital located in the city of Lynnwood, within Snohomish County is not consistent with applicable criteria of the Certificate of Need Program and is therefore denied.

Fairfax North

For the reasons stated in this evaluation, the application submitted by BHC Fairfax Hospital Inc. proposing to establish 30-bed psychiatric hospital located in the city of Everett, within Snohomish County is consistent with applicable criteria of the Certificate of Need Program, provided the applicant agrees to the following in its entirety.

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	Number of Beds
Adult psychiatric beds	30
Total Number of Licensed Beds	30

Conditions:

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Approved Costs:

The estimated capital expenditure for this project \$3,900,500.

CRITERIA DETERMINATIONS

The remainder of this evaluation will focus on the application submitted by BHC Fairfax. The department has previously determined there has been a change in the applicant for the North Pointe application. As a result, the current North Point application is not consistent with the review criteria and must be denied.

A. Need (WAC 246-310-210)

Based on the source information reviewed and the applicants' agreement to the conditions identified in the "Conclusion" section of this evaluation, the department concludes BHC Fairfax has 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 does not contain an acute care bed forecasting method. The determination of numeric need for acute care hospital beds is performed using the Hospital Bed Need Forecasting method contained in the 1987 Washington State Health Plan (SHP). Though the SHP was "sunset" in 1989, the department has concluded that this methodology remains a reliable tool for predicting baseline need for acute care beds. The 1987 SHP also has a numeric methodology for projecting psychiatric bed need; however the department is unable to obtain the required data to apply this methodology. As a result, the evaluation of the need criterion for psychiatric beds begins with an evaluation of the methodology provided by the applicant.

Below is a summary of Fairfax North's need methodology.⁷

Overview

The applicant contends that the following conditions exist in Snohomish County in relation to inpatient psychiatric services:

- Snohomish County is the third largest county in Washington in terms of population size, and is the second largest county in terms of psychiatric patient days by residents.
- There are no psychiatric hospitals in Snohomish County and only one hospital providing any psychiatric beds. Swedish Edmonds provides only 25 psychiatric beds.
- Based on the methodology used by the applicant, the forecast need for psychiatric beds ranged from 30 to 106 beds in 2010 and 65 to 164 beds in 2025.

Population Statistics

The applicant provided population figures for 2000 to 2025 by age groups for Snohomish and King Counties and for Washington State. The applicant used OFM medium series forecasts which indicate a higher growth for Snohomish County Adult population than for Washington State as a whole. The average annual growth rate is 1.3% for Snohomish County versus 1.1% for Washington State.

Use Rate

Using the population figures and the psychiatric patient days for 2010 generated by Snohomish County residents, the applicant calculated inpatient psychiatric use rates by age cohorts.

⁷ Source: Application, pp23-31

**Snohomish County Resident Inpatient Psychiatric
Use Rates by Age Cohorts 2010**

Age Cohort	Patient Days	Population	Use Rate/100,000 Pop.
0-17	2,484	180,074	1,379.44
18-64	11,807	459,100	2,571.77
65+	1,741	71,926	2,420.54
Total	16,032	711,100	2,254.54

The applicant points out that the adult use rates are substantially higher than the children's use rate and when the total use rate is used to project patient days it will underestimate the projected need.

Historical Utilization

The applicant then looked at the adult resident inpatient psychiatric utilization noting that it is an underestimation because state hospital days are not available and with this low supply of beds, some patients will not be able to access needed services.

Snohomish County adult Resident Historic Inpatient Utilization 2005-2010

	2005	2006	2007	2008	2009	2010	Growth
Discharges	1,639	1,542	1,478	1,380	1,556	1,511	-1.6%
Patient Days	13,190	11,782	12,232	11,835	13,487	13,546	0.5%
ALOS	8.05	7.64	8.28	8.58	8.67	8.97	2.2%

[Source: Application, p25]

Adult inpatient patient for Snohomish County Residents have remained stable over the last five years except for decreases in 2006 and 2008.

