



STATE OF WASHINGTON
DEPARTMENT OF HEALTH

October 4, 2013

CERTIFIED MAIL # 7011 1570 0002 7802 6289

Troy Green, JD Chief Executive Officer
Olympia Orthopaedic Associates, PLLC
1800 Cooper Point Road Southwest, Building 21
Olympia, Washington 98501

Re: CN14-01

Dear Mr. Green:

We have completed review of the Certificate of Need application submitted by Olympia Orthopaedic Associates, PLLC proposing to establish a six-operating room ambulatory surgery center in Olympia, within Thurston County. For the reasons stated in this evaluation, the application is consistent with applicable criteria of the Certificate of Need Program, provided Olympia Orthopaedic Associates, PLLC agrees to the following in its entirety.

Project Description:

This certificate approves the establishment of a six operating room ambulatory surgery center in Olympia, within Thurston County. Services provided at the ambulatory surgery center are limited to the orthopedic and pain management procedures described in the application.

Conditions:

1. Approval of the project description as stated above. Olympia Orthopaedic Associates, PLLC 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. Olympia Orthopaedic Associates, PLLC will provide charity care at Olympia Surgery Center in compliance with the charity care policies reviewed and approved by the Department of Health. Olympia Orthopaedic Associates, PLLC will use reasonable efforts to provide charity care in an amount comparable to or exceeding the average amount of charity care provided by the two hospitals currently operating in the Thurston County planning area. Currently, this amount is 2.87% gross revenue and 6.66% of adjusted revenue. Olympia Orthopaedic Associates, PLLC will maintain records documenting the amount of charity care it provides and demonstrating compliance with its charity care policies.



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Approved Costs:

The total capital expenditure for this project is \$10,665,145. Of that amount, \$10,216,223 was expended in year 2011 when Olympia Orthopaedic Associates, PLLC constructed and equipped the 4-operating room Certificate of Need exempt ambulatory surgery center. The remaining \$448,922 is for the equipment and associated taxes necessary to open ORs #5 and #6. The approved capital expenditure associated with this project is \$10,665,145.

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

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

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

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

Sincerely,



Steven M. Saxe, FACHE, Director

**EVALUATION DATED OCTOBER 4, 2013, OF THE CERTIFICATE OF NEED
APPLICATION SUBMITTED BY OLYMPIA ORTHOPAEDIC ASSOCIATES, PLLC
PROPOSING TO ESTABLISH A SIX OPERATING ROOM AMBULATORY SURGERY
CENTER IN THURSTON COUNTY**

APPLICANT DESCRIPTION

There are two main entities associated with this project: Olympia Orthopaedic Associates, PLLC and Olympia Orthopaedic Properties, LLC. Below is a brief description of each entity.

Olympia Orthopaedic Associates, PLLC (OOA) is a for-profit Washington State corporation governed by the following 11 physicians located in Olympia, Washington. Each of the 11 physicians has equal ownership of this corporation. [source: Washington State Secretary of State website and April 22, 2013, department staff meeting notes]

Name	Name	Name
L (Laddie) Anthony Agtarap	Andrew P. Manista	Steven William Snow
Clyde T. Carpenter	R (Robert) Trent McKay	P (Peter) Brodie Wood
Patrick Joseph Halpin	William Warren Peterson	Jerome P. Zechmann
Thomas Scott Helpenstell	Dennis Edward Smith	

OOA includes the medical business and all employees of the practice. The following three clinics are under this corporation.

Name	Address	City
OOA Eastside Clinic	615 Lilly Road NE	Olympia
OOA Westside Clinic	3901 Capitol Mall Drive SW	Olympia
OOA Yelm Clinic	201 Tahoma Boulevard SE	Yelm

The Westside Clinic, identified in bold above, has a Certificate of Need exempt ambulatory surgery center (ASC) located at the same site. [source: Application, p10]

Olympia Orthopaedic Properties, LLC was created in January 2000 for the purpose of owning and leasing property to OOA. This corporation is governed by the following four physicians. [source: Washington State Secretary of State website]

Clyde T. Carpenter | Patrick Joseph Halpin | Dennis Edward Smith | P (Peter) Brodie Wood

For this project, Olympia Orthopaedic Associates, PLLC [OOA] is the applicant.

On May 14 2001, OOA obtained an exemption from Certificate of Need review for the establishment of an ambulatory surgery center [ASC] known as Olympia Surgery Center (OSC). At that time, the ASC and practice were located at 1625 Mottman Road in Tumwater, within Thurston County. The ASC was established and remained in the same location until mid-year 2011.¹ Surgeries performed at the exempt ASC were those typically associated with orthopedic services.

¹ Determination of Reviewability (DOR) 01-20.

On April 7, 2011, OOA obtained a second exemption from Certificate of Need review for the establishment of an ASC at a new site in Thurston County. The new site is 3925 Capitol Mall Drive Southwest in Olympia [98502]. Once the practice and the exempt ASC were operating at the new site on Capitol Mall Drive, services ceased at the former Mottman Road site.²

PROJECT DESCRIPTION

One limitation of an exempt ASC is that only physicians that are part of the group practice may use the surgery center. OOA wants to allow access to the surgery center to physicians that are not part of the group practice. This action requires OOA to obtain a Certificate of Need for the ASC.

OSC is currently licensed and has been in operation at the new site since obtaining the exemption in 2011. Under the exemption, OSC has operated with four operating rooms (ORs), pre- and post-operative and recovery rooms, administration/reception space, and physician offices. [source: July 26, 2013, supplemental information, Revised Exhibit 11] If this project is approved, OOA would equip and begin using two more ORs currently built out at the ASC, for a facility total of six new CN approved ORs. [source: Application, p12]

A wide range of orthopedic and pain procedures are currently provided at OSC for patients 8 years of age and older. Typical procedures include joint reconstruction/replacement, various arthroscopic procedures, arthritic and wound care, foot and ankle procedures, trauma, hand and upper extremity surgery, orthopedic spine and neurosurgery, occupational medicine, interventional pain management, physical and occupational therapy, and sports medicine. If this project is approved, OOA does not intend to expand the procedures beyond orthopedic and pain or provide services to patients under 8 years of age. [source: Application, p12 and July 26, 2013, supplemental information, pp7-8]

When an exempt ASC is established within twelve months before an application is submitted, the department requires the applicant to identify the capital costs for its establishment. Those costs are then used to determine the estimated capital expenditure of the project, even though the costs may already be expended. The capital expenditure for this project is \$10,665,145. Of that amount, \$10,216,223 was expended in year 2011 when OOA constructed and equipped the 4-OR exempt ASC. The remaining \$448,922 is for the equipment and associated taxes necessary to open ORs #5 and #6. [source: July 26, 2013, supplemental information, pp2-3]

If this project is approved, OOA anticipates OR #5 would become operational by June 2014, and OR #6 would become operational by January 2015. [source: Application, p15] Under this timeline, year 2015 would be the ASC's first full calendar year of operation as a CN approved ASC with six ORs.

