



STATE OF WASHINGTON
DEPARTMENT OF HEALTH
Olympia, Washington 98504

April 5, 2019

CERTIFIED MAIL # 7017 3380 0000 0863 8703

Theresa Boyle, Senior VP
MultiCare Health System
PO Box 5299
Mail Stop 603-1-SBD
Tacoma, WA 98415

RE: Certificate of Need Application #18-20

Dear Ms. Boyle:

We have completed review of the Certificate of Need application submitted by MultiCare Health System. The application proposes the addition of 14 level IV NICU beds to MultiCare Tacoma General/Allenmore Hospital in Tacoma, within Pierce County. Enclosed is a written evaluation of the application.

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

Project Description

This certificate approves the addition of 14 level IV neonatal intensive care unit beds to MultiCare Tacoma General/Allenmore Hospital located in Tacoma. At project completion, Tacoma General/Allenmore Hospital will be operating a 54-bed level IV neonatal intensive care unit. Below is the configuration of acute care beds at completion of this project.

Services Provided	Tacoma General Campus	Allenmore Campus	Total
General Medical Surgical	323	130	453
Intermediate Care Nursery - Level II	30	0	30
Neonatal Intensive Care Nursery – Level IV	54	0	54
Psychiatric [dedicated]	30	0	30
Total	437	130	567

Conditions:

1. Approval of the project description as stated above. MultiCare Health System 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. MultiCare Health System shall finance the project as described in the application.
3. Tacoma General/Allenmore Hospital will provide charity care in compliance with its charity care policies reviewed and approved by the Department of Health, or any subsequent policies reviewed and approved by the Department of Health. Tacoma General/Allenmore Hospital will use reasonable efforts to provide charity care in an amount comparable to or exceeding the amount of charity care identified in the application or average amount of charity care provided by hospitals in the Puget Sound Region. Currently, this amount is 1.03% gross revenue and 2.93% of adjusted revenue. Tacoma General/Allenmore Hospital will maintain records of charity care applications received and the dollar amount of charity care discounts granted. The department requires these records to be available upon request.

Approved Costs:

The total estimated capital expenditure associated this project is \$6,901,360

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:

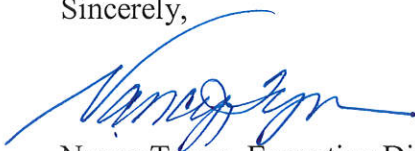
Department of Health
Certificate of Need Program
Mail Stop 47852
Olympia, WA 98504-7852

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 the Certificate of Need Program at (360) 236-2955.

Sincerely,



Nancy Tyson, Executive Director
Health Facilities and Certificate of Need

EVALUATION DATED APRIL 5, 2019 FOR THE CERTIFICATE OF NEED APPLICATION SUBMITTED BY MULTICARE HEALTH SYSTEM PROPOSING TO ADD 14 LEVEL IV NEONATAL INTENSIVE CARE BEDS TO TACOMA GENERAL/ALLENMORE HOSPITAL IN TACOMA, WITHIN PIERCE COUNTY

APPLICANT DESCRIPTION

MultiCare Health System (MHS) is a not-for-profit health system serving the residents of southwestern Washington State. MultiCare Health System includes seven hospitals, approximately 20 physician clinics, nine urgent care facilities, and a variety of health care services including home health, hospice, and specialty clinics in Pierce and King Counties. Below is a list of the licensed healthcare facilities owned and/or operated by MHS. [source: CN historical files, MultiCare Health System website]

Hospitals

Tacoma General/Allenmore Hospital¹
Mary Bridge Children’s Hospital and Health Center
MultiCare Good Samaritan Hospital
MultiCare Auburn Medical Center
MultiCare Covington Medical Center
MultiCare Deaconess Hospital
MultiCare Valley Hospital

In-Home Services

Mary Bridge Infusion and Specialty Services
MultiCare Home Health, Hospice and Palliative Care

Ambulatory Surgical Facility

MultiCare Rockwood Eye Surgery Center

In addition to the seven hospitals listed above, MHS has ownership interest in a CN approved psychiatric hospital that is not yet operational. The project is described below.

- On February 1, 2016, Alliance for South Sound Health received Certificate of Need approval to establish a 120-bed psychiatric hospital in Tacoma, within Pierce County. Alliance for South Sound Health is 50% owned by CHI Franciscan Health and MultiCare Health System. The new psychiatric hospital has a pending license application and is expected to be operational during the second quarter of 2019. [source: CN historical files]

PROJECT DESCRIPTION

This project focuses on Tacoma General/Allenmore Hospital (TGAH) located in Tacoma. The hospital has been in operation for many years on two campuses and provides a variety of healthcare services to the residents of Pierce County and surrounding communities. As of the writing of this evaluation, TGAH is licensed for a total of 567 beds located at 1901 South Union Avenue in Tacoma [98405] and 315 Martin Luther King Jr Way in Tacoma [98405]. Table 1 on the following page shows 567 beds broken down by service and campus. [source: CN historical files]

¹ While Tacoma General Hospital and Allenmore Hospital are located at two separate sites in Tacoma, they are operated under the same hospital license: HAC.FS.00000176

**Table 1
Tacoma General/Allenmore Hospital
Current Configuration of Licensed Acute Care Beds**

Services Provided	Tacoma General Campus	Allenmore Campus	Total
General Medical Surgical	337	130	467
Intermediate Care Nursery - Level II	30	0	30
Neonatal Intensive Care Nursery – Level IV	40	0	40
Psychiatric – Dedicated PPS Exempt	30	0	30
Total	437	130	567

As of the writing of this evaluation, TGAH provides a variety of general medical surgical services, including intensive care, emergency services, and cardiac care. The hospital is currently a Medicare and Medicaid provider, holds a level II adult trauma designation from the Department of Health’s Emergency Medical Services and Trauma office. TGAH is also is part of the joint “Tacoma Trauma Center” with CHI Franciscan’s St Joseph Medical Center. The Tacoma Trauma Center is also an Emergency Medical Services and Trauma office designation. TGAH holds a three-year accreditation from the Joint Commission². [source: Application, p10 and CN historical files]

TGAH was approved to operate its 40-bed level III neonatal intensive care unit (NICU) in 2012; in 2014, the CN program released a Determination of Reviewability (DOR) that confirmed that these beds could and should be reallocated as Level IV beds, consistent with the 2013 Washington State Perinatal and Neonatal Level of Care Guidelines. This project proposes the addition of 14 level IV NICU beds to the unit, for a facility total of 54 Level IV beds. As proposed by MHS, the project would increase the number of licensed beds at TGAH by 14 dedicated Level IV acute care beds. [source: Application, p5, CN historical files]

The total estimated capital expenditure associated with the additional 14 NICU beds is \$6,901,360. Of that amount, approximately 46% is related to construction; 31% is related to both fixed and moveable equipment, and the remaining 22% is for sales tax and fees (consulting, architect, and engineering). [source: Application, p40]

If approved, the 14 NICU beds would be operational in May 2019 according to the timeline in the application. 2020 would be the first complete year of operation and 2022 would be year three. [source: Application, p20]

APPLICABILITY OF CERTIFICATE OF NEED LAW

MHS’s application is subject to review as the change in bed capacity of a health care facility under the provisions of Revised Code of Washington (RCW) 70.38.105(4)(e) and Washington Administrative Code (WAC) 246-310-020(1)(c).

² The Joint Commission accredits and certifies more than 20,000 health care organizations and programs in the United States. Joint Commission accreditation and certification is recognized nationwide as a symbol of quality that reflects an organization’s commitment to meeting certain performance standards. [source: Joint Commission website]

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 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).

TYPE OF REVIEW

This project was reviewed under the regular timeline outlined in WAC 246-310-160, which is summarized on the following page.

APPLICATION CHRONOLOGY

Action	MultiCare Health System
Letter of Intent Submitted	October 13, 2017
Application Submitted	January 10, 2018
Department’s pre-review activities <ul style="list-style-type: none"> • DOH 1st Screening Letter • Applicant's Responses Received • DOH 2nd Screening Letter • Applicant's Responses Received 	February 2, 2018 March 13, 2018 April 5, 2018 May 21, 2018
Beginning of Review	May 29, 2018
End of Public Comment/No Public Hearing Conducted <ul style="list-style-type: none"> • Public comments accepted through end of public comment 	July 3, 2018
Rebuttal Comments Received	July 17, 2018
Department's Anticipated Decision Date	August 31, 2018
Department's Actual Decision Date	April 5, 2019

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.”*

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.*

During the review of this project, three persons or health care providers sought interested person status. A brief description of each is below.

CHI Franciscan

St Joseph Medical Center is a hospital owned and operated by CHI Franciscan Health System. Its parent is Catholic Health Initiatives, a nationwide non-profit entity. In Washington State, CHI Franciscan Health System operates a variety of healthcare facilities, including two hospitals in Central Pierce County – St Joseph Medical Center (SJMC) and St Anthony Hospital. SJMC provides level III NICU services. CHI Franciscan provided written comments on this project. CHI Franciscan meets the affected person qualifications identified above.

Providence Health & Services Washington

Providence Health & Services Washington submitted a request for interested and affected person status for this application. In Washington State, Providence Health & Services operates a variety of healthcare facilities, including St. Peter Hospital in Lacey, within Thurston County. While Providence St. Peter Hospital may provide healthcare services to residents of adjacent Pierce County, this does not meet the interested person criteria outlined in WAC 246-310-010(34) above. Further, Providence Health & Services did not provide public comment on this project. As a result, neither Providence Health & Services nor Providence St. Peter Hospital qualifies as an interested person and cannot qualify as an affected person for this project.

Seattle Children's Hospital

Seattle Children's Hospital is a pediatric hospital operating in Seattle and provides resources for pediatric patients statewide. Though Seattle Children's Hospital is not located in the service area identified in this application, it is considered a statewide resource for pediatric services, which includes the service area for this NICU project.

Seattle Children's provided written comments on this project. Seattle Children's meets the affected person qualifications identified above.

Swedish Health Services

Swedish Health Services submitted a request for interested and affected person status for this application. In Washington State, Swedish Health Services operates a variety of healthcare facilities in King and Snohomish Counties. While Swedish may provide healthcare services to residents of adjacent Pierce County, this does not meet the interested person criteria outlined in WAC 246-310-010(34) above. Further, Swedish Health Services did not provide public comment on this project. As a result, Swedish Health Services does not qualify as an interested person and cannot qualify as an affected person for this project.

SEIU 1199NW

A representative from SEIU (Services Employees International Union) 1199NW requested interested person status. SEIU 1199NW is a statewide union of nurses and healthcare workers. According to its website, SEIU 1199NW represents more than 30,000 nurses and healthcare workers across Washington State. [source: SEIU 1199NW website] Though SEIU 1199NW represents employees at MultiCare Tacoma General/Allenmore Hospital, it is not located within the applicant's health service area. SEIU 1199NW meets the definition of an 'interested person,' but does not qualify as an "affected person." As an interested person, SEIU 1199NW could provide public comments on the application. Since SEIU 1199NW does not meet the definition of an affected person, it could not provide rebuttal comments. SEIU 1199NW did not submit either public comments or rebuttal comments for this project.

UFCW 21

A representative from UFCW 21 requested interested person status. UFCW 21 is a statewide union of grocery store, retail, and healthcare workers. According to its website, UFCW 21 represents more than 46,000 workers in Washington State. [source: UFCW 21 website] It is unclear if UFCW 21 represents employees of MultiCare Tacoma General Hospital, so the department cannot establish whether they could qualify as an interested person. Since UFCW 21 did not provide comments, they do not meet the definition of an affected person, it could not provide rebuttal comments. UFCW 21 did not submit either public comments or rebuttal comments for this project.