Snohomish County Adult Resident Psychiatric Utilization by Hospital 2010

Hospital	County	Discharges	% of Total Discharges	Patient Days	% of Total Patient Days
Fairfax	King	419	27.7%	4,127	30.5%
Swedish Edmonds	Snohomish	376	24.9%	3,685	27.2%
Valley General	Snohomish	206	13.6%	1,570	11.6%
Overlake	King	128	8.5%	590	4.4%
All Others		382	25.3%	3,576	26.4%
Total		1,511	100.0%	13,548	100.0%

[Source: Application, p25]

The data in the table above indicates that for 2010 38.5% of the psychiatric patients were going to the two Snohomish County hospitals and 36.2% of the psychiatric patients were going to the two King County hospitals. This is a very substantial out migration of these patients from Snohomish County.

Planning Area Forecast Bed Need

The applicant identified an evaluation of the number of dedicated inpatient psychiatric beds per 100,000 population as the prevailing alternative to using the bed need formula. The State Health Plan originally proposed a target ratio of 13.0 beds per 100,000. Previous CN applications reviewed by the department have looked at other ratios. The National Report Card on the State of Emergency Medicine, 2009 edition provides information on ratios on all states. The national average was 29.9 beds per 100,000 and the Washington average was 8.2. The highest ratio was in Wyoming with a ratio of 54.8 per 100,000 population. The average among other states in the Northwest (excluding Washington) was 27.3. The applicant reports that the current 2010 ratio for Washington State is 11.45 beds per 100,000 population. The applicant provided a comparison of the ratio for the counties in Washington that have psychiatric beds. The counties are the planning areas for psychiatric bed needs.

	2010 Ratio	2015 Ratio	2020 Ratio
Washington State	11.45	10.63	21.42
King	23.43	22.33	20.66
Cowlitz	22.00	18.79	16.18
Chelan	19.10	17.49	16.50
Spokane	15.31	14.50	13.60
Clark	13.77	12.58	11.70
Skagit	12.57	11.06	9.98
Benton	11.57	11.31	10.83
Whatcom	10.23	9.39	8.70
Yakima	7.53	6.98	6.59
Thurston	7.13	6.29	5.77
Snohomish ⁸	5.48	3.18	2.96
Kitsap	4.43	4.20	3.88
Pierce	2.82	2.56	2.43

[Source: population OFM Intercensal and Postcensal Estimates 1990-2010, and OFM Medium Series Forecasts 2000-2030]

The data in the table above illustrates that King County has the highest ratio of psychiatric beds in the state, although the ratio is still below the Northwest states average of 27.3. Snohomish County has a ratio that puts it at second lowest when the closure of the Valley General Hospital beds is considered. It should be noted that without any changes in number of psychiatric beds that the ratios will be declining due to population growth. The out migration of patients from Snohomish County is also an indicator of low bed supply.

Supply

Swedish Edmonds has 25 dedicated inpatient psychiatric beds in Snohomish County. These are the only dedicated inpatient psychiatric beds in the County and there are no dedicated psychiatric hospitals in Snohomish County.

⁸ The 14 bed psychiatric unit at Valley General Hospital officially closed in 2011 reducing the ratios for the county.

Projected Bed Need

The applicant used a 4 step methodology to project psychiatric patient days and bed need for Snohomish County.

Step 1: Obtain Snohomish County adult population estimates and projections, for residents 18 and older for the base year (2010) and every year through the 15 year forecast (through 2025).

Step 2: For the low estimate projections, multiply the State Health Plan target ratio of 13 beds per 100,000 persons by the Snohomish County adult population estimates and projections compiled in Step 1. Undertake this for each year of the forecast. This is the “low” gross estimate of need.

For the high estimate projections, multiply the average bed ratio of all other Northwest States (less Washington) 27.3 beds per 100,000, as defined in the 2009 National Report Card on the State of Emergency Medicine-by the Snohomish County adult population estimates and projections compiled in Step 1. Undertake this for each year of the forecast. This is the “high” gross estimate of need.

Step 3: Compile a list of all current Snohomish County providers. Count the total number of psychiatric beds operated in each hospital, and sum those counts. This is the supply.

Step 4: Subtract the supply determined in Step 3 from the low and high “gross demand” estimates determined in Step 2. This represents the low and high estimates of net need for Snohomish County adult residents. The table below shows the results of this methodology.