APPLICABILITY OF CERTIFICATE OF NEED LAW

This project is subject to Certificate of Need review as the establishment of a new healthcare facility under the provisions of Revised Code of Washington (RCW) 70.38.105(4)(a) and Washington Administrative Code (WAC) 246-310-020(1)(a).

² Exemption requests are specific to the facts in place at the time of the request. Once the practice relocated and Olympia Orthopaedic Associates wanted to establish an exempt ASC at the new site, a new exemption is required. [source: DOR #11-23]

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.”*

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).³ 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.

TYPE OF REVIEW

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

³ 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); WAC 246-310-220(2) and (3); and WAC 246-310-240(2).

APPLICATION CHRONOLOGY

Action	Olympia Orthopaedic Associates, PLLC
Letter of Intent Submitted	May 24, 2013
Application Submitted	July 1, 2013
Department’s pre-review activities including screening and responses	July 2, 2013 through August 1, 2013
Beginning of Review	August 2, 2013
End of Public Comment <ul style="list-style-type: none"> • public comments accepted through the end of public comment • No public hearing requested or conducted 	September 6, 2013
Rebuttal Comments ⁴	September 23, 2013
Department's Anticipated Decision Date	November 7, 2013
Department's Actual Decision Date	October 4, 2013

AFFECTED PERSONS

Washington Administrative Code 246-310-010(2) defines ‘affected person’ as:

“...an interested person who:

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

Throughout the review of this project, one entity sought and received affected person status under WAC 246-310-010(2).

- Providence St. Peter Hospital is an acute care hospital located at 413 Lilly Road Northeast in Olympia, within Thurston County. The hospital provides Medicare and Medicaid services to the residents of Thurston County and surrounding areas. Providence St. Peter Hospital is also a co-owner of the Certificate of Need approved ambulatory surgery center known as South Sound Surgery Center.⁵

SOURCE INFORMATION REVIEWED

- Olympia Orthopaedic Associates, PLLC’s Certificate of Need application submitted July 1, 2013
- Olympia Orthopaedic Associates, PLLC’s supplemental information received July 26, 2013, and July 31, 2013
- Completed hospital and ambulatory surgery center utilization surveys for operating room use and capacity for Thurston County
- Data obtained from the DOH Integrated Licensing & Regulatory System [ILRS] database for operating room use and capacity for facilities located in Thurston County

⁴ The only documents determined to be public comment were the ASC utilization surveys submitted by existing providers in Thurston County during the department's annual survey. The applicant chose not to provide rebuttal comments on these documents.

⁵ South Sound Surgery Center did not request affected person status or provide comments on the Olympia Orthopaedic Associates application.

SOURCE INFORMATION REVIEWED (continued)

- Data obtained from the DOH Construction Review Services website [https://fortress.wa.gov/doh/constructionreviewlookup]
- Licensing and/or quality of care survey data provided by the Department of Health's Investigations and Inspections Office
- Department of Health / Health Systems Quality Assurance Provider Credential Information
- 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

CONCLUSION

For the reasons stated in this evaluation, the application submitted by Olympia Orthopaedic Associates, PLLC proposing to establish a Certificate of Need approved ambulatory surgery center is consistent with the applicable review criteria provided Olympia Orthopaedic Associates, PLLC agrees to the following in its entirety.

Project Description:

This certificate approves the establishment of a six operating room surgery center in Olympia, within Thurston County. Services provided at the ambulatory surgery center are limited to the orthopedic and pain management procedures described in the application.

Conditions:

1. Approval of the project description as stated above. Olympia Orthopaedic Associates, PLLC 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. Olympia Orthopaedic Associates, PLLC will provide charity care at Olympia Surgery Center in compliance with the charity care policies reviewed and approved by the Department of Health. Olympia Orthopaedic Associates, PLLC will use reasonable efforts to provide charity care in an amount comparable to or exceeding the average amount of charity care provided by the two hospitals currently operating in the Thurston County planning area. Currently, this amount is 2.87% gross revenue and 6.66% of adjusted revenue. Olympia Orthopaedic Associates, PLLC will maintain records documenting the amount of charity care it provides and demonstrating compliance with its charity care policies.

Approved Cost

The total capital expenditure for this project is \$10,665,145. Of that amount, \$10,216,223 was expended in year 2011 when Olympia Orthopaedic Associates, PLLC constructed and equipped the 4-operating room Certificate of Need exempt ambulatory surgery center. The remaining \$448,922 is for the equipment and associated taxes necessary to open ORs #5 and #6. The approved capital expenditure associated with this project is \$10,665,145.

CRITERIA DETERMINATIONS

A. Need (WAC 246-310-210)

Based on the source information reviewed and the applicant's agreement to the conditions identified in the conclusion section of this evaluation, the department determines that Olympia Orthopaedic Associates, PLLC's project has met the need criteria in WAC 246-310-210(1) and (2) and the ambulatory surgery center methodology and standards outlined in the WAC 246-310-270.

- (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 246-31-270(9)-Ambulatory Surgery Numeric Methodology

The Department of Health's Certificate of Need Program uses the numeric methodology outlined in WAC 246-310-270 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 OR's in a planning area using the current utilization of existing providers. The methodology separates Washington State into 54 separate secondary health services planning areas. This project is located in the Thurston County planning area.