SOURCE INFORMATION REVIEWED

- MultiCare Health System’s Certificate of Need application received January 10, 2018
- MultiCare Health System’s first screening responses received March 13, 2018
- MultiCare Health System’s second screening responses received May 21, 2018
- Public comments received by the close of business on May 29, 2018
- Rebuttal documents received July 3, 2018
- Department of Health’s Hospital and Patient Data Systems’ Comprehensive Hospital Abstract Reporting System data for years 2012 through 2016
- Hospital/Finance and Charity Care (HFCC) Financial Review dated March 14, 2019
- Department of Health Integrated Licensing and Regulatory System database [ILRS]
- Licensing and/or survey data provided by the Department of Health’s Investigations and Inspections Office
- Licensing data provided by the Medical Quality Assurance Commission, Nursing Quality Assurance Commission, and Health Systems Quality Assurance Office of Customer Service
- Washington State Perinatal and Neonatal Level of Care 2013 Guidelines
- Department of Health’s Emergency Medical Services and Trauma designation dated October 2015
- MultiCare Health System’s website at www.multicare.org
- Joint Commission website at www.qualitycheck.org
- American Trauma Society website at www.amtrauma.org
- Certificate of Need historical files

CONCLUSIONS

For the reasons stated in this evaluation, the application submitted by MultiCare Health System proposing to add 14 level IV neonatal intensive care unit (NICU) beds to Tacoma General/Allenmore Hospital is consistent with applicable review criteria of the Certificate of Need Program, provided that MultiCare Health System agrees to the following in its entirety.

Project Description

This certificate approves the addition of 14 level IV neonatal intensive care unit beds to MultiCare Tacoma General/Allenmore Hospital located in Tacoma. At project completion, Tacoma General/Allenmore Hospital will be operating a 54-bed level IV neonatal intensive care unit. Below is the configuration of acute care beds at completion of this project.

Services Provided	Tacoma General Campus	Allenmore Campus	Total
General Medical Surgical	323	130	453
Intermediate Care Nursery - Level II	30	0	30
Neonatal Intensive Care Nursery – Level IV	54	0	54
Psychiatric [dedicated]	30	0	30
Total	437	130	567

Conditions:

1. Approval of the project description as stated above. MultiCare Health System 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. MultiCare Health System shall finance the project as described in the application.

3. Tacoma General/Allenmore Hospital will provide charity care in compliance with its charity care policies reviewed and approved by the Department of Health, or any subsequent policies reviewed and approved by the Department of Health. Tacoma General/Allenmore Hospital will use reasonable efforts to provide charity care in an amount comparable to or exceeding the amount of charity care identified in the application or average amount of charity care provided by hospitals in the Puget Sound Region. Currently, this amount is 1.03% gross revenue and 2.93% of adjusted revenue. Tacoma General/Allenmore Hospital will maintain records of charity care applications received and the dollar amount of charity care discounts granted. The department requires these records to be available upon request.

Approved Costs:

The total estimated capital expenditure associated this project is \$6,901,360

CRITERIA DETERMINATIONS

A. Need (WAC 246-310-210)

Based on the source information reviewed and agreement to the conditions identified in the conclusion section of this evaluation, the department determines that MultiCare Health System met the applicable need criteria in WAC 246-310-210.

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

WAC 246-310-020 states (in summary) that a level III obstetric service is to be in an area designed, organized, equipped, and staffed to provide services to the few women and infants requiring full intensive care services for the most serious type of maternal-fetal and neonatal illnesses and abnormalities. Such a service provides the coordination of care, communication, transfer, and transportation for level III patients in a given region. Level III services include the provision of leadership in preparatory and continuing education in prenatal and perinatal care and may be involved in clinical and basic research. Level III services are considered tertiary services as defined by WAC 246-310-010. In 2013, the Washington State Department of Health released updated neonatal levels of care to include Level IV services. In summary, Level IV services include the full spectrum of Level III services, as well as surgical capabilities.

MultiCare Health System

MHS provided a two, four step numeric need methodologies for its level IV bed addition. One incorporates a use-rate trend adjustment, whereas the other does not. The methodologies are restated below. [source: Application pp28-31, Exhibits 12A and 12B]

“As will be described below, historical experience justifies application and use of the model with a trend rate adjustment.

NICU Level III/IV services are recognized as tertiary services according to definitions contained in WAC 246-310-010. While some tertiary services (e.g. open heart, percutaneous coronary intervention) have an established methodology, no such methodology exists for NICU Level III/IV services. However, previous applications and Departmental reviews for NICU services can provide guidance on how to model the current and projected demand and how to subtract current supply, thus providing estimates of current and projected net need for Level III/IV services in the Planning Area.

In 2012, the Department evaluated MultiCare's application to expand Tacoma General's Level III NICU, which was subsequently recognized as a Level IV NICU in DOR#14-07- Amended. In particular, in its decision, the Department stated:

‘Comprehensive Hospital Abstract Reporting System (CHARS) data is used to assist in demonstrating need for an NICU level III service. CHARS data is reported by each Washington State hospital to the department's Hospital and Patient Data Systems office (HPDS). The CHARS data provides historical trends in discharges and lengths of stay for newborn patients for the major diagnostic category (MDC) #15 - NEWBORNS AND OTHER NEONATES WITH CONDITIONS ORIGINATING IN THE PERINATAL PERIOD. MDC #15 is made up of seven diagnosis related groups (DRGs). For years 2003 through 2006, those DRGS were identified as 385 through 391. Beginning in year 2007, the DRGs are identified as 789 through 795. The chart below provides the DRG and corresponding definition for MDC #15.’

Table 7 below shows a slightly revised chart to reflect the proper classification of Level IV services. Therefore, for the purposes of the application and our quantitative analysis, NICU Level III/IV services are defined as DRGs 789-790.

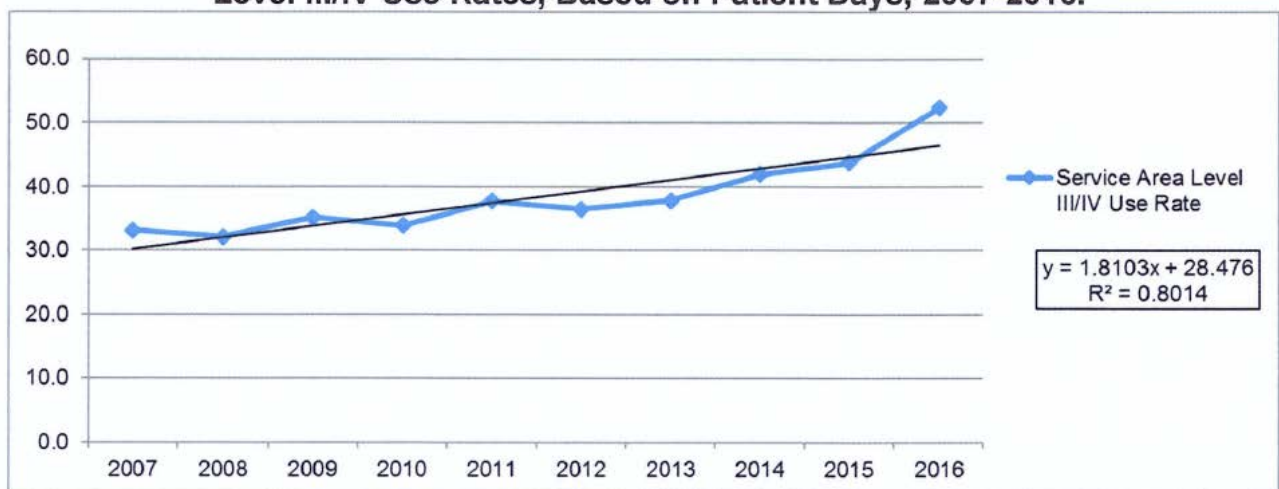
Table 7. Neonatal DRG Definitions and Level of Care Designation.

DRG Definition	Level of Care
789 NEONATES, DIED OR TRANSFERRED TO ANOTHER ACUTE CARE FACILITY	Level III/IV
790 EXTREME IMMATURETY OR RESPIRATORY DISTRESS SYNDROME, NEONATE	Level III/IV
791 PREMATURITY WITH MAJOR PROBLEMS	Level II
792 PREMATURITY WITHOUT MAJOR PROBLEMS	Level II
793 FULL TERM NEONATE WITH MAJOR PROBLEMS	Level II
794 NEONATE WITH OTHER SIGNIFICANT PROBLEMS	Level II
795 NORMAL NEWBORN	Level I

Step 1: Identify 10-year historic planning area resident days, discharges and use rates.

Patient day statistics from CHARS 2007-2016 (DRGs 789-790) were used to calculate planning area resident NICU level III/IV patient days and discharges. Average length of stay (ALOS) was calculated by dividing patient days by discharges, for each of the years 2007 through 2016. The number of females within the age cohort of 15-44 (childbearing age) were compiled from OFM small area demographic estimates (SADE) for the 7-county planning area for each year of the historic period. A level III/IV use rate was calculated based on patient days per 1,000 women of childbearing age for each year 2007-2016. Using the same rate estimates for years 2007 - 2016, an annual use rate trend adjustment factor of 1.81 patient days per 1,000 women of childbearing age was calculated (see Figure 3 below).

Figure 3. Grays Harbor-Kitsap-Lewis-Mason-Pacific-Pierce-Thurston Level III/IV Use Rates, Based on Patient Days, 2007-2016.



*Level III/IV services defined as DRGs 789-790

Source: CHARS 2007-2016 and OFM SADE 2007-2016

Step 2: Calculate planning area provider Level III/IV patient origin, in-migration ratio, and planning area provider market share

Using CHARS data, the 2016 level III/IV patient days to planning area providers (e.g. . Tacoma General Hospital and Saint Joseph Medical Center) were estimated. These included patient days from planning area residents as well as from residents from outside the planning area. Using these patient origin figures, the level III/IV in-migration ratio for the planning area providers was calculated by dividing out-of-area resident patient days to the planning area providers. Planning area resident level III/IV patient days occurring in both Washington and Oregon hospitals were added together to get the total number of level III/IV patient days for planning area residents. The 2016 planning area providers' market share of all planning area resident level III/IV patient days was calculated as 72.5% in 2016.

Step 3: Calculate future total patient days based on forecast use rates and forecast population of women of childbearing age. Apply the market share figures and in-migration ratio from step 2 to calculate future total level III/IV patient days to planning area providers.

The annual use rate trend adjustment factor calculated in Step 1 and shown in Figure 3 clearly shows a consistent, positive increase by Planning Area residents.¹⁴ Therefore, the use rate trend adjustment factor from Step 1 was applied to the 2016 use rate and each subsequent year throughout the 2017-2026 forecast period.¹⁵ The number of women of childbearing age was projected using OFM projections (medium series) for each year of the forecast period. Planning area resident level III/IV patient days were projected by multiplying the projected use rate by the forecast number of women of childbearing age for each year of the forecast period. Using the planning area provider market, the total number of planning area resident level III/IV patient days occurring at the planning area hospitals for each year of the forecast period was calculated. Using the in-migration ratio, the total number of level III/IV patient days from non-planning area residents provided at the planning area hospitals was calculated for each year of the forecast period. Resident and non-resident level III/IV patient days occurring at the planning area's level III/IV providers for each year of the forecast period were summed for total planning area provider patient day forecasts.

Step 4: Use total days projected in Step 3 to determine gross and net Level III/IV bed need for the planning area.