	2012	2013	2014	2015	2016	2017
Snohomish County Adult Population	556,998	570,633	584,726	600,578	609,448	618629
Psych. Bed Ratio	4.49	4.38	4.28	4.16	4.10	4.04
Forecast Psychiatric Bed Need—Low Estimates						
SHP target Ratio	13.0	13.0	13.0	13.0	13.0	13.0
Gross Bed Need	72.413	74.18	76.01	78.08	79.23	80.42
Current Supply	25	25	25	25	25	25
Net Psych. Bed Need	47.41	49.18	51.01	53.08	54.23	55.42
Forecast Psychiatric Bed Need—High Estimates						
NW Aver. Target Ratio	27.25	27.25	27.25	27.25	27.25	27.25
Gross Bed Need	151.78	155.50159.	159.34	163.66	166.07	168.58
Current Supply	25	25	25	25	25	25
Net Psych. Bed Need	126.78	130.50	134.34	138.66	141.07	143.58

As shown in the table above, BHC Fairfax shows a numeric need of psychiatric beds in 2012 of 47.41 and a need for beds of 55.42 in 2017 using the low estimates. The applicant is proposing to add 30 beds therefore they will not exceed the forecasted numeric bed need. The psychiatric bed ratio for 2013 with the additional beds will only be 10.38 which is less than the SHP target ratio.

In conclusion, Fairfax North has demonstrated a numerical need for addition adult psychiatric beds for Snohomish County. **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.

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

To demonstrate compliance with this sub-criterion, the applicant provided a copy of the Admission Policy currently used at its Kirkland hospital. The policy outlines the process/criteria that the hospital uses to admit patients for voluntary or involuntary psychiatric treatment or care at the hospital. The policy demonstrates patients would be admitted to the facility for treatment without regard to, race, religion, ethnicity, culture, language, socioeconomic status, sex or sexual orientation, national origin, or gender identity expression and will be treated with respect and dignity. This admission policy will be used at Fairfax North. [Source: Application, Exhibit 17]

To determine whether the elderly would have access or continue to have access to the proposed services, the department uses Medicare certification as the measure to make that determination. BHC Fairfax's Kirkland hospital currently provides services to Medicare eligible patients. Documents provided in the application demonstrate that Fairfax North intends to be Medicare certified at the new hospital. For this project, a review of the policies and data provided for Fairfax North confirms that the facility's financial pro forma includes Medicare revenues. [Source: Application, p17, March 14, 2012 Supplemental Information, Revised Exhibit 20]

To determine whether low-income residents would have access to the proposed services, the department uses the facility's Medicaid eligibility or contracting with Medicaid as the measure to make that determination. BHC Fairfax's Kirkland hospital also provides services to Medicaid eligible patients. Documents provided in the application demonstrate that Fairfax North intends to be Medicaid certified at the new hospital. For this project, a review of the policies and data provided for Fairfax North confirms the facility's financial pro forma includes Medicaid revenues [Source: Application, p17, March 14, 2012, Supplemental Information, Revised Exhibit 20]

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.

Fairfax North states that its charity care policy, like the admission policy, would not change as a result of this project. To demonstrate its intent to continue to provide charity care to residents, BHC Fairfax submitted its Department of Health approved charity care policy that outlines the process a patient uses to access this service. This policy will be used at Fairfax North. Further, the applicant included a ‘charity care’ line item as a deduction from revenue within the pro forma financial documents for Fairfax North. [Source: Application, Exhibit 15; HPDS website; and March 14, 2012 Supplemental Information, Revised Exhibit 20]

For charity care reporting purposes, the Department of Health’s Hospital and Patient Data Systems program (HPDS), divides Washington State into five regions: King County, Puget Sound (less King County), Southwest, Central, and Eastern. BHC Fairfax’s Kirkland hospital is one of 20 hospitals located in King County within the King County Region. According to 2008 - 2010⁹ charity care data obtained from HPDS, BHC Fairfax’s Kirkland hospital has historically provided more than the average charity care provided in the region.¹⁰ BHC Fairfax’s Kirkland hospital’s most recent three-year (2008 - 2010) percentages of charity care for gross and adjusted revenues are detailed in the table below.

