



STATE OF WASHINGTON
DEPARTMENT OF HEALTH
Olympia, Washington 98504

November 16, 2015

CERTIFIED MAIL # 7015 0640 0000 6441 5683

Carol Taylor, Regional Director
Group Health Cooperative
201 – 16th Avenue East, #D640
Seattle, Washington 98112

RE: Certificate of Need Application #15-28

Dear Ms. Taylor:

We have completed review of the Certificate of Need (CN) application submitted by Group Health Cooperative proposing to establish an 11-OR ambulatory surgery center in the current Group Health Central Hospital campus in Seattle, within King County.

For the reasons stated in the enclosed evaluation, the application is consistent with the applicable criteria of the Certificate of Need Program, provided Group Health Cooperative agrees to the following in its entirety.

Project Description

This project approves the other establishment of an eleven operating room ambulatory surgery center in Seattle within King County. The surgery center will be known as the Group Health Capitol Hill Ambulatory Surgery Center. The types of surgeries to be performed at the ambulatory surgery center include general surgery, orthopedics, otolaryngology, ophthalmology, urology, gynecology, plastic surgery, cardiology (cardioversions), anesthesiology, and interventional radiology. The surgery center provides care to patients one year of age and older.

Conditions

1. Group Health Cooperative agrees with the project description as stated above. Group Health Cooperative further agrees that any change to the project as described in the project description is a new project and requires a new Certificate of Need.
2. Adult elective percutaneous coronary interventions (PCI), as defined in WAC 246-310-705, may not be performed at the Group Health Capitol Hill Ambulatory Surgery Center.

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3. Consistent with Revised Code of Washington 70.38.115(3), the Group Health Capitol Hill Ambulatory Surgery Center may not be sold, leased, or have a change in control without first obtaining a Certificate of Need.

Approved Capital Costs:

The approved capital expenditure for this project is \$920,000 and is solely related to capital improvements and fees.

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

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

Send your written response to the Certificate of Need Program, at one of the following addresses.

Mailing Address:

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

Physical Address:

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

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

Sincerely,



Steven M. Saxe, FACHE
Director, Community Health Systems

Enclosure

**EVALUATION DATED NOVEMBER 16, 2015 OF THE CERTIFICATE OF NEED
APPLICATION SUBMITTED BY GROUP HEALTH COOPERATIVE PROPOSING
THE OTHER ESTABLISHMENT OF AN AMBULATORY SURGERY CENTER IN
CENTRAL KING COUNTY**

APPLICANT DESCRIPTION

Group Health Cooperative (GHC) was founded in Seattle in 1947 as a provider of prepaid health coverage and health care services through its own medical providers and facilities. GHC is registered as a health maintenance organization (HMO) under state law, and continues to provide most of its Seattle area health care services to enrolled HMO members, at GHC owned and operated facilities, and through providers who are employed directly by GHC or by its affiliated medical group, Group Health Permanent PC.¹

[source: application, p. 2]

GHC is currently registered with both the Washington State Secretary of State office and the Department of Revenue. GHC is governed by a Board of Trustees elected by members or enrollees. GHC's corporate structure includes the following three separate corporations. [sources: Washington State Secretary of State and Washington State Department of Revenue websites; application, p. 5]

“Group Health provides medical coverage and care to around 600,000 residents in Washington State and North Idaho who are covered by health plans offered by Group Health Cooperative or its subsidiaries, Group Health Options, Inc., and KPS Health Plans. Nearly two-thirds of members receive care at Group Health Medical Centers.

Group Health Cooperative, together with its subsidiary Group Health Options, Inc., operates in all or parts of 20 counties in Washington and two counties in North Idaho. In Washington, Group Health Cooperative offers coordinated-care plans for both groups and individuals and their Medicare Advantage plans.