The average daily census (ADC) was calculated for each year of the forecast period. The forecast ADC was adjusted to reflect the occupancy standard of 65% for the level III/IV NICU. These forecasts represent gross demand for NICU level III/IV beds. The supply figure was set at 45 to account for the only two Level III/IV planning area providers, including Tacoma General's 40 Level IV beds and Saint Joseph Medical Center's 5 Level III beds. Net demand or "need," was calculated by subtracting current planning area supply from gross bed demand each year of the forecast.

In determining bed need for hospital expansion requests, the Department typically uses a "target year," which it currently defines as seven years after the last full year of actual patient day statistics. In this case, the Department would consider 2023 as its "target" year.

Planning Area Forecast Level III/IV Bed Need

As shown in Table 8 below, there is a current (2017) unmet need of just under 12 beds , and projected net need for 27.7 Level III/IV beds by 2023. Please see Exhibit 12A for the complete step-by-step bed need methodology for the Planning Area.

Table 8. Grays Harbor-Kitsap-Lewis-Mason-Pacific-Pierce-Thurston Planning Area Level III/IV Forecast Bed Need, Based on Patient Days, 2017-2023

	2017	2018	2019	2020	2021	2022	2023
Total Level III/IV Patient Days to Service Area Providers	13,486	14,131	14,794	15,483	16,066	16,657	17,256
ADC	36.9	38.7	40.5	42.4	44.0	45.6	47.3
Gross Beed Need at 65% occupancy	56.8	59.6	62.4	65.3	67.7	70.2	72.7
Current Level III/IV Supply							
MultiCare Tacoma General	40	40	40	40	40	40	40
(CHI-FH) St. Joseph Medical Center	5	5	5	5	5	5	5
Total	45	45	45	45	45	45	45
Net bed need	11.8	14.6	17.4	20.3	22.7	25.2	27.7

Bed Source: DOH 2016 Acute Care Bed Survey

Public Comments

During the review of this project, the department received 37 letters of support, one letter that was “neutral” from CHI Franciscan Health, and one letter in opposition from Seattle Children’s Hospital. Seven out of the 37 discussed numeric need for services to some extent. Below is a representative sample of the supportive comments, as well as applicable sections of comments from CHI Franciscan and Seattle Children’s. [source: July 3, 2018, public comment]

Victoria Woodards, Mayor – City of Tacoma

Throughout my years serving the city of Tacoma, I have watched MultiCare grow and expand to meet the health needs of this community. Their dedication to ensuring that we have local access to the most advanced health care services available has been demonstrated time and time again.

Their work to build their Neonatal services is one example of that. Tacoma General's NICU first opened its doors for care 30 years ago, and since then MultiCare has continued to improve upon this service. Today, Tacoma General has the only NICU in the region that can offer Level IV care - the only locally accessible NICU that can provide life-saving care to the youngest, sickest, most fragile newborns.

By expanding the NICU now, before they need to turn families away due to lack of space, MultiCare is once again looking to meet our future needs, today. I sincerely hope you approve their application so that they can complete this expansion and continue to serve our smallest citizens for many years to come.

Dan and Mari Lysne – Pierce County Residents

As longtime Pierce County residents we were blissfully unaware of the incredible need for NICU beds until our wonderful twins, Jonas and Elsa were born in 2008. Happy and healthy, Jonas and Elsa remind us daily of the medical miracles that Tacoma General performed at the level IV NICU.

Our experience with Tacoma General started when our children were born at 24 gestational weeks. Weighing in at a pound and a little less than a pound, Elsa and Jonas received extraordinary care for 158 days. This level of service was amazing and we were so fortunate to live close enough to be able to see our children fight and survive every day. Our children had several surgeries and round the clock care from doctors and nurses that were clearly experts in their field and passionate about the delicate lives they nurtured.

While we hope that all children do not need the services of the Tacoma General NICU, and we certainly didn't think we would ever need it, we hope that this critical service to the community is supported. We did not have any signs we would need the NICU until the day our babies were born. This is not something that people can plan ahead for, but having the right facilities and medical expertise available is a matter of life and death for our most fragile population. Our family is a family today because of the care, compassion and expertise of the Tacoma General NICU and we could not be more thankful. We urge you to approve Tacoma General's request for 14 additional NICU beds. Delicate lives need the expertise and compassion that Tacoma General's NICU doctors, nurses and staff deliver on an hourly basis.

Mauricio Escobar Jr, MD – Chief of Staff, Mary Bridge Children's Hospital

I am writing in support of Multi Care Health System's Certificate of Need Application for 14 additional Level IV NICU beds at Tacoma General Hospital. I am a Pediatric Surgeon and currently Chief of Staff at Mary Bridge Children's Hospital in Tacoma, WA, and Medical Director of Pediatric Surgery and Pediatric Trauma. It is my honor to support the NICU by performing surgery on the sickest and smallest of patients we see at Tacoma General Hospital and Mary Bridge Children's Hospital. I see the need day in and day out for the highest level of services to care for our most fragile of patients. Being a Level IV NICU, we provide the highest level of complex care to a range of babies from the most micropremature to the most robust, but ill, babies. We offer pediatric general, cardiac, urological, and neurological surgical services. Unfortunately, we do run into capacity issues on a weekly to biweekly basis, forcing us to have babies bypass our care and leaving our community. We are the only Level IV NICU in southwestern Washington, and family's truly benefit by staying in their region during their child(ren)'s often lengthy stay in the NICU (sometimes on the order of months). There is nothing scarier for a parent than when their newborn, or their tiny premature infant, or critically ill baby, needs surgery. That thought leaves parents feeling helpless and vulnerable. For them to know they're receiving their care in their home communities is an incredibly supportive environment for them. Being closer to home eases those terrifying days into healing and recovery, or grief and acceptance, by receiving the highest quality neonatal surgical care where they need it: home. I implore you to approve MultiCare's application to add more beds to the Tacoma General NICU.

Dave McEntee, President – Simpson Lumber Company, LLC

As a lifelong Tacoma resident and supporter of Tacoma General Hospital (TG) and the NICU, I want to register my strong support for the NICU expansion at TG.

As our region, and specifically, western Washington continues its fast growth and strong economy, the need for medical care and most importantly, natal care becomes ever increasing. I have witnessed firsthand the miracles of the TG NICU for families in my community.

With the TG NICU being the only Level IV care NICU between Seattle and Portland, it is imperative this expansion of services be approved to serve our communities.

All too often we are playing makeup in order to provide a service after the need is demonstrated. In this case we know the need exists and the NICU need will continue to grow as does our regional population.

I ask that you approve the request to add additional NICU beds at Tacoma General to serve this important need in our south Puget Sound region.

CHI Franciscan

CHI Franciscan is not opposed to additional neonatal beds at TG. However, we do note that MHS' has provided no data to substantiate that the need for Level IV beds. Level IV patients represents less than 1 % of all neonates. The data and methodologies used in the TG application to support its request related largely and primarily to Level III (DRGs 789 and 790).

CHI Franciscan is strongly opposed to any licensed beds being issued to TG related to this project. We respectfully request that any CN award require that TG utilize existing idle capacity or unused beds; not new CN approved beds.

TG [indicated] that the unused beds are medical/surgical and the requested new beds are neonatal and suggested that the beds are not 'substitutable'. This is not correct. 100% of TG's licensed beds are acute care beds. With CN approval, TG could easily convert currently idle capacity to new NICU beds. TG is licensed for 467 acute care beds. But, as far back as the 2004 evaluation to establish St. Anthony Hospital, MHS has consistently reported a significantly fewer number of beds actually set-up and in use.

As the Program is aware, CHI Franciscan's St. Joseph Medical Center (SJMC) has two CN applications pending, including one to add 76 new licensed beds to SJMC. SJMC currently operates at 90% midnight occupancy (the highest midnight occupancy of any hospital in the State) and has no idle bed capacity—all licensed beds are in use every day, and the residents of the Planning Area experience the impacts of overcrowding regularly. MHS submitted public comment on the SJMC acute bed expansion request and argued that its idle and historically not in use beds should be counted as Planning Area "supply". These beds have been unavailable for more than a decade. It is only right that the Program require that these beds be redeployed for other uses before awarding any new beds; especially if MHS continues to argue that this unused capacity should serve as a deterrent to SJMC expanding to meet community and patient demand.

Seattle Children's Hospital

Seattle Children's provided comments related to two topics, both related to numeric need and summarized below:

MultiCare's Use of a Neonatal Trended Use Rate has Previously Been Rejected by the CN Program In its application, MultiCare provided two methodologies for estimating need for the Level IV NICU beds it requests. These two methodologies (contained in Exhibits 12A and 12B of MultiCare's application) are virtually identical with one exception; Exhibit 12A assumes a trended use rate and Exhibit 12B uses a use rate based on 2016 data. By 2023 in the defined Service Area, Exhibit 12A demonstrates a need for 27.7 additional beds and Exhibit 12B demonstrates a need for 13.6 additional beds.

The precedence of a trended use rate is concerning to Seattle Children's. We note that the CN Program previously rejected MultiCare's use of a trended use rate in its March 2012 analysis of Tacoma General's CN application for additional Level III beds.

Not only did the CN Program reject MultiCare's trended use rate argument, it also based future need projections on an average use rate for ten years preceding the last full year of CHARS.

Seattle Children’s reviewed CHARS data for the Service Area defined in MultiCare’s current request for 14 additional Level IV NICU beds. To be consistent with the data in the record, Seattle Children’s used the 2016 data and MultiCare’s Exhibit 12B, but adjusted for the 11 Level III NICU beds requested by St. Joseph Medical Center, as both applicants used the Level III NICU definition (DRGs 789-790) to project patient days.² This updated bed need is as stated in Table 1.

Table 1
Projected NICU (Level III+) Bed Need for MultiCare Defined Tacoma General Service Area

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Total Level III Patient Days to Service Area Providers	13,035	13,217	13,403	13,601	13,697	13,794	13,892	13,990	14,092	14,149	14,198	14,255
ADC	35.7	36.2	36.7	37.3	37.5	37.8	38.1	38.3	38.6	38.8	38.9	39.1
Gross Bed Need at 65% Occupancy	54.9	55.7	56.5	57.3	57.7	58.1	58.6	59.0	59.4	59.6	59.8	60.1
Current Supply												
MultiCare Tacoma General ³	40	40	40	40	40	40	40	40	40	40	40	40
CHI Franciscan St. Joseph Medical Center	5	5	5	5	16	16	16	16	16	16	16	16
Total Supply	45	45	45	45	56	56	56	56	56	56	56	56
Net Bed Need	9.9	10.7	11.5	12.3	1.7	2.1	2.6	3.0	3.4	3.6	3.8	4.1

Source: MultiCare CN Application #18-20, Exhibit 12B, Adjusted for Additional Level III Beds at SJMC in 2020. Service Area includes Grays Harbor, Kitsap, Lewis, Mason, Pacific, Pierce and Thurston Counties.

The small remaining Level III+ bed need does not fully support the MultiCare’s CN request for 14 additional Level IV NICU beds. Furthermore, MultiCare’s utilization projections (Tables 10 and 11 of its CN application) assume that its patient days will grow even faster than the trended use rate estimates. Both Tables 10 and 11 assume an average grow rate of nearly 6% per year; compared to the Service Area which is projected to grow by less than 2% per year. MultiCare’s own projections included a target occupancy of 76% (p. 35). Assuming MultiCare’s projected patient days more closely parallel the defined Service Area, an additional 4-5 beds will allow Tacoma General to operate below this target occupancy level.

Level IV NICU Definition and Potential Co-Mingling of Neonates

To demonstrate need for additional Level IV NICU beds, MultiCare relied upon the definition historically used by the CN Program for Level III (DRGs 789-790) NICU beds. As the CN Program is aware, there is no clear demarcation between Levels III and IV, but the data, evidence, and practice clearly demonstrates that Level IV is a very small subset (in terms of neonates) of those neonates cared for in NICUs.