The methodology estimates OR need in a planning area using multi-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 rooms in the planning area, subtracts this capacity from the forecast number of surgeries to be expected in the planning area in the target year, and examines the difference to determine:

- a) whether a surplus or shortage of OR's is predicted to exist in the target year, and
- b) if a shortage of OR's is predicted, the shortage of dedicated outpatient and mixed-use rooms are calculated.
- c) Data used to make these projections specifically exclude endoscopy rooms and procedures.⁶

OOA provided a numeric methodology in the application and concluded that there is need for additional OR capacity in the Thurston County planning area in year 2016. Below is a summary of OOA's numeric methodology.

OOA Numeric Methodology

[source: Application, Exhibit 12 and July 26, 2013, supplemental information, pp7-8]

OOA determined existing OR capacity in the Thurston County planning area to be 7 dedicated outpatient ORs and 16 mixed use ORs. Based on 2011 data, OOA's methodology identified a use rate of 149.30/1,000 population. Focusing on year 2016, the applicant projected Thurston County's population to be 270,354. Applying the use rate to the projected population and subtracting the existing number of ORs in the planning area, OOA projected a need for 16.41 dedicated outpatient ORs in Thurston County for year 2016.

Department's 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—Thurston County. According to the department's historical records, there are nine planning area providers—including the applicant—with OR capacity. The 9 providers are listed below. [source: CN historic files and DOH ILRS database]

⁶ WAC 246-310-270(9)(a)(iv).

Table 1
Thurston County Planning Area Providers

Hospitals	ASCs
Capital Medical Center	Foley Plastic Surgery Center
Providence St. Peter Hospital	Gastroenterology Associates Endoscopy Center
	Laser and Surgery Center
	Olympia MultiSpecialty Clinic
	Olympia Surgery Center -Applicant
	Pacific Cataract and Laser Institute
	South Sound Surgery Center

As shown above, the nine facilities include two hospitals and seven ASCs, including the applicant's ASC. For the two hospitals, all known OR capacity and inpatient / mixed-use procedures are included in the methodology calculations for the planning area.

Of the seven ASCs shown above, one—Gastroenterology Associates Endoscopy Center—is an endoscopy facility. The numeric methodology deliberately excludes the OR capacity and procedures from the numeric methodology.⁷

For the remaining six ASCs, 4—including the applicant's ASC—are located within a solo or group practice (considered an 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 four facilities do not meet the ASC definition in WAC 246-310-010. For exempt ASCs, the utilization, but not ORs, is included in the methodology for the planning area.⁸

The remaining two ASCs are CN approved facilities.⁹ For these, the OR capacity and utilization is counted in the numeric methodology.

To assist in its application of the numeric methodology, the department reviewed utilization information from each of the operational facilities identified above. Utilization information was obtained from the annual ASC utilization survey. If data was not available for the ASCs, the department obtained data from its internal database.¹⁰

Capital Medical Center did not respond to the department's annual utilization survey. Since the department does not collect OR data for hospitals through its internal database, the number of ORs for the hospital was determined using Department of Health's Construction Review Services (CRS) files.¹¹ The number of inpatient and outpatient cases was determined using year 2012 quarterly

⁷ WAC 246-310-270(9)(iv).

⁸ Foley Plastic Surgery, Olympia MultiSpecialty Clinic, Olympia Surgery Center [the applicant], and Pacific Cataract and Laser Institute.

⁹ Laser and Surgery Center [CN #1303 issued April 27, 2005] and South Sound Surgery Center [CN #1316 issued September 8, 2005].

¹⁰ The Department of Health's internal data base is Integrated Licensing & Regulatory System, known as ILRS.

¹¹ CRS #60312387 identified 4 ORs; an e-mail from a representative of the hospital identified 6 ORs.

reports filed by Capital Medical Center to the Department of Health Hospital and Patient Data Systems' office.

Providence St. Peter Hospital responded to the department's utilization survey. It is noted that no outpatient ORs or cases were identified in the survey responses. Since Providence St. Peter Hospital is co-owner of South Sound Surgery Center, the department expects that outpatient cases are performed at the surgery center. South Sound Surgery Center provided its 2012 utilization data and number of ORs.

The assumptions used by the department in the methodology are shown below.

Table 2
Department's Methodology Assumptions and Data

Assumption	Data Used
Planning Area	Thurston County
Population Estimates and Forecasts	Office Of Financial Management Population Data released May 2012: Year 2012 – 257,848 Year 2016 – 270,632
Use Rate	Divide calculated surgical cases by 2012 population results in the service area use rate of 123.619/1,000 population
Percent of surgery ambulatory vs. inpatient	Based on DOH survey, ILRS data, and CRS data 67.77% ambulatory (outpatient) and 32.23% inpatient
Average minutes per case	Based on DOH survey, ILRS data, and CRS data Outpatient cases = 49.40 minutes; inpatient cases = 104.32 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 Thurston County providers. 7 dedicated outpatient ORs and 15 mixed use ORs
Department's Methodology Results	Numeric need for an additional 9.27 outpatient ORs

Based on the assumptions described in the table above, the department's application of the numeric methodology indicates a need for 9.27 outpatient ORs in year 2016. Since the applicant's procedures, but not the existing four ORs, are excluded from the numeric methodology, the results in Table 2 demonstrate need for the six ORs requested in OOA's application. The department's methodology is Appendix A attached to this evaluation.

In summary, based on the department's numeric methodology, need for additional OR capacity in Thurston County is justified.

OOA also provided the following statements related to continued need for the orthopedic and pain management services currently provided at the exempt ASC.

“Thurston County has seen 2% annual growth in its population over 2000-2010. While the Washington Office of Financial Management forecasts growth to slow to 1.1%/year from 2010-2015, it is projected to increase 1.6% from 2015-2020. This growth is driven largely

by increases in the number of residents age 65 and older. The number of residents in this age cohort is expected to grow 4.0% annually from 2010-2015 and 4.5% annually from 2015-2020. Older residents use health care services much more often than younger residents under the age of 65."