Care is provided by Group Health Physicians doctors and other clinicians and Group Health-operated medical facilities. In service areas where Group Health doesn't own facilities and for

¹ Under RCW 70.38.025(7), a health maintenance organization means “a public or private organization, organized under the laws of the state, which:

- (a) Is a qualified health maintenance organization under Title XIII, section 1310(d) of the Public Health Services [Service] Act; or
- (b) (i) Provides or otherwise makes available to enrolled participants health care services, including at least the following basic health care services: Usual physician services, hospitalization, laboratory, X-ray, emergency, and preventive services, and out-of-area coverage; (ii) is compensated (except for copayments) for the provision of the basic health care services listed in (b)(i) to enrolled participants by a payment which is paid on a periodic basis without regard to the date the health care services are provided and which is fixed without regard to the frequency, extent, or kind of health service actually provided; and (iii) provides physicians' services primarily (A) directly through physicians who are either employees or partners of such organization, or (B) through arrangements with individual physicians or one or more groups of physicians (organized on a group practice or individual practice basis).

plans offering more choice, a network of nearly 9,000 community clinicians and 41 hospitals meet member health care needs.”

[source: Group Health Cooperative website]

As of the writing of this evaluation, GHC owns and operates one acute care hospital in Seattle, two ambulatory surgery centers (Bellevue and Tacoma), and approximately 25 full-service clinics throughout the state. The hospital, known as Group Health Central Hospital, is currently operating and is licensed for 326 acute care beds. GHC plans to relinquish the hospital license for Group Health Central Hospital in early 2016. With the closing of Group Health Central Hospital, inpatient services for Group Health enrollees in King County will be provided by Swedish Health Services.

[sources: application, p. 15; Group Health Cooperative Year 2014 Annual Hospital License Application]

PROJECT DESCRIPTION

GHC currently owns and operates Central Hospital, a licensed, accredited, Medicare-certified general acute care hospital at 201 - 16th Avenue East on the Capitol Hill campus in Seattle, Washington. Central Hospital includes an outpatient surgery department with 11 operating rooms, pre-op, and post-op facilities and services. A wide range of surgeries, including general surgery, orthopedics, otolaryngology, ophthalmology, urology, gynecology, plastic surgery, cardiology (cardioversions²), anesthesiology, and interventional radiology are performed.

This project focuses on conversion of the hospital outpatient surgery department into a free-standing ambulatory surgery center with the closing of Central Hospital. While the physical space already exists and provides outpatient surgery, the current entity (the hospital) will close, and will reopen as a new healthcare facility – a separately licensed ambulatory surgery center. The ASC will be licensed, accredited, and Medicare certified, and will be called the Group Health Capitol Hill Ambulatory Surgery Center. The intent is to provide the surgery services in an ASC service model, consistent with GHC’s longstanding methods of operation in delivering coordinated care to its members.

[sources: application, p. 2, Group Health Cooperative Year 2014 Annual Hospital License Application; and Group Health Cooperative website]

GHC has operated an outpatient surgery department in its current location for almost 20 years and intends to maintain the number of ORs, and the types of procedures performed.

[sources: application, pp. 10-11 & appendix 03]

The estimated capital expenditure associated with the project is \$920,000 and is solely related to the capital improvements required for licensure and certification.

[source: application pp. 1, 12]

² As defined by the American Heart Association, a cardioversion is a procedure used to treat arrhythmias in which an electric shock is delivered through the chest and back using two paddles. This shock lasts less than a second and briefly stops (resets) the rhythm of the heart. [source: www.heart.org]

If this project is approved, GHC anticipates it would begin to offer services as a CN approved ASC immediately. Under this timeline, 2016 would be the first full year of operation and year 2018 would be the third full year of operation.

[source: application, p. 1]

APPLICABILITY OF CERTIFICATE OF NEED LAW

This project is subject to Certificate of Need review as the other establishment of a new health care 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).

EVALUATION CRITERIA

Revised Code of Washington (RCW) 70.38.115(3) limits the criteria the department uses in its review of an HMO facility. The statute also prohibits the sale, lease, or change in controlling interest of an entity granted a CN under this statutory provision without first obtaining a CN approving the sale, acquisition or lease. WAC 246-310 does not contain service or facility standards for an HMO project.