Based upon these guidelines [the 2013 Perinatal Level of Care Guidelines], it is clear that Tacoma General cares for an occasional Level IV patient. However, in response to screening question #38, in which the CN Program asked specifically about why Tacoma General does not provide ECMO,

Tacoma General stated that ECMO was provided by Mary Bridge. This raises questions about co-mingling of services between separately licensed hospitals co-located in the same building. This issue should be clarified, and the impact on the current CN application's utilization projections, staffing, and financial pro formas considered, prior to any CN being awarded.

Rebuttal

The department received rebuttal from MultiCare Health System as well as CHI Franciscan, shown below.

CHI Franciscan

"It is evident from review of the public comments that the general community is not aware of data previously provided to the Department of Health (Department) demonstrating that Level IV patients are a very small subset of all neonatal patients; accounting for fewer than 1 % of all patients. The record should reflect that CHI Franciscan is fully staffed, equipped and has the expertise to care for the remaining 99%+ neonates.

In addition, a review of the public comment further demonstrates that the general community is not aware of the idle bed capacity at TG. CHI Franciscan again requests TG use its existing licensed bed capacity for any additional NICU beds awarded as a result of this application."

MultiCare Health System

MultiCare summarized their rebuttal comments below – their full comments explore each topic more deeply. For the purpose of this evaluation, their "Key Rebuttal Comments" adequately summarize their positions.

- 1. MultiCare Tacoma General Hospital was recognized by the Department in June 2014 as a Level IV neonate provider. In fact, the Tacoma General Level IV program is only one of five such programs in Washington State. Tacoma General's Level IV program treats the same neonate population as a Level III program, as well as much more complex neonate cases. ⁴ Tacoma General's Level IV program fully conforms to the Department's Washington State Perinatal and Neonatal Level of Care Guidelines that show these Level III/IV distinctions, including the clear differences in requirements for Level III as compared to Level IV with respect to facility capabilities and scope of care. ⁵ In other words, Level IV offers all the resources of a Level III program, but also is organized and equipped with significant additional resource capabilities.*
- 2. CHI erroneously suggests that no new licensed beds should be granted to Tacoma General because of supposed idle capacity of general acute care beds. Ignoring the factual errors of this argument such as seasonal patient/census influx where some of this capacity is used, MultiCare Tacoma General's current project requesting 14 additional Level IV beds is an entirely separate issue from the existing number of licensed, general acute care beds at Tacoma General/Allenmore. Our request is for additional Level IV NICU beds, which are classified as a tertiary service as defined in WAC 246-310-020(1)(d)(i)(C), not for additional general acute care beds.*
- 3. General acute care beds and Level IV beds are not interchangeable, and changes in the number of Level IV NICU beds has no effect on the demand or supply of licensed, general acute care beds. However, CHI recommends that any new approved Level IV beds at Tacoma General should be offset by a reduction in Tacoma General's general acute care beds. This conveniently coincides with CHI-SJMC's own application for 76 additional general acute care beds at its facility. Therefore, if the Department were to act on CHI's recommendations, this would mean*

that the Department would take an unprecedented step by reducing licensed acute care bed capacity at Tacoma General Hospital and reallocating beds among facilities in the planning area. Such an action would be unprecedented and beyond the scope of our Level IV application

- 4. Seattle Children's public comments call into question our use of a trend adjustment factor to the use-rate applied in our need methodology. Seattle Children's only cites a 2012 evaluation as its authority for this argument and failed to consider a subsequent evaluation in December 2013. In December 2013, the Department accepted Swedish Ballard's use of a trend-adjustment factor when it was approved for an 8-bed Level II intermediate care nursery and obstetric services program. An update of the need model to reflect full year CHARS 2017 continues to demonstrate the significant increase in the use-rate of Level III/IV services over the past 10 years. This strongly supports a trend-adjustment factor be applied to the need forecasts; otherwise, the model will significantly underestimate net need.*
- 5. Based on implementation of the need methodology using a trend-rate adjustment, regardless of whether CHARS 2016 or 2017 is used as the base year, there is net need projected that fully supports both the 14-bed MultiCare Tacoma General request and 11-bed SJMC request. The 14 additional Level IV beds would be in addition to MultiCare Tacoma General / Allenmore's current joint licensed bed total. Therefore, approval would increase the licensed bed count for a total of 581 jointly licensed beds at Tacoma General Hospital and MultiCare Allenmore Hospital.*
- 6. Both Seattle Children's and CHI criticize the methodology and approach we have used to define and measure demand for Level IV beds. We have used the same definition the Department has used to define the most complex neonatal care. After thorough analysis, this is entirely appropriate and consistent with Department definitions of neonatal care, particularly since Level IV programs can and do treat both Level IV and Level III neonates.*

Department's Evaluation

Level IV NICU services are considered tertiary services for Certificate of Need purposes. For some tertiary services, such as open heart surgery, the department uses an established methodology to assist in its evaluation of need for the services. For other tertiary services, including level IV services, no such methodology exists. Given that the department has not developed an established methodology for level IV services, an evaluation of the need criterion begins with an evaluation of the methodology provided by the applicant.

MultiCare Health System's need methodology is based on three main factors:

- planning area;
- population projections, and
- current capacity.

A more extensive discussion of each factor used by MHS is below.

Planning Area

MultiCare used the following counties to develop their numeric need methodology, based on historic utilization:

- Grays Harbor
- Kitsap
- Lewis
- Mason
- Pacific
- Pierce
- Thurston

It should be noted that the department does not have published planning areas for NICU beds – basing the numeric need methodology on historic utilization patterns is an appropriate approach.

MultiCare stated it used this planning area because approximately 84% of its patients reside in these areas. [source: application p34]

MultiCare’s level IV NICU was approved in 2012 as a level III unit, and was reallocated as level IV in 2014. For this application, the department would expect MultiCare to identify a planning area that is consistent with actual utilization of the NICU.

Population Projections

MultiCare based its population projections on females between the ages of 15-44 years of age residing in the counties identified above. Office of Financial Management (OFM) population data was used because it is the most reliable population data that provides a breakdown of Washington Counties by county. This approach is reasonable

Current Capacity

The applicant determined that there are 45 existing NICU level III/IV beds operating in the planning area. Table 2 below shows the breakdown of NICU beds by facility.

**Table 2
Current Capacity Used in MultiCare’s Numeric Methodology**

Name of Hospital	Planning Area	# of Level III/IV NICU Beds
St. Joseph Medical Center	Pierce County	5
Tacoma General Hospital	Pierce County	40
Total Number of Level III NICU Beds Counted in Methodology		53

Based on the current capacity listed above, MultiCare subtracted a total of 45 level III/IV NICU beds from the number of beds projected to be needed in year 2026.

Numeric Need Methodology

Using the three main factors above, MultiCare provided two versions of a numeric need methodology in four steps – one with trend adjustment and one without:

With Trend Adjustment:

- Step 1: Identify 10-year historic planning area resident days, discharges and use rates.
- Step 2: Calculate planning area provider Level III/IV patient origin, in-migration ratio, and planning area provider market share
- Step 3: Apply the 2016 use rate from Step 1 plus trend adjustment to the projected future population to calculate future total Patient Days. Apply the market share and in-migration ratio from Step 2 to calculate future total Level III/IV Patient Days to planning area providers.
- Step 4: Use total days projected in Step 3 to determine gross and net Level III/IV bed need for the planning area.

Without Trend Adjustment:

- Step 1: Identify 10-year historic planning area resident days, discharges and use rates.

- Step 2: Calculate planning area provider Level III/IV patient origin, in-migration ratio, and planning area provider market share
- Step 3: Apply the 2016 use rate from Step 1 to the projected future population to calculate future total Patient Days. Apply the market share and in-migration ratio from Step 2 to calculate future total Level III/IV Patient Days to planning area providers.
- Step 4: Use total days projected in Step 3 to determine gross and net Level III/IV bed need for the planning area.

Table 3 below is an excerpt from the third and final step of MultiCare’s numeric methodology using trend-adjustment. While the numeric methodology projected for years 2017 through 2026, only years 2023 through 2026 are shown below.

Table 3
MultiCare’s Numeric Methodology Step Four

	Year 2023	Year 2024	Year 2025	Year 2026
Total Patient Days	17,256	17,863	18,480	19,044
ADC	47.3	48.9	50.6	52.2
Gross Bed Need at 65% Occupancy	72.7	75.3	77.9	80.3
Current Supply	45	45	45	45
Net Bed Need	27.7	30.3	32.9	35.3

As shown in Table 3 above, MultiCare’s numeric methodology projected need for an additional 27 level III/IV NICU beds in year 2023, which increases to 35 beds by the end of year 2026. Due to the rapid historical and projected population growth in the planning area, MultiCare argued that a trend-adjusted use rate is more appropriate for projecting community need. In rebuttal, MultiCare correctly identified that the department has accepted this approach in the past. Though it is appropriate in this context – in a rapidly growing planning area and as an addition to an existing program – this is not to say that this approach would be acceptable in all reviews. In previous evaluations for level III/IV NICU services, the department has concluded that 65% occupancy is reasonable to allow for flexibility and to accommodate for peak usage of the NICU. Occupancy at the current unit already far exceeds this standard, which further support their request. In November 2018, CHI Franciscan was approved to add 11 beds to their existing Level III unit. Even with the 11-bed addition at St Joseph Medical Center, there is still sufficient need to justify MultiCare’s 14-bed request while using trend adjustment.

Based on the information above, the department concludes that the applicant’s methodology is reasonable. **This sub-criterion is met.**

Though numeric need is met, the issue surrounding whether these beds should be considered “new” or if they should come out of TGAH’s idle capacity is a separate issue.

CHI Franciscan accurately pointed out that TGAH has historically had significant idle capacity. The department validated the bed counts provided by CHI Franciscan, restated below:

Table 1
MultiCare Tacoma General/Allenmore Chronology of Bed Count, 2010-2018

Date	Source	Total Licensed Beds	No. of Unused Beds (Not Set up)
9/6/2012	DOH CN Program Acute Bed Survey, as submitted by MHS (325 set up and 60 assignable but not set up)	567	172
12/31/2012	DOH Year End Report, as submitted by MHS	567	165
12/31/2013	DOH Year End Report, as submitted by MHS	567	165
12/31/2014	DOH Year End Report, as submitted by MHS	567	194
6/1/2016	CN Program Acute Bed Survey, as submitted by MHS (identified 65 beds at Allenmore and 123 beds at TG as assignable but not set up)	567	188
11/29/2016	DOH CN Decision to Award 32 bed addition to St. Anthony	Not included in evaluation	Not included in evaluation but only counted MHS at 337 beds
12/31/2016	DOH Year End Report, as Submitted by MHS	567	147
3/13/2018	MultiCare Level IV NICU Screening Response (includes 65 beds at Allenmore and 77 beds at TG that are assignable but not set up)	567	142

Source: Department of Health CN Records and Office of Hospital and Patient Data Systems Year End Reports

MultiCare stated that it would be unprecedented for the department to approve these beds out of TGAH’s idle capacity – this is untrue. CN #1489, issued in 2012 to Providence St Peter Hospital approved a six bed rehabilitation unit, contingent upon the beds being taken from idle capacity at the hospital. TGAH demonstrated numeric need for an additional 14 level IV NICU bassinets, but failed to demonstrate that additional capacity should be added to the hospital. Historically, it is clear that over 100 beds have not been available and accessible at TGAH – therefore, if this project is approved, the 14 beds would not be approved as additional capacity to the hospital, but must come out of the existing licensed acute care bed count.

In addition to the need methodology identified and discussed above, the department must also evaluate whether an applicant’s project would be sufficiently available and accessible to all residents of the service area.