In addition, OOA provided its historical number of procedures since the facility relocated to the new site in 2011. This information is summarized in the table below. [source: Application, Exhibit 17]

**Table 3
Olympia Surgery Center
Two Year Historical Utilization**

Year	# of Procedures	% Increase / (Decrease) from Previous Year
2011	4,896	
2012	5,206	6.3%

OOA states that historically, the majority of its patients originate from the Thurston County planning area. In year 2012, 65.2% of its patients had a Thurston County zip code, and the remaining 34.8% originated from other South Sound counties. As a result, while the numeric methodology is restricted to Thurston County, OSC provides care to a much larger geographic region. The methodology's planning area population limitation results in a conservative forecast of OR need, with no adjustment for the in-migration experienced by OSC.

Based on the applicant's numeric methodology, projected population increases for Thurston County, its historical number of procedures and patient origin data, OOA concluded that need is demonstrated for its existing four CN exempt ORs and the additional two ORs identified in this application.

WAC 246-310-270(6)

WAC 246-310-270(6) requires a minimum of two ORs in an ASC. The exempt ASC was constructed to accommodate four ORs and all four are currently in operation. OOA intends to bring two additional ORs into use by the end of year 2014. [source: Application, p6 p15] This standard is met.

In summary, based on the department's application of the numeric methodology and supporting data provided by OOA, and the applicant's ability to meet the standard above, **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 OOA has been providing orthopedic and pain management services for many years in Thurston County, for CN purposes, the applicant is considered a new provider to health care services in Washington State. As an exempt ASC, OSC is not required to meet the access to care standard stated above. As a CN approved ASC, OSC must demonstrate that it would be available to all residents of the planning area, including low-income, racial and ethnic minorities,

handicapped and other underserved groups. OSC must also participate in the Medicare and Medicaid programs and commit to providing a percentage of charity care in the planning area.

Admission Policy

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

To demonstrate compliance with this sub-criterion, OOA provided a copy of its existing Admission Policy used at the practice and the exempt ASC. The policy outlines the process and criteria to admit patients for treatment for the practice and OSC. The policy also includes the appropriate non-discrimination language required by the department. [source: Application, Exhibit 16]

Medicare and Medicaid Programs

The department uses Medicare certification to determine whether the elderly would have access, or continue to have access, to the proposed services. To demonstrate compliance with this sub-criterion, the applicant provided its current and projected source of revenues by payer. Medicare revenues are, and would continue to be, 28% of the total revenues at the ASC. Additionally, the financial data provided in the application shows Medicare revenues. [source: Application, p14 and Exhibit 17]

The department uses the facility's Medicaid eligibility or contracting with Medicaid to determine whether low-income residents would have access to the proposed services. To demonstrate compliance with this sub-criterion, OOA also provided its current and projected percentage of Medicaid revenues at 6.7%. OOA states that approval of this project would not change this payer percentage. Additionally, the financial data provided in the application shows Medicaid revenues. [source: Application, p14 and Exhibit 17]

Charity Care Policy

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

To demonstrate compliance with this sub-criterion, OOA provided a copy of its current charity care policy. The policy includes the appropriate non-discrimination language as required and outlines the process one must use to obtain charity care at the ASC. The pro forma financial documents provided in the application also include a charity care 'line item.' [source: Application, Exhibits 15 and 17]

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, the Department of Health's Hospital and Patient Data Systems (HPDS), divides Washington State into five regions: King County, Puget Sound, Southwest, Central, and Eastern. OOA's ASC is located in Thurston County, within the Southwest Region. Currently, there are 14 hospitals operating, or approved to operate, in the region. Of those, two--Capital Medical Center and Providence St. Peter Hospital--are located in Thurston County and could be affected by approval of this project

For this project, the department reviewed the most recent three years of charity care data for the 14 existing hospitals currently operating within the Southwest Region and focused on the two hospitals located in the applicant's planning area of Thurston County. The three years reviewed are 2008, 2009, and 2010.¹² The table below is a comparison of the average charity care for the Southwest Region as a whole, combined charity care percentages for the two hospitals in Thurston County, and OOA's projected. [source: 2008-2010 HPDS charity care summaries]

Table 4
Charity Care Percentage Comparisons

	% of Total Revenue	% of Adjusted Revenue
Southwest Region	3.32%	7.72%
Two Hospital's Combined	2.87%	6.66%
OOA Projected	3.50%	5.36%

As shown in the table above, the regional average is higher than the calculated average provided by the two hospitals in the planning area. For gross revenues, OOA proposes to provide a slightly higher gross percentage of charity care than both the region and the combined hospitals. For adjusted revenues, OOA's charity care would be lower than both the region and the combined hospitals.

Since OSC is an exempt ASC, it did not undergo any review of its charity care policies, procedures, or percentages. To ensure that appropriate charity care percentages would be provided by OSC, if this project is approved, the department would attach a condition requiring OOA to provide charity care at certain percentages at OSC.

With the charity care condition described above, the department concludes that all residents of the service area would have access to the proposed ASC. **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 determines that Olympia Orthopaedic Associates, PLLC's project has met the financial feasibility criteria in WAC 246-310-220.

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

WAC 246-310 does not contain specific WAC 246-310-220(1) financial feasibility criteria as identified in WAC 246-310-200(2)(a)(i). There are also no known recognized standards as

¹² As of the writing of this evaluation, years 2011 and 2012 charity care data is not available.

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.

To evaluate this sub-criterion, the department first reviewed the assumptions used by OOA to determine the projected number of procedures for the ASC. The assumptions are summarized below. [source: Application, pp32-3316]

- The types of procedures are limited to orthopedic and pain management consistent with the procedures currently provided at the exempt ASC. The projected number of procedures was based on six months of operating history of the ASC at the new site.
- The year 2014 projected number of procedures assumes a significant growth [24.3%] from annualized 2013 procedures. This significant growth is based on additional cases attributed to an additional physician.
- Growth for years 2015 and 2016 is considerably less than the 2014 growth. Year 2015 procedures are projected to be 7.2% more than 2014; and year 2016 is projected to be 7.7% of 2015. OOA's projections take into account population growth, but do not assume any additional physicians.
- For years 2017 and 2018, OOA assumed a growth of 3.6% in each year, which is also based on population growth in the county. Since the ASC is limited to six ORs, conservative growth is assumed for these two years.