TYPE OF REVIEW

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

APPLICATION CHRONOLOGY

Action	Group Health Cooperative ASC
Letter of Intent Submitted	March 27, 2015
Application Submitted	May 15, 2015
Department's Pre-Review Activities <ul style="list-style-type: none"> • Department 1st Screening Letter Sent • GHC's 1st Screening Responses Received 	June 2, 2015 July 17, 2015
Department Begins Review of the Application <ul style="list-style-type: none"> • public comments accepted throughout review; • no public hearing requested or conducted 	August 11, 2015
End of Public Comment	September 15, 2015
Rebuttal Comments Due	October 1, 2015
Department's Anticipated Decision Date	November 16, 2015
Department's Actual Decision Date	November 16, 2015

AFFECTED PERSONS

Washington Administrative Code 246-310-010(2) defines “affected person” as:

“...an “interested person” who:

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

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

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

For this application, three entities sought interested person status and requested that copies of all information regarding the application be provided to them throughout the course of review. The three entities are Providence Health and Services, Swedish Health Services, and MultiCare Health System. Below is a summary of each and a determination of their respective status regarding this application.

Providence Health and Services

Providence Health and Services is a non-profit health system that operates 8 hospitals in Washington State. In King County, Providence provides hospice and home health services, as well as assisted living and nursing home services, among others. Providence is affiliated with Swedish Health Services, discussed below.

Swedish Health Services

Swedish Health Services is a non-profit health care provider that operates five hospital campuses – three of which are located in King County. Beginning in 2016, Swedish will be the primary hospital provider for inpatient services for adult Group Health HMO members. Swedish is affiliated with Providence Health and Services.

MultiCare Health System

MultiCare is a non-profit health care organization that serves Pierce, King, Thurston, and Kitsap counties. In King County, MultiCare has a hospital campus in Auburn, urgent care services in Federal Way and Kent.

All three of these entities qualified as interested persons under WAC 246-310-010(34). The second requirement to be recognized as an affected person is to submit written comment or to testify at a public hearing. Since no public hearing was conducted, each requesting entity needed to submit written comments to qualify under WAC 246-310-010(2). None of the requesting entities submitted public comment throughout the course of review. As a result, none of these entities met the criteria to be an “affected person.”

SOURCE INFORMATION REVIEWED

- Group Health Cooperative Certificate of Need Application received on May 15, 2015
- Supplemental information received on July 17, 2015
- Licensing data provided by the Department of Health's internal database, Integrated Licensing & Regulatory System, "ILRS"
- Group Health Cooperative website at www.ghc.org
- Washington State Secretary of State website at www.sos.wa.gov
- Washington State Department of Revenue website at www.dor.wa.gov
- Certificate of Need historical files

CONCLUSION

For the reasons stated in this evaluation, the application submitted by Group Health Cooperative to establish an ambulatory surgery center in central King County is consistent with the applicable review criteria, provided Group Health Cooperative agrees to the following in its entirety.

Project Description

This project approves the other establishment of an eleven operating room ambulatory surgery center in Seattle within King County. The surgery center will be known as the Group Health Capitol Hill Ambulatory Surgery Center. The types of surgeries to be performed at the ambulatory surgery center include general surgery, orthopedics, otolaryngology, ophthalmology, urology, gynecology, plastic surgery, cardiology (cardioversions), anesthesiology, and interventional radiology. The surgery center provides care to patients one year of age and older.

Conditions

1. Group Health Cooperative agrees with the project description as stated above. Group Health Cooperative further agrees that any change to the project as described in the project description is a new project and requires a new Certificate of Need.
2. Adult elective percutaneous coronary interventions (PCI), as defined in WAC 246-310-705, may not be performed at the Group Health Capitol Hill Ambulatory Surgery Center.
3. Consistent with Revised Code of Washington 70.38.115(3), the Group Health Capitol Hill Ambulatory Surgery Center may not be sold, leased, or have a change in control without first obtaining a Certificate of Need.

Approved Costs

The approved capital expenditure for this project is \$920,000 and is solely related to capital improvements and fees.

CRITERIA DETERMINATIONS

A. RCW 70.38.115(3)(a)

Based on the source information reviewed and provided the applicant agrees to the conditions stated in the 'conclusion' section of this evaluation, the department determines Group Health Cooperative met the applicable criteria set forth in RCW 70.38.115(3)(a).