MultiCare Health System

MultiCare provided the following information to demonstrate that the existing planning area providers would not sufficiently available or accessible for level III NICU services, primarily citing high occupancy at the existing 40-bed unit and rapid projected population growth. [source: Application, pdf 26-27]

“High Occupancy at Tacoma General

Tacoma General is licensed for 40 Level IV NICU beds, and all beds have been set up and operational for the last 12 months. As previously shown and discussed in Table 2 above, Tacoma General's Level IV NICU unit is operating at 77.5% occupancy as of the most recent full year available in CHARS (CY2016). This figure shows that there are sizeable demand pressures on Tacoma General's Level IV NICU, especially given the occupancy standard is 65%. Please note that these occupancy figures are based on the average daily census figures. As a result, they do not account for census variations, such as seasonal peaks.

Growth in patient days for Planning Area residents

Please see Table 6. Planning Area patient days for NICU Level III/IV care grew 4.9% annually from 2007-2016 and 8.8% annually from 2010-2016. Clearly, historic data demonstrates increasing demand for Level III/IV services from Planning Area residents.

Table 6. Grays Harbor-Kitsap-Lewis-Mason-Pacific-Pierce-Thurston Resident Level III/IV Historical Utilization, Based on Patient Days, 2007-2016.

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Average Annual Growth	
											2007-2016	2010-2016
Level III/IV Patient Days	10,027	9,738	10,618	10,141	11,299	10,943	11,294	12,458	12,973	15,532	4.9%	8.8%

Source: CHARS 2007-2016 and OFM SADE 2007-2016
Level III/IV DRGs include 789-790

Public Comment

During the review of this project, the department received letters focusing on the availability and accessibility of the level IV NICU services at Tacoma General. A selection of these letters are highlighted below:

Alice Skupnick, MSN/MHA, RN, Grays Harbor Community Hospital

I am Alice Skupnick, MSN/MHA, RN and Director of the Family Birth Center at Grays Harbor Community Hospital in Aberdeen, Washington. I am writing in support of MultiCare's application to add NICU beds to their current bed status. These additional NICU beds would ensure adequate space for infants requiring a higher level care than is provided at our Level 1 Nursery and would include the creation of a Small Baby Unit for .extremely premature newborns. . .

Supporting this request is important for Tacoma General; however it's of greater importance for the infants and families they are able to serve in Grays Harbor County. From a personal perspective, our team has been grateful many times over for the willingness of TG to assess and accept the preterm and/or critical infants born at our community hospital. As recently as June 15, 2018, the TG NICU team came to GHCH for an infant born unexpectedly at 30-weeks' gestation. Unfortunately, our facility does not have the equipment, skill, or space available to provide the level of care this infant was requiring. The TG Neonatal Transport Team is always professional and clinically excellent in preparing the infant for transport... My nursing team is encouraged to ask questions when timing and situation is appropriate, and the TG transport team is always willing to share insight in the current situation or other questions the staff may ask. .

The FBC staff find comfort in knowing the Tacoma General Neonatal Transport Team is just a phone call away to ensure the best chance at life for that newborn. As you review Tacoma General's application for additional NICU beds, I am requesting that you approve the application so that our patients have continued access to the .highest level of neonatal care.

Jason and Angela Ashley, Onalaska Residents

"As residents of Lewis County and parents of twins born as micro preemies twelve years ago at Tacoma General we understand the need for a facility that can handle the unique medical concerns of these vulnerable children. We were scared and unsure what the future would hold for our family when our twins were born at 24 weeks 4 days and weighing just over a pound a piece The staff at

Tacoma General were nurses and doctors not only to our kids but to us. Not only did they attend to our children, providing them the highest level of trauma care, they treated us with compassion, empathy, and helped us to heal and come to terms with our future in the midst of swirling emotion.”

Rebuttal Comments

None

Department Evaluation

During the review of this project, many letters of support were provided from mothers of NICU patients. The letters provided a patient perspective on the importance of additional level IV NICU bed capacity at Tacoma General. In addition to these letters, the department also received letters of support from a hospital in Mason County as well as residents from the furthest extent of the service area identified in the application. These letters support the broad planning area selected by MultiCare, and reinforce the need for continued access to the highly occupied existing unit. Based on the information provided in the application, the department concludes that **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.

To evaluate this sub-criterion, the department evaluates an applicant’s admission policies, willingness to serve Medicare and Medicaid patients, and to serve patients that cannot afford to pay for services.

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 assurances regarding access to treatment. The admission policy must also include language to ensure all residents of the planning area would have access to the proposed 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.

Medicare certification is a measure of an applicant’s willingness to serve the elderly. With limited exceptions, Medicare is coverage for individuals age 65 and over. It is also recognized that women live longer than men and therefore more likely to be on Medicare longer.

Medicaid certification is a measure of an applicant’s willingness to serve low income persons and may include individuals with disabilities.

Charity care shows a willingness of a provider to provide services to individuals who do not have private insurance, do not qualify for Medicare, do not qualify for Medicaid, or are under insured.³ With the passage of the Affordable Care Act in March 2010, the amount of charity care is expected to decrease, but not disappear.

MultiCare Health System

MultiCare provided copies of the following policies currently in used at TGAH. [source: Application Exhibits 13 & 14]

- Admission Policy, Approved 2012

³ WAC 246-453-010(4)

- Admission Policy – NICU, Approved 2012
- Non-Discrimination Policy, Approved 2015
- Charity Care Policy, Approved 2017

Tacoma General is currently Medicare and Medicaid certified. MultiCare provided its current source of revenues by payer for the NICU and did not anticipate it would change with the project. MultiCare also provided the current and projected sources of revenue by payer for the hospital as a whole – these would change marginally as a result of the project, as the NICU does not have a payer mix consistent with the hospital as a whole. The payer mixes are shown below. [source: Application p19, Screening Response 1p5]

Revenue Source	Current	Projected
Medicare	41.22%	41.14%
Medicaid	26.49%	26.60%
Commercial	29.40%	29.37%
Self-Pay	1.50%	1.50%
Healthcare Exchange	1.39%	1.39%
Total	100.0%	100.0%

In addition to the policies and payer mix information, MultiCare provided the following information related to uncompensated care provided by MultiCare. [source: Application, pp32-33]

“Table 9 provides Tacoma General's charity care as a percentage of total patient service revenues and adjusted total patient service revenues for 2013-2015. It also provides these percentage figures for the Puget Sound Region average and MultiCare's other hospitals in the region, MultiCare Good Samaritan Hospital and Mary Bridge Children's Health Center.

The Department of Health evaluates hospital charity care based on these percentages and it evaluates a hospital's figures in relation to one of 5 geographic regions. Tacoma General is within the Puget Sound Region, and as Table 9 indicates, all but one of MultiCare's regional hospitals' 3-year (2013-2015) charity care percentages are above those for the Puget Sound Region. The lone exception, Mary Bridge Children's, predominantly treats children and adolescents, including a high proportion of Medicaid-sponsored patients.

Table 9. MultiCare Health System and Puget Sound Regional Average Charity Care, 2013-2015

Lic. No	Region/Hospital	% of Total Revenue				% of Adjusted Revenue			
		2013	2014	2015	3 Year Average, 2013-2015	2013	2014	2015	3 Year Average, 2013-2015
176	Tacoma General Allenmore Hospital	4.27%	2.00%	1.35%	2.48%	8.23%	5.72%	4.01%	6.23%
81	MultiCare Good Samaritan Hospital	3.16%	1.54%	1.29%	1.95%	8.31%	4.20%	1.74%	3.87%
175	Mary Bridge Children's Health Center	0.62%	0.62%	0.59%	0.61%	1.65%	1.55%	1.50%	1.56%
	PUGET SOUND REGION TOTALS	3.05%	1.65%	0.92%	1.82%	6.91%	4.60%	2.37%	4.61%

Source: Washington Department of Health, Charity Care Reports, 2013-2015.

Public Comments

None

Rebuttal Comments

None

Department Evaluation

MultiCare Health System has been providing healthcare services to the residents of Pierce and King Counties through its hospitals and medical clinics for many years. MultiCare also recently began serving Spokane County. Healthcare services are stated to be available to low-income, racial and ethnic minorities, handicapped and other underserved groups. [source: MultiCare Health System website]

The Admission Policy describes the process MultiCare uses to admit a patient and outlines rights and responsibilities for both MultiCare and the patient. The NICU Admission Policy further goes over the admitting criteria for the NICU. MultiCare also provided the Patient Rights and Responsibilities Policy. This policy includes the following non-discrimination language:

“As a recipient of Federal financial assistance, MHS does not exclude, deny benefits to, or otherwise discriminate against any person on the basis of race, color, creed, religion, gender, age, disability status, national origin, sexual orientation, marital status or any other illegal basis in admission to, participation in, or receipt of the services and benefits under any of its programs and activities, whether carried out by MHS directly or through a contractor of any other entity with which MHS arranges to carry out its programs and activities.”

Tacoma General currently provides services to both Medicare and Medicaid patients. MultiCare does not anticipate any significant changes in Medicare or Medicaid percentages resulting in approval of this project.

TG’s current Medicare revenues are approximately 41% of total revenues, likewise, Medicaid revenues are currently 26%. Other revenues are expected to remain the same as well. Financial data provided in the application also shows both Medicare and Medicaid revenues.

The Financial Assistance Policy (Charity Care) provided in the application has been reviewed and approved by the Department of Health's Hospital Financial/Charity Care Program (HFCCP). The policy outlines the process one would use to obtain financial assistance or charity care. The policy was approved in 2012. This is the same policy posted to the department’s website for Tacoma General. The pro forma financial documents provided in the application include a charity care 'line item' as a deduction of revenue

Charity Care Percentage Requirement

For charity care reporting purposes, Washington State is divided into five regions: King County, Puget Sound (less King County), Southwest, Central, and Eastern. MultiCare proposes to add 14 NICU beds to TG located in Pierce County within the Puget Sound Region. Currently there are 19 hospitals operating within the region. Of the 19 hospitals, some did not report charity care data for years reviewed.⁴

⁴ For year 2015, Cascade Valley Hospital and EvergreenHealth Monroe did not report data. For year 2016, USS/BHC Fairfax Hospital North did not report data.

Table 4 below compares the three-year historical average of charity care provided by the hospitals currently operating in the Puget Sound Region and TG’s historical charity care percentages for years 2015-2017. The table also compares the projected percentage of charity care. [source: Application and HFCCP 2015-2017 charity care summaries]

**Table 4
Charity Care Percentage Comparisons**

	Percentage of Total Revenue	Percentage of Adjusted Revenue
Puget Sound Region Historical 3-Year Average	1.03%	2.93%
Tacoma General/Allenmore 3-Year Average	1.66%	4.96%
Tacoma General/Allenmore Projected Average	1.70%	--

As noted in Table 4 above, the three-year historical average shows MultiCare has been providing charity care above both the total and adjusted regional averages. For this project, MultiCare projects that Tacoma General/Allenmore Hospital would provide charity care above the regional average for total revenues and above the average for adjusted revenues.

MultiCare has been providing health care services at Tacoma General for many years. Charity care is health care provided through the hospital at no cost or reduced cost to low income patients. Charity care is a state-mandated and partially state-funded program that allows uninsured or underinsured people to receive inpatient and outpatient care at a reduced cost. Only people who meet certain income and asset criteria are eligible to receive charity care.

If this project is approved, MultiCare must agree to the charity care condition stated below.