Table 1
BHC Fairfax Kirkland Hospital Charity Care Comparison (2008-2010)

	3-Year Average King County Region	3-Year Average BHC Fairfax Kirkland Hospital
Percentage of Gross Revenue	1.83%	2.34%
Percentage of Adjusted Revenue	3.24%	4.85%,

The pro forma revenue and expense statements submitted by UHS for Fairfax North indicate that the hospital will provide charity care at approximately 2.2% of gross revenue and 4.18% of adjusted revenue. RCW 70.38.115(2)(j) requires hospitals to meet or exceed the regional average level of charity care. The department acknowledges that BHC Fairfax’s Kirkland hospital’s three-year historical average is above that for the region, but Fairfax North will have a charity care condition since it is a new hospital. Fairfax North will be required to meet the 3 year average for its regions which is the Puget Sound Region. The three year Puget Sound Region average for gross revenue is 2.18 and for adjusted revenue is 4.71.

Based on the information provided in the application and with Fairfax North’s agreement to the condition related to charity care the department concludes, **this sub-criterion is met.**

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

Based on the source information reviewed and the applicant’s agreement to the conditions identified in the “Conclusion” section of this evaluation, the department concludes that Fairfax North has met the financial feasibility criteria in WAC 246-310-220.

⁹ Year 2011 charity care data is not available as of the writing of this evaluation.

¹⁰ 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 excluded Harborview Medical Center's percentages.

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

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

The estimated capital expenditure for Fairfax North is \$3,900,500. The project is being funded by reserves provided by the parent company UHS.

To demonstrate that the hospital would generate the revenue necessary to meet immediate and long range capital and operating costs for this project, Fairfax North provided pro forma financial statements for years 2013 - 2015 showing the hospital's first three complete calendar years of operation. [Source: March 26, 2012, supplemental information, Revised Exhibit 20]

Table 2
Fairfax North
Projected Revenue and Expenses for Years 2013 through 2015

	2013	2014	2015
# Admissions	483	629	738
# Patient Days	4,848	6,305	7,400
% Occupancy	44.2%	57.5%	67.5%
Net Patient Revenue*	\$4,385,556	\$5,661,767	\$6,625,262
Plus Other Operating Revenue	0.00	0.00	0.00
Total Revenues	\$4,385,556	\$5,661,767	\$6,625,262
Minus Expenses	\$4,338,359	\$5,101,253	\$5,560,368
Net Profit or (Loss) EBITDA	\$47,197	\$560,514	\$1,064,895
Minus Fixed Expenses**	\$523,734	\$608,879	\$675,260
Pretax Income	(\$476,537)	(\$48,365)	\$389,635

*Includes inpatient and outpatient revenue, deductions for charity care and contractual allowance

**Includes interest expenses, depreciation, management fees, and allocated costs

Fairfax North based its projections shown in the table above on the key assumptions summarized below. [Source: Application, pp45-47]

- The proposed project will establish 30 licensed, adult psychiatric beds in a new hospital on the PRMCE campus.
- Pro Formas assume inpatient care is expected by January 1, 2013.
- Pro Formas do not include any inflation. .

- Charity Care forecasted at 2.2%.
- Expenses, gross revenue, and key statistics have been driven off 2010 actuals from BHC Fairfax Kirkland’s hospital for similar existing programs.
- Revenues and expenses per statistic have been calculated from 2010 actuals. In the case of revenues, gross and net revenues have been calculated by payer. At the operating expense level, expenses have been estimated by natural classification. In general, these expenses have been indexed by patient days, and then forecast forward based on the new Hospital’s projected patient days.
- The pro forma includes revenues from professional services provided by physicians who would be employed by the Hospital.
- Payer mix is assumed to be constant over the forecast period.
- The pro forma includes an indirect overhead allocation of 6% of projected net revenues
- FTEs (“full time equivalents”) have been calculated based on BHC Fairfax’s Kirkland hospital staffing ratios, the projected service mix, the forecasted patient days and outpatient visits. It is assumed that only employees who provide direct patient care are “flexed” with increased patient days. Salaries and wage rates have been taken from BHC Fairfax’s Kirkland hospital actuals for similar staff.
- It is assumed that certain labor resources will be purchased from BHC Fairfax’s Kirkland hospital, including human resources senior administration, finance, plant operations, IT, housekeeping, and quality assurance/utilization review. The financial model includes an indirect cost allocation for these resources.
- The rentable square feet (“RSF”) are 23,870. The lease fee is \$25/RSF, with an annual inflator of 3%/year beginning January 1, 2014. There are modest equipment lease costs included in lease expenses, as well. .