Revised Code of Washington 70.38.115(3)(a) provides only the following guidance for reviewing applications submitted by an HMO. It states:

"A certificate of need application of a health maintenance organization or a health care facility which is controlled, directly or indirectly, by a health maintenance organization, shall be approved by the department if the department finds:

(a) Approval of such application is required to meet the needs of the members of the health maintenance organization and of the new members which such organization can reasonably be expected to enroll"

WAC 246-310 does not provide specific review criteria for an HMO operated or controlled ASC. Therefore, the department reviewed the arguments and data provided by the applicant.

Applicant's Data

GHC provided the following statement related to this project. *"The conversion of GHC's Central Hospital OSC [outpatient surgery center] to a freestanding ASC is part of GHC's overall strategic initiative to change the manner in which hospital and other acute care services are furnished to GHC members in the Seattle metropolitan area."* GHC adapted the ambulatory surgery center methodology found in WAC 246-310-270 that is used for projecting need of non-HMO ambulatory surgery ORs. They applied this adapted methodology to their own enrollee population for the purpose of demonstrating need in their application. The adapted methodology projects a numeric need for nine operating rooms and is shown on the following page in Table 1. [sources: application, p. 15; July 17, 2015 supplemental information, p. 5]

Table 1
Group Health Projected Need for 11 ORs Using Adapted ASC Methodology

Criteria	GHC Data Used
Existing Capacity	
Annual Capacity for 11 ORs	68,850 minutes per OR – 757,350 minutes for whole ASC
Average Minutes/Procedure in ORs	74 minutes per procedure
Annual capacity for Procedures in 11 ORs	10,288 procedures
Future Need	
Actual 2014 Procedures	6,814 procedures
Projected 6% enrollment growth in 3 years	7,223 procedures
Projected 4.5% utilization increase in 3 years	7,548 procedures
Addition of 280 neurosurgery procedures @ 103 minutes/surgery ³	392 procedures
Adjusted projected procedures in 3rd year	7,940 procedures
Subtract projected OR procedures from capacity	10,288-7,940=2,348
Convert procedures to OR minutes @ 74 mins/procedure	172,860 minutes
Net Need	
Divide OR surplus minutes by single OR capacity minutes (68,850)	2.5 OR Surplus
Total Minimum Need, Rounded Up	9 ORs
Backup OR	1 OR
Coordinated Care OR	1 OR
Total ORs Needed	11 ORs

To further demonstrate compliance to the criteria in RCW 70.38.115(3)(a), GHC states that it requires at least one backup OR in addition to the nine ORs justified by the adapted numeric need methodology. GHC currently operates 27 ORs in Seattle, Bellevue, and Tacoma⁴. In the

³ GHC projected a future need for the ASC to care for 280 additional neurosurgery cases per year that currently are served in an outpatient hospital setting, and are appropriate for the ASC. GHC expects all of those patients will receive neurosurgery care at the GHC ASC in the next three years. Neurosurgery procedures average 103 minutes each, which exceeds the average time for other procedures (74 minutes) by 39%. GHC equalized neurosurgery procedures with other procedures by increasing the neurosurgery procedure county by 39%. Thus 280 procedures at 103 minutes each is equivalent to 392 procedures at 74 minutes each. GHC applied the same 6% enrollment growth assumption but have not assumed any increase in use rate.

⁴ This includes the 11 ORs in operation at Central Hospital, 7 ORs in Bellevue, and 9 in Tacoma.
[source: DOH licensing data found in ILRS]

event that one or more ORs at those locations become unavailable because of equipment or systems problems or other reasons, good practice requires GHC to keep a backup OR available in order to maintain to the extent possible its regular outpatient surgery schedule and access for urgent care patients who require immediate outpatient surgery. GHC operates full-service urgent-care departments at its Capitol Hill and Bellevue campuses and frequently refers urgent care patients for outpatient surgery, e.g., for an appendectomy or surgical repair of a bone fracture.

One backup OR provides limited surge capacity to handle a possible surge in patient numbers caused by a natural disaster or other event that would disrupt normal health care services in the region. GHC asserts that by maintaining the existing number of ORs, this provides some limited flexibility for surge capacity when needed.