Using the assumptions stated above, OSC's projected number of procedures by year is shown below. [source: Application, Exhibit 17]

Table 5
OSC Projected Number of Procedures

2013 Annualized	2014 Projected	2015 Projected	2016 Projected	2017 Projected
5,694	7,075	7,583	8,166	8,461

Based on the assumptions above and taking into consideration that OOA does not intend to expand its services beyond orthopedic and pain management, the projections shown are considered reasonable.

If this project is approved, OOA anticipates OR #5 would become operational by June 2014, and OR #6 would become operational by January 2015. [source: Application, p15] Under this timeline, year 2015 would be the ASC's first full calendar year of operation and 2017 is full year three. OOA's projected revenue, expenses, and net income for OSC for years 2013 through 2017 is shown in the table below. [source: Application, Exhibit 17]

Table 6
Projected Revenue and Expense Statements for
Calendar Years 2014 through 2016

	CY 2013 4-ORs	CY 2014 5-ORs	CY 2015 6-ORs	CY 2016 6-ORs	CY 2017 6-ORs
Net Revenue	\$ 9,263,498	\$ 9,890,587	\$ 10,970,994	\$ 12,227,741	\$ 13,114,170
Total Expenses	\$ 7,599,526	\$ 8,338,381	\$ 8,929,611	\$ 9,674,191	\$ 9,859,245
Net Profit /(Loss)	\$ 1,663,972	\$ 1,552,206	\$ 2,041,383	\$ 2,553,550	\$ 3,254,925

The 'Net Revenue' line item is gross revenue minus any deductions for charity care and contractual allowance. The 'Total Expenses' line item includes salaries and wages, rent, supplies, bad debt, and depreciation. As shown above, OOA projected a slight decrease in net profits for year 2014, and then a consistent increase for the remaining years.

The ASC would remain at its current location at 3925 Capitol Mall Drive Southwest in Olympia. In late year 2010, Olympia Orthopaedic Properties, LLC purchased the site for the practice and the ASC. The site is zoned for medical/office use. On November 12, 2012, OOA and Olympia Orthopaedic Properties entered into a 15-year lease agreement for the site. The agreement also includes three consecutive 5-year options to extend, resulting in a potential of 30 years. The agreement identifies a base rent for the site, plus all annual CPI increases. All costs are substantiated in the revenue and expense statement summarized above.

For operating purposes, OOA operates its ASC as an extension of the practice. As a result, separate balance sheets for the only the ASC are unavailable. OOA provided current and projected consolidated balance sheets for OOA, which includes the operations of the ASC. Below is a summary showing actual year 2012, projected year 2014 with 4 ORs and projected year 2017 with 6 ORs at the ASC. [source: Application, Exhibit 17]

Tables 7
Olympia Orthopaedic Associates, PLLC Consolidated Balance Sheets
Actual Year 2012

Assets		Liabilities	
Current Assets	\$ 6,449,557	Current Liabilities	\$ 2,669,970
Fixed Assets	\$ 10,911,623	Other Liabilities	\$ 167,228
Accumulated Depreciation	(\$ 5,579,563)	Long Term Debt	\$ 3,550,657
Other Assets	\$ 47,446	Equity	\$ 5,441,208
Total Assets	\$ 11,829,063	Total Liabilities and Equity	\$ 11,829,063

Projected Year One – 2014

Assets		Liabilities	
Current Assets	\$ 7,926,968	Current Liabilities	\$ 2,144,307
Fixed Assets	\$ 11,356,290	Other Liabilities	\$ 0
Accumulated Depreciation	(\$ 7,961,669)	Long Term Debt	\$ 2,331,125
Other Assets	\$ 40,780	Equity	\$ 6,886,937
Total Assets	\$ 11,362,369	Total Liabilities and Equity	\$ 11,362,369

Projected Year Four – 2017

Assets		Liabilities	
Current Assets	\$ 10,138,311	Current Liabilities	\$ 2,091,487
Fixed Assets	\$ 11,888,122	Other Liabilities	\$ 0
Accumulated Depreciation	(\$ 10,389,665)	Long Term Debt	\$ 427,742
Other Assets	\$ 30,780	Equity	\$ 9,148,319
Total Assets	\$ 11,667,548	Total Liabilities and Equity	\$ 11,667,548

Because the practice and the ASC have been operational since year 2001, it has had many years to become financially solvent. The balance sheets above show that both would remain financially stable through full calendar year 2017.

Based on the source information above, the department concludes that the immediate and long range capital and 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.

As previously discussed, the capital expenditure for this project is \$10,665,145. Of that amount, \$10,216,223 was expended in year 2011 when OOA constructed and equipped the exempt ASC. The remaining \$448,922 is for the equipment and associated taxes necessary to open ORs #5 and #6. [source: July 26, 2013, supplemental information, pp2-3]

The ASC has been operating under an exemption since year 2001 and OOA does not anticipate any expansion of the types of procedures to be provided if this project is approved. OOA provided its projected payer mix based on its historic payer mix. The table below shows the expected payer mix for the ASC. [source: Application, p14]

**Table 8
Projected Payer Mix**

Payer Source	Percentage
Medicare	28.0%
Medicaid	6.7%
Commercial/Other Insurance ¹³	65.3%
Total	100.0%

As shown above, the majority of the ASC’s payer source has been commercial insurance. Considering the types of procedures historically provided at the ASC, this large payer source is expected.

¹³ ‘Other’ payers include Labor and Industries, Blue Cross, Premera, and other private insurers.

Based on the information reviewed, the department concludes that the costs of this project will probably not result in an unreasonable impact to the costs and charges for health care services within the services area. **This sub-criterion is met.**

(3) *The project can be appropriately financed.*

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

OOA provided its total costs for the project, including the \$10,216,223 that was already expended when the exempt ASC was built with four ORs operational and two ORs shelled in. The table below shows the capital expenditure breakdown for the entire capital costs and the additional \$448,922 needed to open ORS #5 and #6. [source: July 26, 2013, supplemental information, pp2-3]