Fairfax North is expected to operate at loss for 2013 and 2014 after subtraction of fixed costs and at a profit for 2015 which is the third full year of operation.

To determine whether UHS would meet its immediate and long range capital costs, the department’s Hospital and Patient Data Systems (HPDS) reviewed 2010 historical balance sheet for UHS as a whole and the 2010 historical balance sheet for BHC Fairfax’s Kirkland hospital. The information is shown in Tables 3A and 3B shown below and on the following page. [Source: HPDS analysis, p2]

Table 3A
Universal Health Services Balance Sheet for Year 2010

Assets		Liabilities	
Current Assets	\$ 1,331,116,000	Current Liabilities	\$ 826,299,000
Fixed Assets	\$ 3,252,967,000	Long Term Debt	\$ 3,912,102,000
Board Designated Assets	\$ 0	Other Liabilities	\$ 765,764,000
Other Assets	\$ 2,943,853,000	Equity	\$ 2,023,771,000
Total Assets	\$ 7,527,936,000	Total Liabilities and Equity	\$ 7,527,936,000

**Table 3B
BHC Fairfax's Kirkland Hospital Balance Sheet for Year 2010**

Assets		Liabilities	
Current Assets	\$ 4,720,000	Current Liabilities	\$ 1,440,971
Fixed Assets	\$ 5,525,589	Long Term Debt	(\$ 22,535,185)
Board Designated Assets	\$ 0	Other Liabilities	\$ \$ 0
Other Assets	\$ 0	Equity	\$ 31,340,025
Total Assets	\$ 10,245,811	Total Liabilities and Equity	\$ 10,245,811

After reviewing the balance sheet above, HPDS provided the following statements.

“The UHS balance sheet shows a strong position and that it has the assets to easily handle this project. Fairfax [Hospital] shows board designated assets are zero as the company is for-profit and any extra funds are treated as equity. Since those funds are held at a higher corporate level, the long term debt is negative.”

The applicant did not provide a separate projected balance sheet for Fairfax North. The consolidated projected balance sheet indicates the two psychiatric hospitals would be profitable and UHS would be able to meet the immediate and long term capital needs.

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

For Certificate of Need applications, HPDS compared the projected ratios with the most recent year financial ratio guidelines for hospital operations. For this project, HPDS used 2010 data for comparison with historical year 2010 for UHS. Year 2010 data was also used as comparison for projected years 2011 through 2013 for Fairfax North. The ratio comparisons are shown in Table 4 below. [Source: HPDS analysis, p3]

**Table 4
Current and Projected HPDS Debt Ratios for UHS and Fairfax North**

Category	Trend ¹¹	State 2010	UHS 2010	Fairfax North 2011	Fairfax North 2012	Fairfax North 2013
Long Term Debt to Equity	B	0.554	1.933	3.341	2.322	1.650
Current Assets/Current Liabilities	A	2.283	1.611	2.883	2.963	3.023
Assets Funded by Liabilities	B	0.434	0.629	0.774	0.704	0.629
Operating Expense/Operating Revenue	B	0.947	0.909	1.109	1.009	0.941
Debt Service Coverage	A	5.876	6.560	N/A	N/A	N/A

¹¹ A is better if above the ratio, and B is better if below the ratio.

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

Fairfax North is a wholly owned hospital and it appears the parent system is holding much of the assets, especially board designated assets. Because of this some of the ratios are not useful. However, the parent corporation is financially strong. The hospital is breaking even in the third year of operation.