Additionally, care coordination in the GHC care model requires more than the minimum number of ORs projected by the adapted need methodology for non-HMO ASCs. GHC provided the following example of care coordination: *“GHC will schedule needed plastic surgery to follow immediately after a related regular surgical procedure. Coordination allows the patient to avoid a separate plastic surgery procedure and a second recovery period and promote better outcomes. Coordination reduces health care costs by allowing two procedures to be accomplished with one OR setup and cleanup. Anesthesiologist time and drug costs can be substantially reduced. Health care costs can be reduced further if the regular surgeon can shift to another patient in another OR during the time scheduled for the plastic surgeon and OR cleanup, avoiding costly down time for the surgeon.”*

[source: application, p. 21]

GHC asserted that other considerations support awarding more than the minimum ORs projected by the non-HMO methodology. *“Like other providers, GHC anticipates an increasing prevalence of drug-resistant bacterial infections among its outpatient surgery patients. For certain surgery patients, a high level of infection control is required, including terminal cleaning of the OR and all equipment following a procedure. Terminal cleaning is a time-consuming process and can remove an OR from the schedule for 1.5 hours. Although GHC attempts to schedule procedures that will require terminal cleanup at the end of the daily schedule, it is not always possible to do so, e.g. for an unscheduled urgent care patient. GHC anticipates that needed OR capacity would be lost unless GHC has an OR available for use in such circumstances.”*

[source: application, p. 21]

Department’s Review

Since there are no adopted standards for the review of an HMO owned or controlled ASC, the department’s review will focus on the reasonableness of the assumptions and modifications that GHC made to the existing non-HMO methodology in their request for 11 ORs. For reader ease, Table 1 has been replicated on the next page, with department comments following:

Table 1
Group Health Projected Need for 11 ORs Using Adapted ASC Methodology

Criteria	GHC Data Used
Existing Capacity	
Annual Capacity for 11 ORs	68,850 minutes per OR – 757,350 minutes for whole ASC
Average Minutes/Procedure in ORs	74 minutes per procedure
Annual capacity for Procedures in 11 ORs	10,288 procedures
Future Need	
Actual 2014 Procedures	6,814 procedures
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Convert procedures to OR minutes @ 74 mins/procedure	172,860 minutes
Net Need	
Divide OR surplus minutes by single OR capacity minutes (68,850)	2.51 OR Surplus
Total Minimum Need, Rounded Up	9 ORs
Backup OR	1 OR
Coordinated Care OR	1 OR
Total ORs Needed	11 ORs

- The applicant used existing patient origin data and actual number of surgeries to establish a use rate. This substitution is acceptable.
- Rather than using a set planning area population, the applicant instead used actual numbers of enrollees who have received surgical care at the hospital outpatient surgery department. The applicant then assumed two rates of increase over three years – 6% enrollment increase and 4.5% utilization increase.
 - The applicant originally projected a 12% increase in enrollment. Through screening, the department questioned the 12% increase in enrollment assumption because it was not consistent with historical figures. Subsequently, GHC provided a more modest projected increase of 6% over the next three years, and asserted that through

significant cost-cutting measures they will be more attractive to potential enrollees. The 6% enrollment increase projection is reasonable.

[source: July 17, 2015 supplemental information, pp. 2-4]

- The applicant projected a 4.5% utilization increase among enrollees. This is consistent with historical data provided by the applicant. Since 2009, the use rate among enrollees has increased from 2.3% to 2.8% – a 21.2% increase in just 6 years. The modest assumption of continued growth – 4.5% over the course of 3 years – is reasonable.

[source: application, p. 23]

The department agrees that the assumptions GHC made in their adapted methodology can be substantiated and demonstrates numeric need for 9 ORs.

The rationale presented by GHC states non-numeric need for an additional 2 ORs for a total of 11. Under ordinary circumstances, ORs beyond those projected in the numeric need would not be approved. However, in accordance with WAC 246-310-210(5), “[*this*] project is needed to meet the special needs and circumstances of enrolled members or reasonably anticipated new members of a health maintenance organization.” GHC identified several different reasons for converting all of its 11 outpatient ORs at GHC Central Hospital to a freestanding ASC. These reasons are not unique to Group Health. However, this proposed project maintains the current level of access to outpatient surgery at a Group Health facility for enrollees in the greater King County area. Therefore, the rationale presented by GHC for the two additional ORs, for a facility total of 11 is reasonable.