Tacoma General/Allenmore Hospital will provide charity care in compliance with its charity care policies reviewed and approved by the Department of Health, or any subsequent policies reviewed and approved by the Department of Health. Tacoma General/Allenmore Hospital will use reasonable efforts to provide charity care in an amount comparable to or exceeding the amount of charity care identified in the application or average amount of charity care provided by hospitals in the Puget Sound Region. Currently, this amount is 1.03% gross revenue and 2.93% of adjusted revenue. Tacoma General/Allenmore Hospital will maintain records of charity care applications received and the dollar amount of charity care discounts granted. The department requires these records to be available upon request.

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

- (3) The applicant has substantiated any of the following special needs and circumstances the proposed project is to serve.
 - (a) The special needs and circumstances of entities such as medical and other health professions schools, multidisciplinary clinics and specialty centers providing a substantial portion of their services or resources, or both, to individuals not residing in the health service areas in which the entities are located or in adjacent health service areas.

Department Evaluation

This sub-criterion is not applicable to this application.

(b) The special needs and circumstances of biomedical and behavioral research projects designed to meet a national need and for which local conditions offer special advantages.

Department Evaluation

This sub-criterion is not applicable to this application.

(c) The special needs and circumstances of osteopathic hospitals and non-allopathic services.

Department Evaluation

This sub-criterion is not applicable to this application.

(4) The project will not have an adverse effect on health professional schools and training programs. The assessment of the conformance of a project with this criterion shall include consideration of:

(a) The effect of the means proposed for the delivery of health services on the clinical needs of health professional training programs in the area in which the services are to be provided.

Department Evaluation

This sub-criterion is not applicable to this application.

(b) If proposed health services are to be available in a limited number of facilities, the extent to which the health professions schools serving the area will have access to the services for training purposes.

Department Evaluation

This sub-criterion is not applicable to this application.

(5) The project is needed to meet the special needs and circumstances of enrolled members or reasonably anticipated new members of a health maintenance organization or proposed health maintenance organization and the services proposed are not available from nonhealth maintenance organization providers or other health maintenance organizations in a reasonable and cost-effective manner consistent with the basic method of operation of the health maintenance organization or proposed health maintenance organization.

Department Evaluation

This sub-criterion is not applicable to this application.

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

Based on the source information reviewed and agreement to the conditions identified in the conclusion section of this evaluation, the department determines that MultiCare met the applicable financial feasibility criteria in WAC 246-310-220.

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

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

MultiCare Health System

MultiCare provided the following assumptions to determine the projected number of admissions, patient days, and average length of stay for the hospital, with and without the project. [source: Application p35-36]

Without the project

1. Use Tacoma General Level IV NICU 2016 discharges as base. (See Table 2)
2. The projected average length of stay is set at 34 .7 days, based on the 2012-022017 average. It is held constant.
3. Patient days are calculated by multiplying discharges by average length of stay each year of the forecast period.
4. Average daily census ("ADC") is calculated by dividing patient days by 365.
5. Tacoma General's 40 bed supply is held constant throughout the forecast period.
- 6 . Occupancy is calculated by dividing ADC by 40, the Level IV NICU bed supply figure .
7. Growth in discharges, the forecast driver in the model, is based on application of the 2013-2016 average annual growth rate of 5. 7%.
- 8 . Maximum occupancy set to 90%. Therefore, as of 2021 , discharges are constrained to 379.

With the project

- 1 . Use the same methodology as Without the project except 14 additional beds are assumed operational by May 1, 2019 .
2. Unlike the Without the project forecast, the With the project forecast avoids capacity constraints, where 90% occupancy figures were reached , given that there are an additional 14 beds.
3. Because the beds are assumed to become operational by May 1, 2019, the With the project forecast splits CY2019 into two time periods (January to April and May to December) . Adjustments to average daily census calculations to reflect the respective time periods are made accordingly.

Using the assumptions stated above, MultiCare projected the number of discharges, patient days, average daily census, and occupancy of the NICU cost center with 56 bassinets. The projections shown in Table 5 below beginning with calendar year 2020. [source: Application, p35]

**Table 5
Level IV Projections for Years 2020 through 2023**

	CY 2020	CY 2021	CY 2022	CY 2023
Discharges	366	386	408	432
ALOS	34.7	34.7	34.7	34.7
Patient Days	12,682	13,404	14,167	14,973
Average Daily Census	34.7	36.7	38.8	41.0
Beds	54	54	54	54
Occupancy	64.3%	68.0%	71.9%	76.0%

The assumptions MultiCare used to project revenue, expenses, and net income for the level IV NICU cost center with 54 bassinets for projection years 2020 through 2023 are below. [source: Application, pp43-45]

- *Models do not include any charge inflation*
- *Recoveries are reported within Other Direct Expenses*

- *The Income Statement reflects hospital-wide financial performance. Cost Center financials include cost center and departmental-level detail. Models have been prepared at the cost center level and aggregated up to the Hospital's Income Statement.*
- *See the Cost Center Forecasts worksheet for Cost Center detail of salaries, professional fees, supplies expense, and other expenses (which includes: benefits, lease/rentals, purchased services, depreciation, less recoveries)*
- *Level II and Level IV NICU, which are included in the Intensive Care Department, are shown separately, then combined with Intensive Care Other. The sum of these two units is the Total Intensive Care projection.*
- *Other Cost Center summary projections include Surgical Services, and 'Other Departments'. Altogether, these Other Cost Centers combined with the Total Intensive Care comprise the hospital-wide totals.*
- *All estimates have been initially based on annualized YTD2017.*
- *Revenues, Supplies Expenses, and Other Direct Expenses directly or indirectly linked to the Level IV NICU have been adjusted to reflect Level IV patient day growth. Depreciation is discussed above. Growth in NICU and other indirectly-related salaries, wages, and benefits is discussed below. All other estimates are held constant at their respective annualized YTD2017 estimates.*
- *See Income Statement Summary for Interest, Insurance, Taxes, and Corporate Expenses (not shown on Cost Center reports).*
- *Corporate Service expense is based on its value of 25% of total operating expense, YTD2017. This percentage relationship is held constant over the forecast period, with and without the project*
- *Interest, insurance, and tax expenses have been held constant at their annualized YTD2017 estimates.*
- *The marginal difference between Without the Project and With the Project forecasts for any revenue or expense class provides the anticipated effect of the Level IV NICU expansion project.*
- *Charity Care has been forecast at 1.70% of gross revenues, with and without the project based on YTD2017 actuals. The 3-year (2013-2015) average for the Puget Sound Region for charity care as a percent of total revenue is 1.82% (see Table 9). However, Charity Care for Puget Sound hospitals as well as Statewide has declined since 2013 (see Table 9). Due to this shift, Tacoma General has projected Charity Care to continue at YTD2017 levels of 1.70%. This is significantly higher than the 2015 Puget Sound regional average of 0.92%.*
- *Bad Debt was 0.366% of gross revenues in YTD2017. The model assumes this bad debt percentage of gross revenues remains constant over the forecast period, with and without the project.*
- *There is no wage inflation assumed-wages per hour and annual salaries per FTE ("full-time equivalent") are assumed constant at 2017 figures.*
- *FTE growth by position (Mgmt., Provider, Nursing, Professional, Support), is based on 2014 - 2017 statistics. Incremental growth is based on growth of Level IV patient days and related Ancillary Services*
- *Salaries and wages and FTE's exclude Corporate Service FTE expenses, which are shown as a purchased expense under corporate service expenses.*

Based on the assumptions above, MultiCare provided the following revenue and expense statement for the hospital with and without the project. The “with” scenario is shown below. [source: Application Exhibit 17

Table 6
Tacoma General/Allenmore Hospital
Projections for Years 2020 through 2023, in thousands

	CY 2020	CY 2021	CY 2022	CY2023
# of NICU Beds	54	54	54	54
Net Revenue	\$768,300	\$771,816	\$775,533	\$779,461
Total Expenses	\$585,685	\$587,414	\$589,245	\$591,179

Net Profit / (Loss)	\$35,875	\$37,199	\$38,595	\$40,072
----------------------------	----------	----------	----------	----------

The ‘Net Revenue’ line item is gross inpatient and outpatient hospital revenue, plus any non-operating revenue. The ‘Total Expenses’ line item includes all expenses related to hospital operations, including all staff salaries/wages and allocated costs from Tacoma General to MultiCare Health System.

Public Comments

None

Rebuttal Comments

None

Department Evaluation

To evaluate this sub-criterion, the department first reviewed the assumptions used by MultiCare to determine the projected number of admissions, patient days, and occupancy of the Level IV NICU. Since TG will continue to be operational during the bed addition project, MultiCare provided its patient days and discharge projections beginning with year 2018 through year 2023. When compared to historical data [years 2015, 2016, and 2017] obtained from the Department of Health’s Hospital and Patient Data Systems’ Hospital Census and Charges Report, the projections are reasonable. The department can reasonably substantiate MultiCare’s assumptions. After reviewing MultiCare’s admission and patient day assumptions for TG, the department concludes they are reasonable.

MultiCare based its revenue and expenses for TG on the assumptions referenced above. MultiCare also used its current operations as a base-line for the revenue and expenses projected for TG as a whole with the additional 14 level IV NICU beds. A review of TG’s fiscal year historical data reported to the Department of Health shows that MultiCare operated TG at a profit for fiscal years 2013 through 2016. [source: DOH Hospital and Patient Data Systems’ Hospital Census and Charges Report-year 2013-2016]

To assist in the evaluation of this sub-criterion, the Department of Health’s Hospital/Finance and Charity Care Program (HFCCP) reviewed the pro forma financial statements submitted by MultiCare for TGAH. To determine whether MultiCare would meet its immediate and long range capital costs, HFCCP reviewed the 2017 historical balance sheet for both MultiCare Health System and Tacoma General. The information shown in Table 7 below is for MultiCare Health System as a whole. [source: HFCCP analysis, p2]

**Table 7
MHS Balance Sheet for Year 2017**

MultiCare 2016			
Assets		Liabilities	
Current	739,171,000	Current	313,657,000
Board Designated	66,703,000	Long Term Debt	976,920,000
Property/Plant/Equipment	1,332,734,000	Other	157,778,000
Other	1,534,349,000	Equity	2,224,602,000
Total	3,672,957,000	Total	3,672,957,000
from application			

For hospital projects, HFCCP provides a financial ratio analysis assesses the financial position of an applicant, both historically and prospectively. The financial ratios typically analyzed are **1)** long-term debt to equity; **2)** current assets to current liabilities; **3)** assets financed by liabilities; **4)** total operating expense to total operating revenue; and **5)** debt service coverage. Historical and projected balance sheet data is used in the analysis. MultiCare Health System’s 2017 balance sheet and TGAH 2017 balance sheets were both used to review applicable ratios and pro forma financial information.

Table 8 compares statewide data for historical year 2017, MultiCare Health System historical year 2017, and projected years 2020 through 2021. [source: HFCCP analysis, p3]

**Table 8
Current and Projected Debt Ratios**

MultiCare			2016	2017	2021	2021	2022	2023
Ratio Category	Trend	State17	MultiCare	TGAH	CONy1	CONy2	CONy3	CONy4
Long Term Debt to Equity	B	0.443	0.439	-	N/A	N/A	N/A	N/A
Current Assets/Current Liabilities	A	3.326	2.357	115.429	N/A	N/A	N/A	N/A
Assets Funded by Liabilities	B	0.372	0.351	0.006	N/A	N/A	N/A	N/A
Operating Expense/Operating Revenue	B	0.980	0.944	0.952	0.762	0.761	0.760	0.758
Debt Service Coverage	A	4.753	6.467	6.539	6.489	6.604	6.725	6.853
Long Term Debt to Equity	Long Term Debt/Equity							
Current Assets/Current Liabilities	Current Assets/Current Liabilities							
Assets Funded by Liabilities	Current Liabilities+Long term Debt/Assets							
Operating Expense/Operating Revenue	Operating Expense/Operating Revenue							
Debt Service Coverage	Net Profit+Depr and Interest Exp/Current Mat. LTD and Interest Exp							*

A is better if above the ratio; and B is better if below the ratio.