Based on the financial and utilization information above, the department concludes that the immediate and long-range operating costs of the project can be met. **This sub-criterion is met.**

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

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

The capital expenditure associated with the establishment of the Fairfax North is \$3,900,500. The complete capital cost breakdown is shown in table 5 [Source: Application, p22,]

**Table 5
Fairfax North Construction Costs**

Item	Cost	% of Total
Construction Costs	\$2,339,224	60%
Equipment (fixed & moveable)	\$889,388	23%
Fees	\$409,830	10%
Other Project Costs	\$262,258	7%
Total	\$3,900.500	100%

The applicant has selected a site the Fairfax North on the campus of Providence Regional Medical Center Everett. The applicant has provided a letter of intent between Providence Regional Medical Center, Everett and BHC Fairfax to lease facility space for a 30- bed psychiatric hospital. The terms of the proposed lease include 23,870 rentable square feet (rsf), a ten year lease followed by two 5 year lease extensions, base rent of \$25 per rsf, and annual 35 increase starting January 1, 2014. [Source: Application, Exhibit 10] If this project is approved, a condition would be added requiring BHC Fairfax to submit to the department for review and approval an executed lease agreement with PRMCE consistent with the letter of Intent to Lease.

Based on the information provided in the application and with Fairfax North’s agreement to the condition related to the facility lease, the department concludes that the cost of the project will not result in an unreasonable impact on the costs and charges for health services within the service area. **This sub-criterion is met.**

(3) The project can be appropriately financed.

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

The capital expenditure associated with the establishment Fairfax North is \$3,900,500. The applicant states the project will be funded from reserves from UHS. To demonstrate compliance with this sub-criterion, the applicant provided a letter from the Chief Financial Officer demonstrating the financial commitment to establish Fairfax North. The letter assured financial support for the new psychiatric hospital through cash reserves available from the organization [Source: Application, Exhibit 19]. UHS provided its most recent audited financial statements for years 2008, 2009, and 2010. A review of UHS’s audited statements shows the funds necessary to finance the project are available. [Source: Application, Exhibit 21]

The department reviewed UHS’s most recent financial data submitted to the department’s Hospital and Patient Data Systems office. The historical financial data covers full year 2010. Based on UHS’s historical financial review, even with the recent downturn in the economy, UHS continues to be in strong financial health. [Source: Full year 2010 financial reports obtained from HPDS] **This sub-criterion is met.**

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

Based on the source information reviewed and the applicant’s agreement to the conditions identified in the “Conclusion” section of this evaluation, the department concludes Fairfax North has met the structure and process of care criteria in WAC 246-310-230.

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

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

**Table 6
Fairfax North**

	2013	2014	2015	Total
Medical Staff	4.0	0.0	0.0	4.0
Direct Clinical	15.4	4.1	3.1	22.6

	2013	2014	2015	Total
Indirect Clinical	7.7	0.6	0.3	8.6
Indirect Non-Clinical	11.9	2.7	0.5	15.1
Total	39.0	7.4	3.9	50.3

Fairfax North is proposing to initially staff the hospital with 39 FTEs in 2013 and add 7.4 FTEs in 2014 and 3.9 FTEs in 2015 for a total of 50.3 FTEs at the end of 2015. The FTEs in the table above are based on Fairfax North being a separately licensed hospital. [Source: March 26, 2012 Supplemental Information, 4]

The staffing for Fairfax North will be based on the staffing model currently used at BHC Fairfax’s Kirkland hospital. The staffing model is based on the number of inpatients as well as the acuity of each patient.

Fairfax North will establish a transition team headed by the Nursing Director from BHC Fairfax’s Kirkland hospital. Staff from the existing Kirkland hospital currently living in Snohomish County will be offered the opportunity to transition to the new hospital. Staff currently available includes nurse manager, charge nurses, masters-level therapists, mental health techs, and unit assistants.

Physician and nurse practitioner positions will be filled with the assistance of the UHS physician recruitment team. Through BHC Fairfax, Fairfax North will be linked to the UHS website to assist in recruiting staff from other areas outside of Washington. Through BHC Fairfax, Fairfax North will be also be linked to eight nursing schools in the community through providing psychiatric rotation for the students. . [Source: Application, pp48-50]

A Medical Director has not been identified for Fairfax North. Fairfax North did provide a draft Medical Director’s job description. If this project is approved, Fairfax North must provide the department with an approved copy of the Medical Director’s job description consistent with the draft job description. Fairfax North must also provide the name of the Medical Director and his professional license number prior to providing services.