**Table 9
OOA Capital Expenditure Breakdown**

Item	Expended	Additional	Total
Land Purchase	\$ 592,000	\$ 0	\$ 592,000
Land Improvements	\$ 1,182,973	\$ 0	\$ 1,182,973
Construction Costs/Fixed Equipment	\$ 5,647,519	\$ 0	\$ 5,647,519
Moveable Equipment	\$ 975,029	\$ 412,992	\$ 1,388,021
Fees (Architect/Engineer/Consulting)	\$ 679,000	\$ 0	\$ 679,000
Supervision/Inspection	\$ 390,451	\$ 0	\$ 390,451
Sales Tax	\$ 610,131	\$ 35,930	\$ 646,061
Interim Interest	\$ 139,120	\$ 0	\$ 139,120
Total Project Cost	\$ 10,216,223	\$ 448,922	\$ 10,665,145

The ‘expended’ costs identified above were financed through Olympia Orthopaedic Properties, LLC. OOA intends to finance the \$448,922 associated with this project through cash reserves. OOA submitted a letter of financial commitment from its chief financial officer. The letter confirms financial support for the project. The historical balance sheets discussed in the previous sub-criterion also demonstrates OOA’s financial capability to fund the project. [source: Application, Exhibits 17 & 18]

Based on the information, the department concludes the funding for this project is available. **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 determines that Olympia Orthopaedic Associates, PLLC’s project 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 compared the proposed project's source of financing to those previously considered by the department.

Since the exempt ASC is already operational, most key staff is already in place. OOA expects that an additional physician would begin providing surgeries in year 2014 and OR #5 would be operational by June 2014. OR #6 is projected to be operational by January 2015. OOA projected a slight and steady increase in FTEs beginning in year 2014 and ending in year 2016 to accommodate the additional physician and cases. The table below summarizes the current FTEs and proposed FTEs for year 2013 through full year 2017. [source: Application, Exhibit 17]

Table 10
Current and Proposed FTEs Years 2013-2017

Staff	Current 2013	2014 Increases	2015 Increases	2016 Increases	2017 Increases	Total
Office/Clerical	3.20	0.30	0.50	0.60	0.00	4.60
Scheduler	1.80	0.20	0.60	0.50	0.00	3.10
Medical Records/Transcription	1.00	0.10	0.50	0.60	0.00	2.20
OR Clean Up-pre/post	2.70	2.40	0.60	1.10	0.00	6.80
Registered Nurses	13.40	1.50	1.70	2.20	0.00	18.80
OR Technicians	4.10	0.20	1.70	1.10	0.00	7.10
OR Manager	1.80	0.20	0.00	0.00	0.00	2.00
Total FTE's	28.00	4.90	5.60	6.10	0.00	44.60

As previously stated, OOA wants to allow access to the surgery center to physicians that are not part of the group practice. In anticipation of hiring a new physician in year 2014, OOA also expects to add additional support staff for the ASC to accommodate the increase in cases. The table above reflects the anticipated FTE increases in each year.

Additionally, since the ASC already has the majority of the key staff in place, OOA provided names and professional license numbers for key staff. [source: Application, Exhibit 8, July 26, 2013, supplemental information, Exhibit 20, and July 31, 2013, supplemental information, pp1-2]

OOA states it currently employs 200 employees among its three clinics, ASC, and property management company. OOA states it offers an above-market compensation packet and typically receives in excess of 20 applications for each vacant position advertised. Additionally, OOA advertises and draws from King, Pierce, Thurston, Lewis, Mason, and Grays Harbor counties. For these reasons, OOA does not anticipate difficulty recruiting and maintaining qualified staff for the ASC. [source: Application, p36]

Based on the information, the department concludes that sufficient staffing is available or 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(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.

OOA has been an existing provider of healthcare services in Thurston County since 2001. As an operational exempt facility, long-standing support and ancillary services with existing healthcare providers are in place. To demonstrate compliance with this sub-criterion, OOA provided a copy of OSC's Quality Assessment/Utilization Review and Performance Improvement Policy. The policy provides guidance for quality control, infection control, and patient transfers. The policy defines roles and responsibilities and focuses on improved surgical outcomes. [source: Application, Exhibit 19]

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

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

WAC 246-310 does not contain specific WAC 246-310-230(3) criteria as identified in WAC 246-310-200(2) (a) (i). There are known recognized standards as identified in WAC 246-310-200(2) (a) (ii) and (b) that a facility must meet when it is to be Medicare certified and Medicaid eligible. As part of its review, the department must conclude that the proposed service would be operated in a manner that ensures safe and adequate care to the public.¹⁴ Therefore, using its experience and expertise the department assessed the applicant's history in meeting these standards at other facilities owned or operated by the applicant.

OOA has been is a provider health care services in Washington State for many years. OOA or its owning physicians do not have any out-of-state healthcare facilities. The department reviewed the quality of care history for the exempt ASC. The most recent scheduled survey was completed in July 2013 and revealed no non-compliance issues.¹⁵ [source: ILRS database]

Since OOA has much of its key staff already in place, OOA identified the names and professional license number for these staff. A compliance history review of all staff did not show any significant current or past enforcement actions.¹⁶ [source: Compliance history provided by Medical Quality Assurance Commission]

One of the owning physicians, Stephen Snow, has agreed to assume the medical director role. Since Dr. Snow is an owner, no medical director agreement was established for the position. OOA

¹⁴ Also WAC 246-310-230(5).

¹⁵ Survey #X2013-1220.

¹⁶ ILRS compliance information revealed one staff is working under, and in compliance with, an 'Informal Disposition.' The disposition is unrelated to patient care or quality of care issues.

also identified the names and professional license numbers [if applicable] for following key 'lead' staff of the ASC.

- Clinical Director
- ASC OR
- ASC Pre-op/PACU
- Quality Assurance/Risk Management
- Central Sterile/Surgical Technologist/Purchasing
- Administration/Credentialing

A compliance history review of these staff also did not show any significant current or past enforcement actions.

Given the compliance history of OOA and key staff associated with the ASC, the department concludes there is reasonable assurance that the ASC would be operated in conformance with state and federal regulations. **This sub-criterion is met.**

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

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

To demonstrate compliance with this sub-criterion, OOA provided the following statements. [source: Application, p37]

“OOA is Thurston County's only orthopedic surgical group. We have closely aligned with both hospital systems in the community, providing all emergency, inpatient, and outpatient orthopedic care. OOA also shares significant relationships with all referring providers in the planning area. As such, OOA provides virtually all orthopedic emergent, inpatient, and outpatient orthopedic care, including chronic and well-care, in the planning area. The approval of our request will improve continuity of care since it will increase access to outpatient surgery suites for additional planning area physicians.”