Based on the source information evaluated the department concludes that **this criterion is met.**

B. RCW 70.38.115(3)(b)

Based on the source information reviewed and provided the applicant agrees to the conditions stated in the ‘conclusion’ section of this evaluation, the department determines Group Health Cooperative met the applicable criteria set forth in RCW 70.38.115(3)(b).

Revised Code of Washington 70.38.115(3)(b) provides only the following guidance for reviewing applications submitted by an HMO. It states:

"A certificate of need application of a health maintenance organization or a health care facility which is controlled, directly or indirectly, by a health maintenance organization, shall be approved by the department if the department finds:

(b) The health maintenance organization is unable to provide, through services or facilities which can reasonably be expected to be available to the organization, its health services in a reasonable and cost-effective manner which is consistent with the basic method of operation of the organization and which makes such services available on a long-term basis through physicians and other health professionals associated with it."

WAC 246-310 does not provide specific review criteria for an HMO operated or controlled ASC. Therefore, the department reviews the arguments and data provided by the applicant.

Applicant's Data

Group Health distinguishes itself as an HMO that provides the full spectrum of health care services and healthcare coverage on a pre-paid basis. They do this using their own employed and closely affiliated providers and staff – and as often as possible use their own facilities to help control costs. They assert that this integrated model of services allows for system efficiency, greater patient satisfaction, and less expense.

[source: application, pp. 27-29]

If this was a traditional ambulatory surgery facility application, the intent of this section would be to ensure that the project is the most cost-effective option after a thorough review of alternatives. In this case, rather than providing fully formed alternative options, GHC instead provided examples of services and efficiencies that the ASC will have that would not be available if the project changed GHC's standard method of operating outpatient surgery services. They are listed as follows:

- *The provision of coordinated care across the continuum is a key element of the high quality care provided to Group Health consumers. Reliance on other ASC resources would diminish our ability to provide coordinated care and achieve quality goals.*
- *Our ability to control costs and manage quality and safety would diminish if services are provided outside of Group Health facilities.*
- *Scheduling and coordinating care between Group Health providers and facilities, and a variety of non-Group Health surgery centers would add needless complexity to systems and processes. The added complexity would diminish our ability to coordinate care and would raise risks related to service quality and patient safety.*
- *Our ability to use Epic, our integrated health record system, for the seamless coordination of care for surgical procedures would be diminished, compromising our ability to coordinate care, achieve our high quality standards, and provide GHC members with access to key portions of the members' electronic health records.*
- *Group Health patients expect and are accustomed to receiving outpatient surgical care at Group Health owned and operated facilities. Referrals to other ASCs would significantly diminish customer experience at Group Health, potentially leading to the loss of Group Health members.*
- *Group Health costs of care would increase and efficiencies would be reduced if Group Health providers were required to perform surgical procedures in surgery centers not on the Group Health Capitol Hill Campus, where their offices are located.*
- *Group Health's costs of care would increase – affecting GHC's efforts to maintain affordable health care coverage – if ASC procedures needed to be performed in more costly hospital outpatient surgery centers.*

[source: application, pp.28-29]

Department's Review

Once GHC made the decision to close Group Health Central Hospital, their options for continuing to provide outpatient surgical services were limited to the following:

- To change the existing care structure for outpatient surgery and potentially increase costs by only providing outpatient surgical services through contracted ASCs and hospitals; or
- To establish a new location for the freestanding ambulatory surgery center.

The department agrees that the option of changing the structure of existing outpatient surgery services by only providing ASC services through contracted providers would be disruptive to patients and to Group Health when compared to continuing to provide outpatient surgical services at the Capitol Hill location.

The department also agrees that relocating the surgery center is not the most cost-effective option, when changing the licensure status of the hospital outpatient surgery department space into an ASC is an available alternative. First, the facility already exists as a hospital outpatient surgery department. Though the space will require some physical changes to meet ASC standards, Group Health already owns the space, and the cost of modifying the facility to meet Medicare requirements will be less than leasing or acquiring a new facility. The capital expenditure for these alterations is \$920,000 – significantly less expensive than the prospect of acquiring or leasing a new building.

The department concludes that with the approval of this 11-OR ambulatory surgery center, Group Health will be better able to provide its health services in a reasonable and cost-effective manner which is consistent with their current method of operation for providing outpatient surgery. **This criterion is met.**