Based on the information provided in the application, and acceptance of the Medical Director condition, the department concludes there is a sufficient supply of staff available or staff can be recruited. **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(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.

BHC Fairfax's Kirkland hospital currently has relationships with other organizations to provide services needed by their patients not provided by the hospital. At the new hospital, BHC Fairfax's Kirkland hospital would either provide the services it would need for Fairfax North would contract with existing suppliers, contract with new suppliers, or contract with PRMCE for such services. The applicant did not identify which alternative would be used for specific services. [Source, Application, p50] **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.

Since Fairfax North will be a new hospital, it does not have a history of Medicare certification or inspections by the Department of Health. The department reviewed the historical records on BHC Fairfax's Kirkland hospital to evaluate this parent corporation. The Department of Health's Investigations and Inspections Office (IIO) has completed a total of five surveys at BHC Fairfax's Kirkland hospital since 2006. Of the five surveys, two focused on the 24-bed alcohol and chemical dependency hospital and three focused on the 133-bed psychiatric hospital.¹² There were no adverse licensing actions as a result of these surveys. [Source: facility survey data provided by the IIO]

BHC Fairfax contracts with the Joint Commission to survey and accredit the quality of service provided. For BHC Fairfax's most recent survey with The Joint Commission was January 2009. The Joint Commission lists the Fairfax Kirkland hospital in full compliance with all applicable standards following their most recent on-site survey.¹³

Based on the compliance history of BHC Fairfax's Kirkland hospital, the department concludes there is reasonable assurance that Fairfax North would operate in conformance with applicable state and federal licensing and certification requirements. **This sub-criterion is met.**

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

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

¹² Alcohol and chemical dependency surveys completed June 2006 and March 2009; psychiatric hospital surveys completed August 2007, August 2008, and December 2010.

¹³ <http://www.qualitycheck.org>

Currently BHC Fairfax's Kirkland hospital has formal and informal working relationships with area healthcare providers to ensure appropriate patient care for all patients. BHC Fairfax's Kirkland hospital provides a significant amount of services to residents of Snohomish County and has established relationships to assist these patients. Through its database, BHC Fairfax's Kirkland hospital tracks all calls, referrals, walk-in patients, community visits, assessments, admissions, readmissions, and discharges by a variety of factors. BHC Fairfax intends to maintain these processes and existing relationships for the new hospital and would establish new relationships in Snohomish County as necessary. [Source: Application, p50]

Based on the above information, the department concludes that Fairfax North will promote continuity in the provision of health care services in the community. **This sub-criterion is met**

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

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

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

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

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

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

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

Step One

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

Step Two

Before submitting this application the applicant considered three other options. Application: pp53-59]

- No psychiatric hospital
The applicant states this option was rejected because it would do nothing to improve access and outmigration from Snohomish County would continue and possibly increase. Some residents would also continue to go without services. Quality of services would worsen as psychiatric patients are often “boarded” in emergency departments or other less suitable facilities. This alternative does nothing to improve hospital efficiency or reduce cost of providing services.
- Establish a 30 bed hospital at a free-standing location
Fairfax states this option was rejected because it would not provide the same access to emergency room and other medical services at the PRMCE campus. It also would be more difficult to share clinical expertise. Patients would lose the benefit of co-located care and treatment, which is less desirable for improving quality. The alternative is potentially less efficient than the alternative chosen by the applicant.
- Establish a larger hospital than the project at a free-standing location
The larger hospital does not fit the space limitations at PRMCE, therefore requiring a free-standing location. This option has the same issues of access to services, and opportunities to share expertise as the 30 bed free-standing hospital.

The department did not identify any other alternatives to those presented by the applicant.

Step Three

This step is used to determine between two or more approvable projects which is the best alternative..

Originally Fairfax North was competing with North Pointe. However, earlier in this evaluation the department determined that there had been a change in applicant for the North Pointe application. With change in applicant the current North Pointe application was denied. The impact to the Fairfax North application is that it became the lone application. Therefore this step does not apply to this project.

Based on the information above, the department concludes this project continues to be the best available alternative for the residents Snohomish County and surrounding communities. **This sub-criterion is met.**