Since the ASC is operational as an exempt facility, working relationships with existing healthcare facilities have already been established. Since the ASC will not relocate, the department expects these relationships to continue. Further, nothing in the documents provided by OOA and reviewed by staff suggests that approval of this project would change these relationships. [source: CN historical files]

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

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

This sub-criterion is evaluated in sub-section (3) above, and no public comments were submitted for this sub-criterion for this application. **This sub-criterion 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 determines that Olympia Orthopaedic Associates, PLLC's project has met the cost containment criteria in WAC 246-310-240.

- (1) Superior alternatives, in terms of cost, efficiency, or effectiveness, are not available or practicable. WAC 246-310 does not contain specific WAC 246-310-240(2)(a) criteria as identified in WAC 246-310-200(2)(a)(i). There are known minimum building and energy standards that healthcare facilities must meet to be licensed or certified to provide care. If built to only the minimum standards all construction projects could be determined to be reasonable. However, the department, through its experience knows that construction projects are usually built to exceed these minimum standards. The department considered information in the applications that addressed the reasonableness of their construction projects that exceeded the minimum standards. Therefore, using its experience and expertise the department assessed the materials contained in the application.

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

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

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

Step One

For this project, OOA has met the review criteria under WAC 246-310-210, 220, 230, and the ASC methodology and standards under WAC 246-310-270. Therefore, the department moves to step two below.

Step Two

OOA states that before submitting this application, it considered the following two options.

- status quo or 'do nothing'
OOA considered this option, but ultimately rejected it because it did not serve the needs of the applicant. OOA wants to allow physicians that are not associated with the practice access to the ASC. If outside physicians use OSC, then the ASC no longer qualifies for an exemption, and OSC would be out of compliance with state CN requirements.
- leasing some portion of the ASC to another organization.
OOA stated this option was considered and, ultimately rejected, for a variety of reasons described in the application. Impact considerations explored were access to healthcare services; quality of care; cost and operating efficiency; staffing impact; and legal restrictions. After its review, OOA concluded that this option would not result in the best interests of OOA, its physicians/staff, or the community.

Department's Review

Related to the 'status quo' option, once OOA chooses to allow physicians not associated with OOA access to the ASC, then the ASC would no longer qualify for an exemption. As a result, the only option available to OOA is to submit a Certificate of Need application. The lease option described above may also prevent the ASC from qualifying for an exemption. The department did not identify any other options that should have been considered by OOA.

Taking into account that OOA intends to allow physicians access to the ASC without requiring them to become part of the OOA group, there is no other option for OOA to consider other than submission of this application. The department concludes that NEC, LLC chose the best option available.

Step Three

This step is used to determine between two or more approvable projects which is the best alternative. Since OOA is the only applicant requesting to establish an ASC in Thurston County, this step does not apply.

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

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

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

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

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

(3) The project will involve appropriate improvements or innovations in the financing and delivery of health services which foster cost containment and which promote quality assurance and cost effectiveness.

This project has the potential to improve delivery of nursing home services to the residents of King County and community of Issaquah. The department is satisfied the project is appropriate and needed. This sub-criterion is met.

APPENDIX A



**APPENDIX A
ASC Need Methodology
Thurston County**

Service Area Population: 2016 Surgeries @ 123.619/1,000:	270,632 33,455	OFM			
a.i.	94,250 minutes/year/mixed-use OR				
a.ii.	68,850 minutes/year/dedicated outpatient OR				
a.iii.	7 dedicated outpatient OR's x 68,850 minutes =		481,950 minutes dedicated OR capacity	9,756	Outpatient surgeries
a.iv.	15 mixed-use OR's x 94,250 minutes =		1,413,750 minutes mixed-use OR capacity	13,553	Mixed-use surgeries
b.i.	projected inpatient surgeries =	10,781	=	1,124,651 minutes inpatient surgeries	
	projected outpatient surgeries =	22,674	=	1,120,093 minutes outpatient surgeries	
b.ii.	Forecast # of outpatient surgeries - capacity of dedicated outpatient OR's				
	22,674 -	9,756	=	12,918 outpatient surgeries	
b.iii.	average time of inpatient surgeries		=	104.32 minutes	
	average time of outpatient surgeries		=	49.40 minutes	
b.iv.	inpatient surgeries*average time		=	1,124,651 minutes	
	remaining outpatient surgeries(b.ii.)*ave time		=	638,143 minutes	
				1,762,794 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.				
	1,413,750				
	- 1,762,794				
	-349,044 /	94,250	=	-3.70	
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				
	1,124,651				
	- 1,413,750				
	(289,099) /	94,250	=	-3.07	
	divide outpatient part of b.iv. By 68,850 to determine shortage of dedicated outpatient OR's				
	638,143 /	68,850	=	9.27	



APPENDIX A
ASC Need Methodology
Thurston County

Facility	Special Procedure Rooms	Dedicated Inpatient ORs	Dedicated Outpatient ORs	Mixed Use ORs	Inpatient min/case	Inpatient Cases in Mixed Use ORs	Inpatient Mins. In Mixed Use ORs	Outpatient Min/Case	Outpatient Cases	Outpatient Mins.	Data Source
Capital Medical Center	0	0	0	6	100	2,622	262,200	50	3,270	163,500	Data obtained from Year 2012 quarterly reports submitted to DOH-HPD. # of ORs based on CRS #60312387. Default minutes used for inpatient and outpatient.
Providence St. Peter Hospital	0	0	0	9	0	7,650	809,325	0	0	0	Based on survey response for year 2012, outpatient #'s not provided b/c part owner of South Sound Surgery Center
Foley Plastic Surgery Center	0	0	1	0	0	0	0	50	268	433	Based on survey responses, data for CY 2012.
Lasar and Surgery Center	0	0	2	0	0	0	0	50	2,800	140,000	Per ILRS, outpatient minutes calculated using 50 x # of cases. Data for FY 2011.
Olympia MultiSpecialty Clinic	0	0	2	0	0	0	0	50	4,563	228,150	Per ILRS, outpatient minutes calculated using 50 x # of cases. Data for FY 2011.
Olympia Surgery Center-Applicant	0	0	4	0	0	0	0	50	4,500	225,000	Per ILRS, outpatient minutes calculated using 50 x # of cases. Data for FY 2011.
Pacific Cataract and Laser Institute	0	0	2	0	0	0	0	50	1,784	89,200	Per ILRS, outpatient minutes calculated using 50 x # of cases. Data for FY 2011.
South Sound Surgery Center*	0	0	5	0	0	0	0	50	4,418	220,900	# of ORs and cases obtained by survey response. outpatient minutes calculated using 50 x # of cases.
Totals	0	0	16	15	100	10,272	1,071,525	350	21,603	1,067,183	
ORs counted in numeric methodology			7	15	Ave min/case		104.32	Ave min/case		49.40	
ILRS: Integrated Licensing & Regulatory System Population data source: OFM May 2012											
Total Surgeries	31,875										
Area population 2012	257,848										
Use Rate Survey Year 2012	123,619										
Planning Area projected population Year: 2016	270,632										
% Outpatient of total surgeries	67.77%										
% Inpatient of total surgeries	32.23%										
* This ASC is partially owned by Providence St. Peter Hospital											