After reviewing the financial ratios above, staff from HFCCP provided the following statements. [source: HFCCP analysis, p3]

“CON year 3, (third year following addition of the beds) fiscal year end ratios for TGAH are within acceptable range of the 2017 State average, with the exception of Current Assets to Current Liabilities. That value is below the state average, but within acceptable bounds and demonstrating an improving trend. The hospital is breaking even in each year of the projections. MultiCare ratios are generally within the desired range for this project.

Review of the financial and utilization information show that the immediate and long-range capital expenditure as well as the operating costs can be met.

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

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

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

MultiCare Health System

The capital expenditure associated with the addition of 14 level IV NICU beds is \$6,901,360. The table below shows the breakdown of the costs. [source: Application, p38]

Table 9
Level IV NICU
Estimated Capital Expenditure Breakdown

Item	Total Cost	Percentage of Total
Building Construction	\$3,200,000	46.37%
Fixed Equipment	\$2,160,000	31.30%
Architect/Engineering	\$350,000	5.07%
Consulting	\$430,000	6.23%
Site Prep	\$10,000	0.14%
Supervision and inspection	\$30,000	0.43%
Sales Tax	\$541,360	7.84%
Permits Fees	\$140,000	2.03%
Other Legal	\$40,000	0.58%
Total	\$6,901,360	100.00%

MultiCare provided a letter from Abbott Construction attesting that the costs identified above are reasonable. [source: Application, Exhibit 15]

Since TGAH is currently operational with 40 Level IV NICU beds, no start-up costs are required. [source: Application, p40]

Public Comments

None

Rebuttal Comments

None

Department Evaluation

MultiCare provided a letter from a contractor, attesting that the construction estimate within the application is reasonable. MultiCare confirmed that TG would continue full operations during construction and the addition of 14 level IV NICU beds. As a result, no start-up costs are required.

In its financial review, the HFCCP provided the following information and review regarding the rates proposed by MultiCare for TGAH. [source: HFCCP Program analysis p3-4]

“There are several ways to review hospital newborn cost information. Hospitals report data to DOH through the financial format and the hospital inpatient format. In the financial reporting system, hospitals can report all newborn revenue and expense for delivery and post-partum care under account 6100 Alternative Birth Center or they can report it under 6170 Nursery for the baby only and 6070 Acute Care for the mother. Newborns that need intensive care are reported under 6010 Intensive Care, which also includes Adult and Pediatric patients.

Newborn days in Intensive Care are usually a small percent of the total. I reviewed the hospital inpatient database (CHARS) for comparison data. Revenue Code 0172 is Level II Nursery care , 0173 is Level III Nursery Care, and 0174 is Level IV Nursery Care in the CHARS database. I examined the average charges per day for those discharges that included Revenue Code 0172, 0173, and 0174. The average charge per day in 2017 in CHARS for discharges containing revenue code 0174 was lower than the

applicant's average, but varied too much among different facilities to conclude that the applicant's charges are unreasonable.

Multicare TGAH NICU Only	2020	2021	2022	2023
Rate per Various Items	CONyr1	CONyr2	CONyr3	CONyr4
Admissions	855	876	898	921
Patient Days	19,638	20,360	21,123	21,930
Gross Revenue	172,144,000	178,473,000	185,161,000	192,231,000
Deductions From Revenue	-	-	-	-
Net Patient Billing	172,144,000	178,473,000	185,161,000	192,231,000
Other Operating Revenue	-	-	-	-
Net Operating Revenue	172,144,000	178,473,000	185,161,000	192,231,000
Operating Expense	22,896,000	23,647,000	24,440,000	25,278,000
Operating Profit	149,248,000	154,826,000	160,721,000	166,953,000
Other Revenue	(146,740,000)	(147,203,000)	(147,693,000)	(148,210,000)
Net Profit	2,508,000	7,623,000	13,028,000	18,743,000
Operating Revenue per Admission	\$ 201,338	\$ 203,736	\$ 206,193	\$ 208,720
Operating Expense per Admission	\$ 26,779	\$ 26,994	\$ 27,216	\$ 27,446
Net Profit per Admission	\$ 2,933	\$ 8,702	\$ 14,508	\$ 20,351
Operating Revenue per Patient Day	\$ 8,766	\$ 8,766	\$ 8,766	\$ 8,766
Operating Expense per Patient Day	\$ 1,166	\$ 1,161	\$ 1,157	\$ 1,153
Net Profit per Patient Day	\$ 128	\$ 374	\$ 617	\$ 855
Operating Revenue per Adj Admissions	\$ 201,338	\$ 203,736	\$ 206,193	\$ 208,720
Operating Expense per Adj Admissions	\$ 26,779	\$ 26,994	\$ 27,216	\$ 27,446
Net Profit per Adj Admissions	\$ 2,933	\$ 8,702	\$ 14,508	\$ 20,351
Operating Revenue per Adj Pat Days	\$ 8,766	\$ 8,766	\$ 8,766	\$ 8,766
Operating Expense per Adj Pat Days	\$ 1,166	\$ 1,161	\$ 1,157	\$ 1,153
Net Profit per Adj Pat Days	\$ 128	\$ 374	\$ 617	\$ 855

TGAHs rates are similar to the Washington statewide averages.

MultiCare stated under WAC 246-310-220(1) that the payer mix is not expected to change significantly with the addition of 14 level IV NICU beds. Further, MultiCare stated that all assumptions related to costs and charges are based on current rates at TG with no proposed changes.

Based on the above information, the department concludes that TG's expansion of its level IV NICU would probably not have an unreasonable impact on the costs and charges for healthcare services in Pierce County and surrounding communities. **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.

MultiCare Health System

The total estimated capital expenditure associated with the additional 14 level IV NICU beds is \$6,901,360. Of that amount, approximately 46% is related to construction; 31% is related to both fixed and moveable equipment, and the remaining 23% is for sales tax and fees (consulting, architect, and engineering). [source: Application, pdf29]

MultiCare intends to fund the project using reserves and provided a letter of financial commitment for the project. There are no start-up costs associated with this project. [source: Application, Exhibit 16]

Public Comments

None

Rebuttal Comments

None

Department Evaluation

After reviewing the balance sheet, the HFCCP provided the following statements. [source: HFCCP analysis, p4]

“The CN project capital expenditure is \$6,901,360. TGAH will use existing reserves. This investment represents 0.5% of total assets of the hospital itself as of 2017. The financing methods used are appropriate business practice.”

If this project is approved, the department would attach a condition requiring MultiCare to finance the project consistent with the financing description in the application. With the financing condition, the department concludes **this sub-criterion is met.**

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

Based on the source information reviewed and agreement to the conditions identified in the conclusion section of this evaluation, the department determines that MultiCare Health System met the applicable 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 [full time equivalents] that should be employed for projects of this type or size. Therefore, using its experience and expertise the department concludes that the planning would allow for the required coverage.

MultiCare Health System

TGAH currently provides level IV NICU services within its 40-bed unit. Table 10 provides a breakdown of current and projected FTEs [full time equivalents] for the Level IV NICU. For this table, current year is 2018 and projected years begin with 2020 through 2022, which is the third year following completion of the project. [source: March 13 screening response p14]

Table 10
MultiCare Tacoma General/Allenmore Hospital
Current and Proposed FTEs for Level III NICU

FTE by Type	CY 2018 Current	CY 2022 Increase	Total FTEs
RNs	112.50	29.40	141.90
Lactation Consultants	1.50	1.00	2.50
Health Unit Coordinator	7.00	4.20	11.20
Assistant Nurse Manager	2.00	1.00	3.00
Respiratory Therapist	21.44	8.40	29.84
Total FTEs	144.44	44.00	188.44

In addition to the table above, MultiCare provided the following statements related to this sub-criterion. [source: Application, p49]

“Our current staffing is sufficient for the care of infants up to a Level IV intensity. We have approximately 130 RN FTEs, and an additional 50 RN's that are available on a per diem basis. Approximately 60 RN's are specialty certified. We would draw from our certified nurses to staff our "Small Baby Unit" . With the proposed increase in the number of NICU beds and associated increase in patient days, this unit would require a modest increase in staff. Additional RN's would be brought in and trained through residency to replace our certified nurses that will be working in the new area. We also have Respiratory Therapists, Neonatologists, Neonatal Nurse Practitioners, Case Managers, Social Workers, Neonatal Registered Dietitians, a Neonatal Pharmacist, Lactation Consultants, Occupational Therapy/Speech Therapy, and ancillary staff available, as required.”

Public Comments

The department received letters of support related to this sub-criterion – a representative letter is highlighted below:

Dr. Carol Seaver, Dean, Pacific Lutheran University

“On behalf of Pacific Lutheran University's School of Nursing, I am pleased to provide this letter of support for MultiCare's application for additional Level IV NICU beds at Tacoma General Hospital.

MultiCare is a long standing community partner for our clinical rotations. The experience our students receive at Tacoma General Hospital is invaluable. It prepares them for success in their future health care careers and equips them with the skills and expertise to meet our region's health care needs for years to come.

Based on this partnership and the quality of service provided by MultiCare and Tacoma General, the reasons to support the NICU expansion are numerous. The NICU at Tacoma General has decades of experience in providing care for the region's most fragile newborns. It is the only Level IV NICU in the area and dozens of hospitals rely on its expertise. Additionally, the nationally-accredited Neonatal Transport Team cares for hundreds of babies annually, making sure they safely get to the Level IV NICU care they need.”

Rebuttal Comments

None

Department Evaluation

TGAH currently operates a 40 bed level IV NICU. With an additional 14 level IV NICU beds, staff of the unit would increase by approximately 44 FTEs. The increase in staff coincides with the increase in admissions and patient days for the level IV NICU.

For this project, MultiCare intends to use existing FTEs that may be reassigned from other units and recruiting as necessary. The strategies identified by MultiCare are consistent with those of other applicants reviewed and approved by the department.

Information provided in the application demonstrates that MultiCare is a well-established provider of healthcare services Pierce County and surrounding areas. Information provided in the application demonstrates that MultiCare has the ability and expertise to recruit and retain a sufficient supply of qualified staff for this project.

Washington State Perinatal Levels of Care Guidelines

The department also uses the standards of care guidelines outlined in the Washington State Perinatal Levels of Care Guidelines in evaluating this project. The guidelines, adopted by the Perinatal Advisory Committee, offer recommendations on facility and staffing standards for perinatal and neonatal services within a hospital. The guidelines were initially developed in 1988, and revised in years 1993, 2001, 2005, 2010, 2013, and 2018. When this application was submitted in December 2017, the 2013 Washington State Perinatal Levels of Care Guidelines were effective. In March 2018, the guidelines were updated and are now in effect. For consistency, this application will be reviewed using the guidelines in effect at the time the application was submitted-the 2013 guidelines.⁵

The Perinatal Levels of Care Guidelines recommend that an applicant be providing the previous level of services before applying for the next higher level. Given that TGAH is currently providing both level IV NICU services, this recommendation is met. .