Age	2010		2011		2012		2013		2014		2015		2016		2017		2018		2019		2020	
	Total	increment increase	Total	increment increase	Total	increment increase	Total	increment increase	Total	increment increase	Total	increment increase	Total	increment increase	Total	increment increase	Total	increment increase	Total	increment increase	Total	increment increase
0-4	15,381	55	15,436	15,490	15,545	15,599	15,654	15,869	16,084	16,298	16,513	16,728	16,943	17,158	17,373	17,588	17,803	18,018	18,233	18,448	18,663	18,878
5-9	15,629	154	15,783	15,937	16,090	16,244	16,398	16,552	16,706	16,860	17,014	17,168	17,322	17,476	17,630	17,784	17,938	18,092	18,246	18,400	18,554	18,708
10-14	16,559	31	16,590	16,622	16,653	16,685	16,716	16,748	16,780	16,812	16,844	16,876	16,908	16,940	16,972	17,004	17,036	17,068	17,100	17,132	17,164	17,196
15-19	17,216	19	17,235	17,255	17,274	17,294	17,313	17,332	17,351	17,370	17,389	17,408	17,427	17,446	17,465	17,484	17,503	17,522	17,541	17,560	17,579	17,598
20-24	16,325	-51	16,274	16,223	16,171	16,120	16,069	16,018	15,967	15,916	15,865	15,814	15,763	15,712	15,661	15,610	15,559	15,508	15,457	15,406	15,355	15,304
25-29	17,406	18	17,424	17,441	17,459	17,476	17,494	17,512	17,530	17,548	17,566	17,584	17,602	17,620	17,638	17,656	17,674	17,692	17,710	17,728	17,746	17,764
30-34	16,609	555	17,164	17,719	18,273	18,828	19,383	19,938	20,493	21,048	21,603	22,158	22,713	23,268	23,823	24,378	24,933	25,488	26,043	26,598	27,153	27,708
35-39	16,276	233	16,509	16,742	16,974	17,207	17,440	17,673	17,906	18,139	18,372	18,605	18,838	19,071	19,304	19,537	19,770	20,003	20,236	20,469	20,702	20,935
40-44	16,731	144	16,875	17,018	17,162	17,305	17,449	17,593	17,737	17,880	18,024	18,167	18,311	18,454	18,598	18,741	18,885	19,028	19,172	19,315	19,459	19,602
45-49	18,108	-173	17,935	17,763	17,590	17,418	17,245	17,072	16,900	16,727	16,554	16,382	16,209	16,036	15,863	15,690	15,517	15,344	15,171	15,000	14,827	14,654
50-54	18,935	-35	18,900	18,866	18,831	18,797	18,762	18,727	18,692	18,657	18,622	18,587	18,552	18,517	18,482	18,447	18,412	18,377	18,342	18,307	18,272	18,237
55-59	18,485	46	18,531	18,577	18,622	18,668	18,714	18,760	18,806	18,852	18,898	18,944	18,990	19,036	19,082	19,128	19,174	19,220	19,266	19,312	19,358	19,404
60-64	15,840	361	16,201	16,563	16,924	17,286	17,647	18,008	18,369	18,730	19,091	19,452	19,813	20,174	20,535	20,896	21,257	21,618	21,979	22,340	22,701	23,062
0-64 TOTAL	219,500		220,857	222,214	223,570	224,927	226,284	228,686	231,088	233,490	235,892	238,294	240,696	243,098	245,500	247,902	250,304	252,706	255,108	257,510	259,912	262,314
65-69	11,012	711	11,723	12,434	13,146	13,857	14,568	15,279	15,990	16,701	17,412	18,123	18,834	19,545	20,256	20,967	21,678	22,389	23,100	23,811	24,522	25,233
70-74	7,272	494	7,766	8,260	8,753	9,247	9,741	10,235	10,729	11,223	11,717	12,211	12,705	13,199	13,693	14,187	14,681	15,175	15,669	16,163	16,657	17,151
75-79	5,557	124	5,681	5,806	5,930	6,055	6,179	6,303	6,427	6,551	6,675	6,800	6,924	7,048	7,172	7,296	7,420	7,544	7,668	7,792	7,916	8,040
80-84	4,376	6	4,382	4,388	4,394	4,400	4,406	4,412	4,418	4,424	4,430	4,436	4,442	4,448	4,454	4,460	4,466	4,472	4,478	4,484	4,490	4,496
85+	4,547	100	4,647	4,747	4,846	4,946	5,046	5,146	5,246	5,346	5,446	5,546	5,646	5,746	5,846	5,946	6,046	6,146	6,246	6,346	6,446	6,546
65+ TOTAL	32,764		34,199	35,634	37,070	38,505	39,940	41,375	42,810	44,245	45,680	47,115	48,550	49,985	51,420	52,855	54,290	55,725	57,160	58,595	60,030	61,465
GRAND TOTAL	252,264		255,056	257,848	260,640	263,432	266,224	270,632	275,040	279,449	283,857	288,265	292,673	297,081	301,489	305,897	310,305	314,713	319,121	323,529	327,937	332,345