There was one letter of support from a community member, citing that TGAH operates the only Level IV unit in the south sound region. Seattle Children's Hospital provided a letter that identified some concerns with the level of services, primarily that TGAH contracts with Mary Bridge for ECMO services. The CN program consulted with our internal partners regarding the appropriateness of this relationship. Department records do not show that TGAH has been the subject of any disciplinary action for this type of contractual relationship. Based on the above information, the department concludes that MultiCare demonstrated adequate staffing for the level IV NICU at TGAH is available or can be recruited. **This sub criterion is met.**

⁵ Staff from the Perinatal Advisory Committee stated that the majority of the changes from the 2013 to the 2018 guidelines were about updating references in the document. The biggest change is on page 5 of the guidelines under "*Obstetrical Patients: Services and Capabilities.*" The changes focus on the hospital's ability to care for the pregnant woman, hence the reference in the document to MFM or maternal fetal medicine. Staff from the Perinatal Advisory Committee stated there were no concerns with the CN Program's review of this project using the 2013 guidelines since it is an existing level III NICU program.

- (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.

MultiCare Health System

MultiCare provided the following statements related to this sub-criterion. [source: Application, p47]

“Our multidisciplinary team would continue to support the additional beds as stated above. Modest increases in support may be required, but achievable. We have a longstanding relationship with specialty physician groups and other community resources we could draw upon, as required.”

In response to screening, MultiCare clarified that existing relationships would not need to change in order to accommodate the bed capacity increase. [source: March 13 screening response p8]

Public Comments

None

Rebuttal Comments

None

Department Evaluation

TGAH has been providing level IV NICU services in a 40-bed unit since 2014. All ancillary and support services are already in place. With the addition of 14 more NICU bassinets, MultiCare expects some ancillary and support needs may increase.

Based on the information reviewed in the application, the department concludes that there is reasonable assurance that MultiCare will continue to maintain the necessary relationships with ancillary and support services with the addition of NICU beds. The department concludes that approval of this project would not negatively affect existing healthcare relationships. **This sub-criterion is met.**

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

WAC 246-310 does not contain specific WAC 246-310-230(3) criteria as identified in WAC 246-310-200(2)(a)(i). There are known recognized standards as identified in WAC 246-310-200(2)(a)(ii) and (b) that a facility must meet when it is to be Medicare certified and Medicaid eligible. Therefore, using its experience and expertise the department assessed the applicant’s history in meeting these standards at other facilities owned or operated by the applicant.

MultiCare Health System

MultiCare provided the following statements related to this sub-criterion. [source: Application, p49]

“There is no history of the applicant with respect to WAC 248-19-390(5)(a).”

Public Comments

None

Rebuttal Comments

None

Department Evaluation

As part of this review, the department must conclude that the proposed services provided by an applicant would be provided in a manner that ensures safe and adequate care to the public.⁶ To accomplish this task, the department reviewed the quality of care compliance history for the healthcare facilities owned, operated, or managed by MultiCare Health System or its subsidiaries.

Washington State Survey Data

The seven MultiCare hospitals currently operating include Mary Bridge Children’s Hospital and Health Center, Tacoma General/Allenmore Hospital, MultiCare Good Samaritan, MultiCare Auburn Medical Center, MultiCare Deaconess Hospital, MultiCare Valley Hospital, and MultiCare Covington Medical Center.

In the last three years, the hospitals listed above were subject to 9 surveys – none revealed significant non-compliance issues.

In addition to the hospitals, department also reviewed the compliance history for the one ambulatory surgery centers and three in-home service agencies. All of these entities are operational. Using its own internal database, the survey data showed that 6 surveys have been conducted and completed by Washington State surveyors since year 2016. All surveys resulted in no significant non-compliance issues. [source: ILRS survey data and Department of Health Investigations and Inspections Office]

In addition to the facility review above, MultiCare provided the names and provider credential numbers for its current NICU staff. The listing includes registered nurses, nursing assistants, nurse technicians, and respiratory care practitioners, for a total of 144 FTEs. A review of each providers credential revealed no sanctions.

Based on the above information, the department concludes that MultiCare demonstrated reasonable assurance that TGAH would continue to operate in compliance with state and federal requirements if this project is approved. **This sub criterion is met.**

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

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

⁶ WAC 246-310-230(5).

MultiCare Health System

MultiCare provided the following statements related to this review criteria. [source: Application, p48]

“Adding Level IV NICU beds will support continuity of care and the development of a "Small Baby Unit," as discussed above. It will allow for a standard clinical space with focused patient population, staffing, approach, and guidelines, all of which are instrumental for providing breakthrough results to reduce morbidity and mortality in our youngest patients. It also creates an environment of community for our families.

The multidisciplinary team also includes a wide variety of specialty providers, including a dedicated registered dietician ("RD"), Pharmacist, Case Managers and Social workers that will ensure transition through the continuum of care is smooth. The provision of adequate medical services reduces outmigration and reduces fragmentation of care by ensuring vital medical services are available in the community.

Further, the proposed project requests expansion of Tacoma General's existing Level IV NICU program and Southwest Washington's only regional referral center for care of neonates requiring intensive care, up to and including Level IV NICU services. Therefore, the project strongly promotes continuity of care and will not lead to unwarranted fragmentation of services.”

Public Comments

The department received several letters related to quality of care – some came from partner hospitals within TGAH's identified NICU service area. One letter below is a representative sample:

Kristine Gaa, RN-C, BSN, IBCLC Manager, Birth Center, Mason General Hospital

“I am Kristine Gaa, Nurse Manager of the Birth Center at Mason General Hospital and Family of Clinics. The purpose of this letter is to offer support for MultiCare's application to add NICU beds.

Our facility has a very long and successful history collaborating with the NICU at Tacoma General. My personal work-related experiences with the NICU span the entire 18 years I have worked in the Birth Center at Mason General Hospital. I believe it is truly important to accentuate the assets provided by this NICU for outlying facilities such as ours. Our level one nursery is able to mobilize the neonatal transport team, send our compromised newborns to a hospital providing level IV NICU care, and can confidently let new parents know they are receiving the very best for their baby. Without available space within this geographically reasonable resource, many of our families would be unable to travel to be with their infant.

Please consider the specialized needs and rapid growth of this patient population and approve the expansion of the Tacoma General NICU.”

Rebuttal Comments

None

Department Evaluation

Several letters submitted by partner hospitals and community members focused on the necessity to avoid delays in admissions or preventable diversions. These perspectives are valuable for this review.

The letters from mothers of NICU patients provided a different, but equally valuable, perspective. These letters touched on the need for the additional level IV NICU beds at TGAH from the family perspective. These fragile NICU patients receiving the intensive care are better served when there are no delays in admission and families are close enough to bond with their babies. Many of the letters mentioned opportunities for families to participate in daily routine care of the babies.

Information in the application demonstrates that as a current provider of level IV NICU services, TGAH has the basic infrastructure in place to expand the number of NICU beds by 14, to a 54-bed level IV NICU. Additionally, MultiCare provided information within the application to demonstrate it intends to continue existing relationships and establish new relationships as necessary.

Based on the information provided in the application, the department concludes there is reasonable assurance that this project will continue to promote continuity in the provision of health care services in the community with the expanded level IV NICU. **This sub-criterion is met.**

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

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

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

Based on the source information reviewed and agreement to the conditions identified in the conclusion section of this evaluation, the department determines that MultiCare Health System met the applicable cost containment criteria in WAC 246-310-240.

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

If the project has met the applicable criteria in WAC 246-310-210 through 230 criteria, the department then assesses the other options considered by the applicant. If the department determines the proposed project is better or equal to other options considered by the applicant and the department has not identified any other better options this criterion is determined to be met unless there are multiple applications.

If there are multiple applications, the department's assessment is to apply any service or facility superiority criteria contained throughout WAC 246-310 related to the specific project type. The adopted superiority 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 type superiority 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.

MultiCare Health System

Step One

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

Step Two

Before submitting this application, MultiCare considered three other options. The options and MultiCare's rationale for rejecting them is below. [source: Application, pp50-54]

- *Option One : Add fourteen (14) Level IV NICU beds to the existing facility-The Project*
- *Option Two : Add eleven (11) Level IV NICU beds to the existing facility*
- *Option Three: Add twenty-four (24) Level IV NICU beds to the existing facility*
- *Option Four : Postponing the request-Do Nothing*

MultiCare found that adding 11 beds did not adequately address need in the projection period, and adding 24 beds would likely over-bed the community. Therefore these options were rejected. Doing nothing did not increase access, and was also rejected.

Step Three

This step is applicable only when there are two or more approvable projects. MultiCare's application is the only application under review to add level IV NICU beds in Tacoma, within Pierce County. Therefore, this step does not apply.

Public Comments

None

Rebuttal Comments

None

Department Evaluation

Information provided in the application and within public comments demonstrates that that the additional level IV NICU beds are needed at TGAH due to current occupancy constraints of the existing unit. MultiCare discussed the additional staff required to operate an expanded NICU and demonstrated its ability to recruit and retain necessary staff. The application and public comments support that a "do nothing" option was appropriately ruled out by the applicant.

MultiCare provided their own rationale for rejecting the 11 and 24 bed proposals.

An option not considered by MultiCare was to add the 14 bassinets, but to take this capacity out of existing idle capacity at TGAH. Consistent with the discussion under WAC 246-310-210(1), the department has determined that this is the best available alternative for the community. With MultiCare's agreement to the project description and conclusions section of this evaluation, **this sub-criterion is met.**

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

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

MultiCare Health System

“Guidelines for Design and Construction of Hospitals and Outpatient Facilities (2014 edition), published by the Facility Guidelines Institute, has been followed to ensure appropriate space allocation.

[source: Application, p55]

Public Comments

None

Rebuttal Comments

None

Department Evaluation

As part of its analysis, HFCCP provided the following statements regarding the construction costs, scope, and method. [source: HFCCP analysis, p5]

“The costs of the project are the cost for construction, planning and process. TGAH’s projections are below.

TGAH	
Total Capital	\$ 6,901,360
Beds/Stations/Other (Unit)	14
Total Capital per Unit	\$ 492,954.29

The costs shown are within past construction costs reviewed by this office. Also construction cost can vary quite a bit due to type of construction, quality of material, custom vs. standard design, building site and other factors. TGAH is remodeling existing space and will construct the facility to the latest energy and hospital standards.

Staff is satisfied the applicant plans are appropriate.”

Based on the information provided in the application and the analysis from HFCCP, the department concludes **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.

MultiCare Health System

“The proposed project will allow increased staff efficiency with additional Level IV beds. Otherwise, without the project, staff will spend increasing time trying to accommodate additional patients in too few beds. This is inefficient. Without the additional level IV beds for the NICU, the patients of this region will be transported to Portland or Seattle to receive care. This additional, forced out-migration is inefficient since it requires residents to travel further than otherwise for care. This disrupts both patients and their families. Having the proposed additional beds located central to the current NICU and Family Birth center will also support staff efficiency and productivity.”

[source: Application, p54]

Public Comments

None

Rebuttal Comments

None

Department Evaluation

As part of its analysis, HFCCP provided the following statements related to this sub-criterion.
[source: HFCCP analysis, p5]

Staff is satisfied that adding NICU bassinets to the existing facility will not have an unreasonable impact of the costs and charges to the public of providing services by other persons.

The department concludes **this sub-criterion 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.*

MultiCare Health System

“The proposed project will allow increased staff efficiency with additional Level IV beds. Otherwise, without the project, staff will spend increasing time trying to accommodate additional patients in too few beds. This is inefficient. Without the additional level IV beds for the NICU, the patients of this region will be transported to Portland or Seattle to receive care. This additional, forced out-migration is inefficient since it requires residents to travel further than otherwise for care. This disrupts both patients and their families. Having the proposed additional beds located central to the current NICU and Family Birth center will also support staff efficiency and productivity.”

[source: Application, p54]

Public Comments

None

Rebuttal Comments

None

Department Evaluation

This project has the potential to improve delivery of acute care services to the residents of Pierce County and surrounding communities with the addition of level IV NICU beds at TGAH. The department is satisfied the project is appropriate and needed. **This sub-criterion is met.**